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 2022

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BOARD OF DIRECTORS

Executive Directors
Mr. Liu Dong
Mr. Yu Xiangjin

Non-executive Directors
Mr. Chen Hanhong
Mr. Yu Zhoujie *(Chairman)*

Independent Non-executive Directors
Mr. Wu Hong
Mr. David Tsoi
Mr. Wang Chunlin

AUDIT COMMITTEE

Mr. David Tsoi *(committee chairman)*
Mr. Wu Hong
Mr. Wang Chunlin

REMUNERATION COMMITTEE

Mr. David Tsoi *(committee chairman)*
Mr. Wu Hong
Mr. Wang Chunlin
Mr. Yu Zhoujie

NOMINATION COMMITTEE

Mr. Yu Zhoujie *(committee chairman)*
Mr. David Tsoi
Mr. Wu Hong
Mr. Wang Chunlin

AUTHORISED REPRESENTATIVES

Mr. Chen Hanhong
Mr. Yu Zhoujie

JOINT COMPANY SECRETARIES

Mr. Tsang Kwok Wai
Mr. Xin Xingnan

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, 17th Floor
West Tower, Shun Tak Centre
200 Connaught Road Central
Hong Kong

AUDITOR

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31st Floor, Gloucester Tower
The Landmark, 11 Pedder Street
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
17th Floor, Far East Finance Centre
16 Harcourt Road
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 2022.

This year has been an extraordinarily challenging year for us, due to the prolonged effect of epidemic which has caused uncertainties of economy and business as well as the change in consumption pattern of the service industry. Despite the challenges faced by the Group, the Group reported total revenue in the amount of approximately HK$47.2 million and recorded a substantial decrease in loss to HK$13.8 million during the financial year of 2022.

Looking ahead, with the gradual lifting the epidemic related measures in China in December 2022, 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 business management, operational, market development and corporate governance capabilities 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. On behalf of the Board, I would also like to extend my sincere thanks to our shareholders, customers, suppliers, bankers and business associates for their continued support.

Yu Zhoujie
Chairman of the Board

Hong Kong, 30 March 2023

BUSINESS REVIEW

Overview

During the year ended 31 December 2022 (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 Hunnan 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 other permitted medical treatments, 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.

In the third quarter of 2022, the Group resolved to relocate one of its hospitals to another newly-leased premises with bigger area. Through the relocation to bigger premises, the management is hopeful that the Group will be in a better market position to grasp the market share and enhance its operational capacity. The relocation is scheduled to be completed during the second half of 2023.

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 abrupt downturn of the service industry and weakened consumer market as a result of the change in consumption pattern during the epidemic. In addition, during the Year, certain beauty parlors of the Group in Shenzhen were temporarily suspended for business to comply with hygiene control measures under the guidance of local governmental authorities.

Prospect

The prolonged effect of COVID-19 has caused uncertainties of economy and business environment during the past few years. With the gradual lifting the epidemic related measures in China in December 2022, the Group will closely review the latest business and market development and evaluate potential business expansion opportunities as and when they arise. 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. 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.

Events with Impact on the Financial Position and the Business Operations

(i) During the Year, certain beauty parlors of the Group in Shenzhen were temporarily suspended for business to comply with certain hygiene control measures under the guidance of local governmental authorities, having impact on the financial position or the business operations of the Group.

(ii) In the third quarter of 2022, the Group fully settled an outstanding bond payable with accrued interest in the amount of approximately HK$15,000,000.

(iii) In the third quarter of 2022, the Group resolved to relocate one of its hospitals to another newly-leased premises with bigger area to put itself in a better market position to grasp the market share and enhance its operational capacity.

FINANCIAL REVIEW

Revenue

The Group's revenue for the Year was approximately HK$47,236,000 (2021: HK$69,057,000), representing a decrease of approximately 31.60% as compared to last year. The decrease in the revenue was mainly due to uncertainties in the economic and business environment and weakened consumer market in China.

Direct Costs and Operating Expenses

The Group's direct costs and operating expenses for the Year was approximately HK$21,089,000 (2021: HK$31,451,000), representing a decrease of approximately 32.95% as compared to last year. The decrease in the direct costs and operating expenses was generally in line with the decrease in revenue.

Gross Profit and Gross Profit Margin

The Group's gross profit for the Year was approximately HK$26,147,000 (2021: HK$37,606,000), representing a decrease of approximately 30.47% as compared to last year. The Group's gross profit margin for the Year was 55.35% (2021: 54.45%).

Selling Expenses

The Group's selling expenses for the Year amounted to approximately HK$12,647,000 (2021: HK$21,347,000), representing a decrease of approximately 40.76% as compared to last year. The decrease in the selling expenses was generally in line with the decrease in revenue.

Administrative Expenses

The Group's administrative expenses for the Year amounted to approximately HK$23,821,000 (2021: HK$37,441,000), representing a decrease of approximately 36.38% as compared to last year. The decrease in the administrative expenses was mainly attributable to implementation of cost control measures.

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. Management carried out an impairment assessment for the Health and Medical Business, including property, plant and equipment and right-of-use assets, which have an impairment indicator.

The management performed an impairment assessment on the cash-generating unit in respect of the Health and Medical Business 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 years cash flow projections which are discounted using the discount rate of 10.04%; (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 potential adverse impact on the performance of the Health and Medical Business as a result of prolonged effect of the COVID-19 and the latest market development. Impairment losses of goodwill, property, plant and equipment and right-of-use assets in the amounts of approximately HK$Nil (2021: HK$8,566,000), HK$Nil (2021: HK$1,089,000) and HK$Nil (2021: HK$6,348,000), respectively, were recognised in the consolidated statement of profit or loss for the Year.

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. Management carried out an impairment assessment for the Beauty and Wellness Business, including property, plant and equipment and right-of-use assets, which have an impairment indicator.

The management performed an impairment assessment on the cash-generating unit in respect of Beauty and Wellness Business 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 years cash flow projections which are discounted using the discount rate of 13.2%; (b) a terminal value calculated using a discount rate of 3%; and (c) the latest financial forecast figures provided by the management of Beauty and Wellness Business taking into account the potential adverse impact on the performance of the Beauty and Wellness Business as a result of prolonged effect of the COVID-19 and the latest market development. Impairment losses of the trademark user right and technical know-how, property, plant and equipment and right-of-use assets in the amounts of approximately HK$1,295,000 (2021: HK$11,027,000), HK$651,000 (2021: HK$7,480,000) and HK$1,039,000 (2021: HK$12,623,000), respectively, were recognised in the consolidated statement of profit or loss for the Year.

Finance Costs

The Group's finance costs for the Year amounted to approximately HK$3,330,000 (2021: HK$4,189,000). 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 from continuing operations was approximately HK$13,814,000 (2021: HK$73,409,000).

Profit for the Year from Discontinued Operations

The Group's net profit for the Year from discontinued operations was HK$Nil (2021: HK$1,149,000).

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

Date of announcement	Fund raising activity	Net proceeds raised	Unutilized equity fund raising proceeds brought forward from previous years and the intended use of proceeds	Actual use of proceeds
3 April 2019	The Company issued 754,716,981 ordinary shares to Jumbo Faith at the subscription price of HK$0.212 per under specific mandate, which was completed on 3 April 2019	Approximately HK$156 million	As to the remaining net proceeds of approximately HK$15 million being set aside for the cash redemption of the Qianhai 2016 CB maturing in April 2019.	Fully utilized as intended during the Year. Further details are disclosed in Note 29 to the consolidated financial statements.
15 December 2020	The Company issued and allotted 1,649,736,733 ordinary shares under the rights issue on the basis of one rights share for every one existing share held on the record date at the subscription price of HK$0.06 per rights share. The rights issue became unconditional on 9 December 2020.	Approximately HK$95.9 million	As to the remaining net proceeds of HK$80.9 million for the potential acquisitions, expansion and equipment purchase of the Group's hospital business. Subsequent to the period end, the Board resolved to change the use of proceeds of HK$19 million out of the remaining net proceeds for 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.	By the end of 31 December 2022, approximately HK$3,474,000 (equivalent to RMB3,068,000) was used for relocation of a hospital of the Health and Medical Business of the Group in China. 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. Pending the clarification of market reactions under the reform of medicine and health care systems, the Group does not intend to commit to any substantial acquisition or expansion plans under any specified timeline prematurely.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2022, the Group had total assets of approximately HK$168,637,000 (31 December 2021: HK$214,813,000) and debts of approximately HK$72,517,000 (31 December 2021: HK$83,107,000), giving rise to a leverage ratio (defined as debt to total assets) of approximately 43.00% (31 December 2021: 38.69%).

As at 31 December 2022, the Group had net current assets of approximately HK$41,784,000 (31 December 2021: HK$61,353,000), being the surplus of current assets of approximately HK$99,745,000 (31 December 2021: HK$137,891,000) over the current liabilities of approximately HK$57,961,000 (31 December 2021: HK$76,538,000), giving rise to a current ratio of approximately 1.72 (31 December 2021: 1.80).

As at 31 December 2022, the Group had cash and bank balances of approximately HK$81,742,000 (31 December 2021: HK$110,743,000).

GEARING RATIO

As at 31 December 2022, the gearing ratio of the Group (defined as debt to equity) was approximately 139% (31 December 2021: 125%). 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 2022.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES

The Group had no material acquisition or disposal of subsidiaries during the Year. The Group disposed of the Integrated Financial Business in March 2021 for an aggregate cash consideration of HK$5,500,000 and recorded a gain on disposal in the amount of approximately HK$1,900,000.

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 2022.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2022.

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 2021, the year ended 31 December 2022 and up to the date of this report.

(A) Share Capital

Details of the movements of the share capital for the Year and the year ended 31 December 2021 are set out in Note 24 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.

No share options were granted under the New Share Option Scheme for the Year and the year ended 31 December 2021 and there were no outstanding share options as at 31 December 2022 and 2021. 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.

(C) Convertible Bonds

There were no outstanding convertible bonds as at 31 December 2022 and 2021.

DIVIDEND

The Directors do not recommend the payment of any dividend for the Year (2021: Nil).

HUMAN RESOURCES

As at 31 December 2022, the Group has 180 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.

LITIGATION

Save as disclosed below, 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 during the Year and up to the date of this report:

The Company issued 8% per annum convertible bonds to Hong Kong Qian Hai Financial Group Limited ("**HK Qianhai Financial**") in an aggregate principal amount of HK$12,000,000 (the "**2016 CB**") carrying conversion right to convert into the shares of the Company. The 2016 CB matured on 15 April 2019 without conversion. At or around the maturity date of the 2016 CB, the Company received conflicting instructions from Mr. Zhang Xuejun (張學軍) ("**Mr. Zhang**") and another entity named 深圳市前海盛尊華龍控股有限公 司 (Shenzhen Qianhai Shengzun Hualong Holdings Co., Ltd.) ("**Shengzun Hualong**"), both purporting to have the authority from the holder of the 2016 CB and each purporting to give different payment instructions to the Company regarding the recipient of the cash redemption amount. Shengzun Hualong commenced legal action against Mr. Zhang, HK Qianhai Financial and the Company (the "**Litigation**") seeking to recover the cash redemption amount of the 2016 CB. The Company has now received the second instance judgment handed down by Guangdong Shenzhen Intermediate People's Court (the "**Court**"), confirming the first instance judgment, under which the Court ruled that the subscription agreement in respect of the 2016 CB were entered into with the Company by Mr. Zhang, under the entrustment of Shengzun Hualong and sub-delegating to be entered in the name of HK Qianhai Financial, and ordering the Company to pay the principal and interest in the aggregate amount of RMB12.88 million directly to Shengzun Hualong. The Court also supported the Company's case that the delay in repayment was due to no fault on the part of the Company, such that the Company shall not be responsible for any late penalty. The Court ordered that the late penalty payable to Shengzun Hualong shall be borne by Mr. Zhang. After receiving the above judgement, the Group fully settled the principal amount and accrued interest in the aggregate amount of approximately HK$15,000,000 to Shengzun Hualong in the third quarter of 2022.

EXECUTIVE DIRECTORS

Mr. Liu Dong ("Mr. Liu"), aged 54, was appointed as an executive Director on 13 July 2018. 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.

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.

Mr. Yu Xiangjin ("Mr. Yu XJ"), aged 47, 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 71, 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 20 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. Yu Zhoujie ("Mr. Yu ZJ"), aged 26, was appointed as a non-executive Director on 16 July 2020 and the Chairman of the Board, the committee chairman and a member of both of the nomination committee and the remuneration committee of the Company on 25 March 2021. Mr. Yu ZJ graduated from The Pennsylvania State University with a degree of Bachelor of Science. 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 the son of Ms. Zhou Cuiqiong who is sole shareholder of Jumbo Faith International Limited, the 56.08% controlling shareholder of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wu Hong ("Mr. Wu"), aged 63, was appointed as an independent non-executive Director on 7 November 2011, a member of the audit committee of the Company on 7 November 2011, a member of the remuneration committee and nomination committee of the Company on 30 June 2017. Mr. Wu previously was 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 75, 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 Alliott, 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 Guru Online (Holding) Limited (stock code: 8121), VPower Group International Holdings Limited (stock code: 1608), 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 59, 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 2022 (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 33 to the consolidated financial statements.

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

BUSINESS REVIEW

The business review of the Group for the Year are 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 2022 (2021: HK$Nil).

SHARE CAPITAL

Movements in the share capital of the Company during the Year are set out in Note 24 to the consolidated financial statements.

DISTRIBUTABILITY 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 33 to the consolidated financial statements, respectively.

As at 31 December 2022, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$Nil (2021: HK$Nil).

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group during the Year are set out in Note 16 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeem 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. Liu Dong
Mr. Yu Xiangjin

Non-executive Directors

Mr. Chen Hanhong
Mr. Yu Zhoujie *(Chairman)*

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:

Executive Directors	Service agreement commencement date	Service period	Notice period for termination by either party
Mr. Liu Dong	13 July 2021	3 years	1 month
Mr. Yu Xiangjin	16 July 2020	3 years	1 month

Non-executive Directors	Appointment letter commencement date	Service period	Notice period for termination by either party
Mr. Chen Hanhong	16 July 2020	3 years	1 month
Mr. Yu Zhoujie *(Chairman)*	16 July 2020	3 years	1 month

Independent Non-executive Directors	Appointment letter commencement date	Service period	Notice period for termination by either party
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 12 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 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.

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 2022, 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 of 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:

1. 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

2. The percentages are calculated based on the total number of 659,894,693 issued shares as at 31 December 2022.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2022, 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:

1. 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:

   (a) 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

   (b) 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.

2. 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.

3. The percentages are calculated based on the total number of 659,894,693 issued shares as at 31 December 2022.

Save as disclosed above, as at 31 December 2022, 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.

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 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 and the year ended 31 December 2021 and there were no outstanding share options as at 31 December 2022 and 2021. 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.

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.

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. The Group implements green office practices such as promoting using recycled paper and reducing energy consumption by switching off idle lightings and electrical appliances. 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 14 to the Listing Rules. Currently, the audit committee consists of three independent non-executive Directors, namely Mr. David Tsoi (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, 30 March 2023

CORPORATE GOVERNANCE

Corporate governance is essential to the sustainable success of the Company and all stakeholders of a company can benefit from high standards of corporate governance with greater transparency and accountability.

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 2022 (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 14 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 and 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 overseas 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.

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.

During the Year and up to the date of this report, the Board comprises Mr. Liu Dong and Mr. Yu Xiangjin as executive Directors; Mr. Chen Hanhong and Mr. Yu Zhoujie (Chairman) 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 relationships), between board members.

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 have appropriate professional qualifications and related experience in financial matters.

The Company has received written annual confirmation from each of incumbent independent non-executive Director 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.

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.

One of the independent non-executive Directors, namely, Mr. David Tsoi, is holding 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 Directors is required to inform the Company as soon as practicable if there is any change in his/her own personal particulars that may materially affect his/her 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; and

(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.

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 10 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 C1.4 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:

Directors	**Type of trainings** *(Notes)*
Executive Directors	
Mr. Liu Dong	b
Mr. Yu Xiangjin	b
Non-executive Directors	
Mr. Chen Hanhong	b
Mr. Yu Zhoujie *(Chairman)*	b
Independent Non-executive Directors	
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. 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 mainly 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.

Mr. Yu Zhoujie, a non-executive Director of the Company, has been the Chairman of the Board since 25 March 2021.

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 is 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.

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 majority of the members of each Board committee are 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 will participate in deciding his/her 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.

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 right and compensation payable; and

(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:

	Number of Individuals
HK$Nil-HK$500,000	3
HK$500,000 or above	2

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 reappointment of Directors.

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, one (1) Remuneration Committee meeting, and one (1) annual general meeting held on 9 June 2022. 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
Executive Directors					
Mr. Liu Dong	5/5	–	–	–	1/1
Mr. Yu Xiangjin	5/5	–	–	–	1/1
Non-executive Directors					
Mr. Chen Hanhong	5/5	–		–	1/1
Mr. Yu Zhoujie *(Chairman)*	5/5	–	2/2	1/1	1/1
Independent Non-executive Directors					
Mr. Wu Hong	5/5	2/2	2/2	1/1	1/1
Mr. David Tsoi	5/5	2/2	2/2	1/1	1/1
Mr. Wang Chunlin	5/5	2/2	1/2	1/1	1/1

ANNUAL GENERAL MEETING

The annual general meeting (the "**2022 AGM**") of the Company for the Year was duly held on 9 June 2022. At the 2022 AGM, Mr. Chen Hanhong, Mr. Wu Hong and Mr. David Tsoi 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 on 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 and 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, a 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 candidate, 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 2022 was 36:144 (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 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.

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 adopts 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 adopts an Anti-Fraud and Anti-Corruption Policy, setting out guidelines and the minimum standards of conducts, the applicable laws and regulation, 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 of the 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$1,250,000 for audit service and HK$Nil for non-audit service.

SHAREHOLDERS’ RIGHTS

Procedure 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, is 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. During the year, there was no significant change in the constitutional documents.

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.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. 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.

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 Shareholders' Communication 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.

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.

CONSTITUTIONAL DOCUMENTS

The Memorandum and Articles of Association are available on the websites of the Company and the Stock Exchange. No significant change is made to the Company's constitutional documents during the Year.

In compliance with the amended Appendix 3 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 will be proposed at the forthcoming annual general meeting.

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.

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 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**HKEx Appendix 27 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 2022 ("**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 2022 to 31 December 2022, the financial period of the Group's Annual Report 2022.

Organizations covered: Green International Holdings Limited and its subsidiaries.

Reference Guidelines

HKEx Appendix 27 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
- **Official website:** http://www.irasia.com/listco/hk/greeninternational/

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 dedicated to provide customers 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 corporate 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.

Management Structure

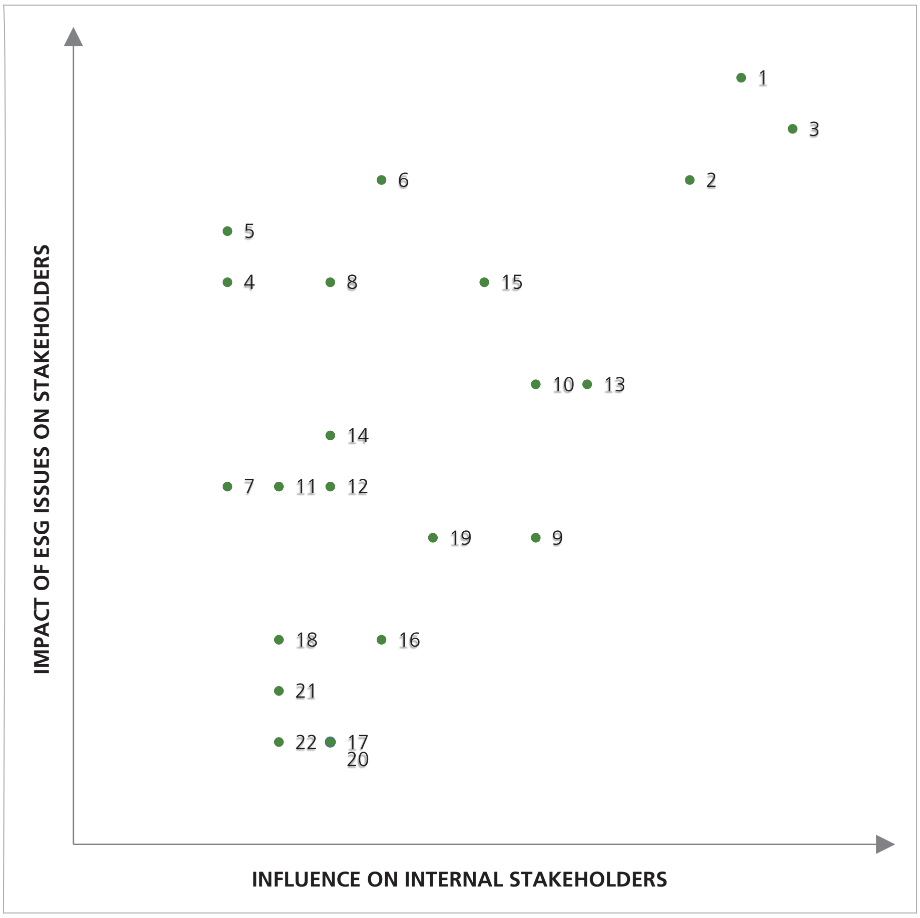
The overall ESG strategy is directly managed by the board of the Company ("**Board**") which has put in place direct governance procedures to implement ESG policies. The Board is also responsible for the determination and approval of ESG strategies, policies and guidelines for implementation.

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 meets its potential growth and be prepared for future challenges.

Stakeholders	Engagement Channels
Government and regulatory agencies	• Publication of notices, circulars, interim and annual reports • Policy consultation
Shareholders	• Annual General Meeting • Special General Meeting • Email, telephone communication and corporate website • Publication of notices, circulars, interim and annual reports
Potential Investors	• Meetings • Conferences • Email, telephone communication and corporate website
Employees	• Meetings • Employee survey • Staff activities
Customers	• On-site feedback
Suppliers	• Meetings • On-site visits

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 to 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 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 and 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. Emissions

The Group has strictly followed all laws and regulations and improves its emission management. Apart from the use of electricity, vehicular emission is the other major source of emission from the Group's business. In order to better control the emission, the vehicles owned by the Group are required to qualify for the latest emission standards to achieve better fuel efficiency and lower exhaust gas emission. Moreover, the Group has also introduced guidelines for the use of vehicles, such as carpooling and reduce driving frequencies.

1.1. 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 workshop 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.

Major Gas Emission Indicators

Direct Emissions	Unit	Consumption in 2022	Consumption in 2021
Carbon Dioxide (CO_2)	Tonnes	205.67	226.27
Methane (CH_4)	Tonnes	0.00	0.01
Nitrous Oxide (N_2O)	Tonnes	0.00	0.01
Nitrogen Oxides (NO_x)	Tonnes	0.00	0.01
Sulphur Oxides (SO_x)	Tonnes	0.00	0.01
Particulate Matter (PM)	Tonnes	0.00	0.01

Total Greenhouse Gas Emissions	Unit	Consumption in 2022	Consumption in 2021
Direct emission from combustion	t-CO_2 eq.	0.00	0.01
Direct emission from vehicles	t-CO_2 eq.	208.52	228.10
Indirect emission from electricity consumption	t-CO_2 eq.	407.74	425.12

Emission Intensity (per employee)	Unit	Consumption in 2022	Consumption in 2021
Direct emission from combustion	t-CO_2 eq.	0.00	0.01
Direct emission from vehicles	t-CO_2 eq.	1.20	1.25
Indirect emission from electricity consumption	t-CO_2 eq.	2.34	1.07

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 targets to 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.

1.2. 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 are strictly followed the "Regulation on the Administration of Medical Wastes".

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 reduction in the hazardous waste during the Report Period was due to decrease 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

Waste Types	**Unit**	**Consumption in 2022**	**Consumption in 2021**
Hazardous Waste	Tonnes	40.41	70.36
Non-Hazardous Waste	Tonnes	3.7	5.7

Waste Intensity (per employee)	**Unit**	**Consumption in 2022**	**Consumption in 2021**
Hazardous Waste	Tonnes	0.23	0.39
Non-Hazardous Waste	Tonnes	0.02	0.03

The Group continues to record and assess its usage of medical supplies and paper for setting their corresponding use efficiency targets in the future.

1.3. 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 examples, 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.

2. 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 reduction of electricity consumption during the Report Period was due to the decrease of opening of the beauty workshops under the movement control measures in the PRC.

Resource Consumption Units

Resource Consumption	**Unit**	**Consumption in 2022**	**Consumption in 2021**
Electricity	Kilowatt Per Hour	519,418.00	696,800.00
Non-renewable fuel	Litre	78,695.00	86,575.10
Water	Tonnes	33,298.00	27,335.72
Packaging materials	Tonnes	6.10	6.80

Resource Consumption Intensity (Per Employee)	**Unit**	**Consumption in 2022**	**Consumption in 2021**
Electricity	Kilowatt Per Hour	2,985.16	3,828.57
Non-renewable fuel	Litre	452.27	473.09
Water	Tonnes	191.37	149.38
Packaging materials	Tonnes	0.04	0.04

The Group targets to reduce its electricity consumption by 5% by 2026 on the 2021 basis through the use of energy efficient equipment and educating employees to adopt energy saving measures mentioned in Section 1.1. Gas Emission above.

3. 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 has introduced measures, which have mentioned above, to ensure the operation of the medical services and wellness services causing minimum environmental impact, as well as complying to all national and local environmental laws and regulations.

4. Climate Change

Climate change is one of the most crucial issues of the past decade. The Group has been closely monitoring the risk and capturing the opportunities from climate change. Investments will be allocated and prioritized to address the main climate related risk, which will enable the Group to smoothly transit and thrive in a low-carbon economy. The Group identified that the following climate risks might have potential impacts on the Group's business:

4.1. Physical Risk

The changing climate has caused an increase in extreme weather events such as wildfires and floods, resulting in a disruption of the supply and pricing of paper. In order to contain the risk, the Group has implemented strategies to increase their reliance on recycled paper and reduce the reliance on a single paper supplier. This way, the Group will be less vulnerable to the fluctuations in the market caused by climate-related issues. Additionally, by focusing on recycled paper, the Group is taking action to help reduce the environmental impact of their operations, showing their commitment to sustainability.

4.2. Transition Risk

The Group acknowledges that corporate sustainability policies and reporting requirements are a major source of potential transition risk and takes steps to mitigate this risk. To do so, the Group engages in regular reviews and analyses of local and international reporting requirements, and also engages independent sustainability consultants to strengthen ESG reporting and data gathering processes. By doing so, the Group demonstrates a commitment to minimising the potential negative impacts of transitioning to more rigorous sustainability standards.

SOCIAL PERFORMANCE

1. Employment

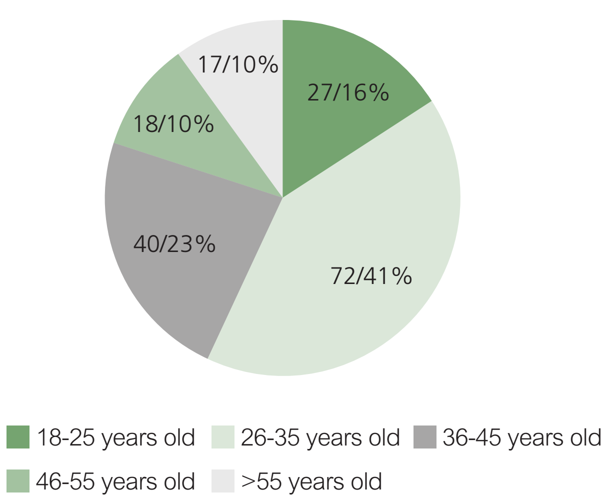
The Group has strictly complied with national regulations, such as *the Labour Law of the PRC, the Labour Contract Law of the PRC, the Employment Promotion Law of the PRC, the Labour Dispute Mediation and Arbitration Law of the PRC, the Regulation on the Annual Leave of Employees* and local labour laws 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 on 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, antidiscrimination, 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.

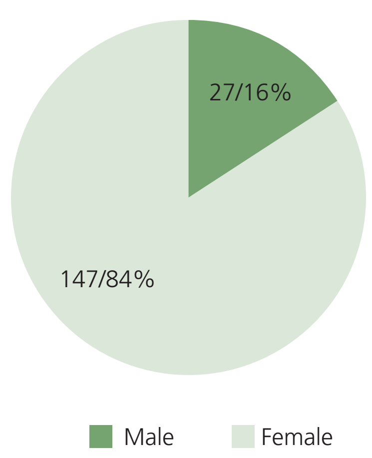
During the Reporting Period, the Group was not aware of any material non-compliance with those applicable laws and regulations relating to employment.

In 2022, the Group employed 171 full time staff and 3 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, 2022

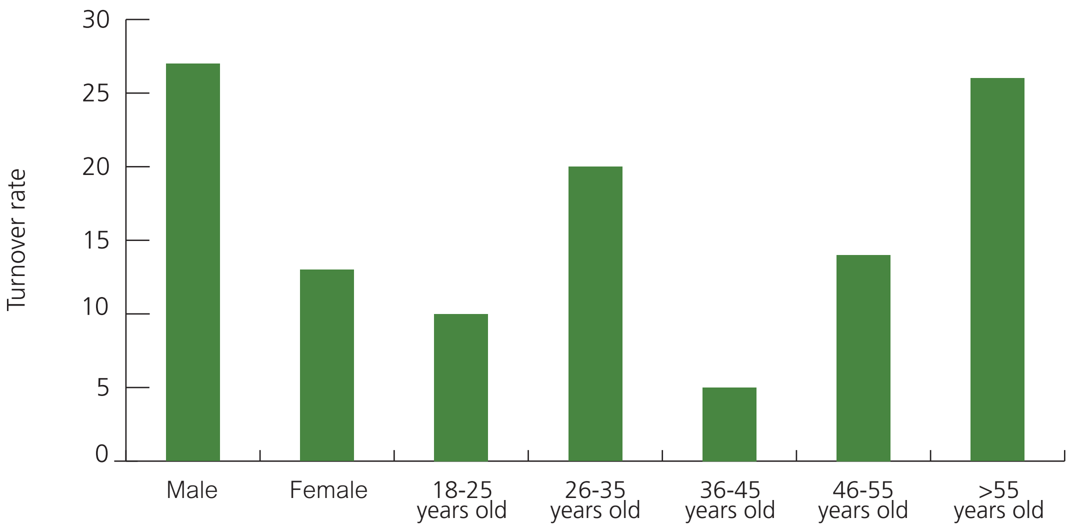


Number and percentage of staff by gender, 2022



In 2022, the overall employee turnover rate of the group was 16%. Employee turnover rates categorized by gender and age group are shown below.

Employee turnover rate by gender and age group, 2022



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 products handling to ensure they could be fully aware of the job-related risks. In addition, emergency training and drills, such as fire drills, fire prevention training, are also provided to all employees to enhance employee's preparedness when sudden safety incidents arise.

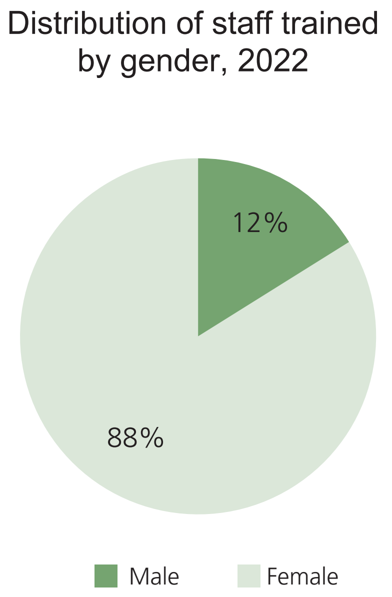
In each of the past three years, including the current reporting year, the Group was not aware of any work-related fatalities, lost days due to work injury and any violations of the PRC health and safety laws and regulations.

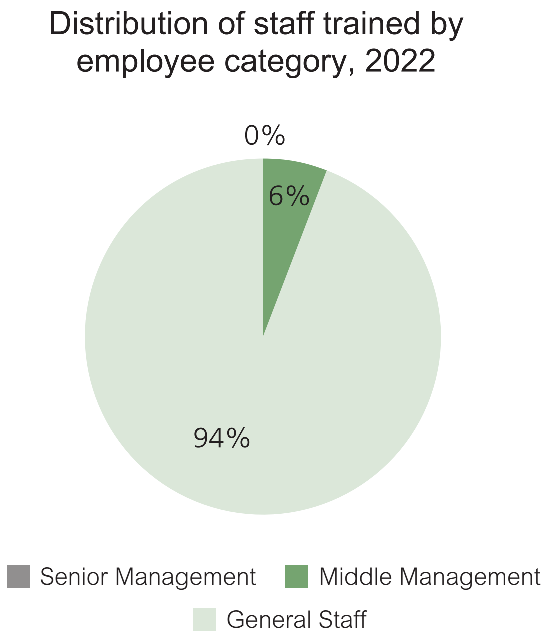
3. Development and Training

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.

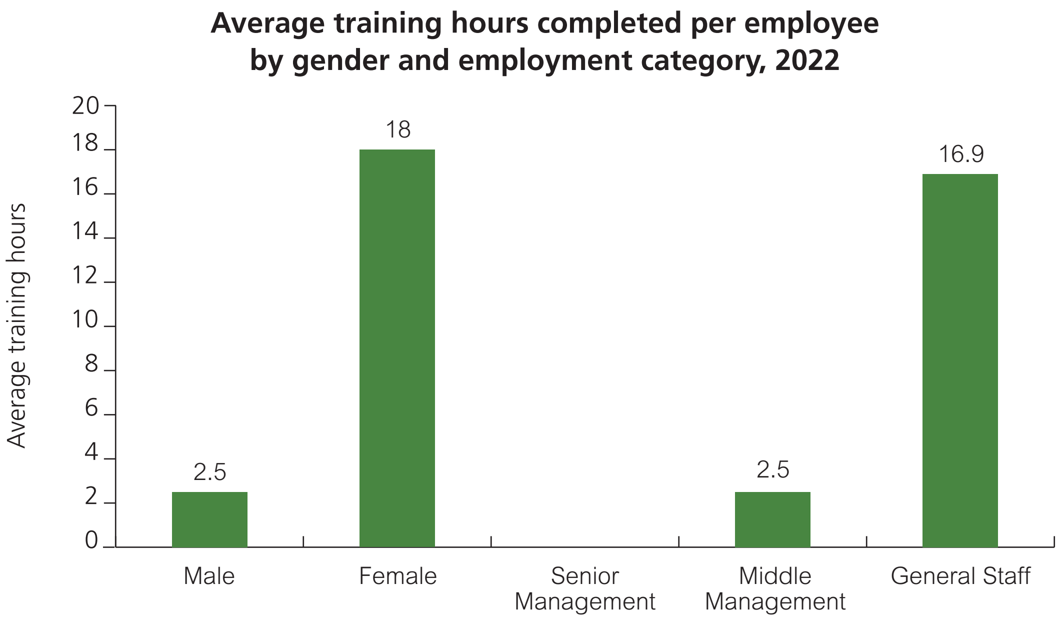
In addition, the Group sponsors employees to attend external training and educational programs, in order to further support their career development.

For the year ended 31 December 2022, approximately 46.6% 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.





For the year ended 31 December 2022, the average training hours per employee are approximately 16.0 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 2022, 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 2022. 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 the 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.

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 in 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 7 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.

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 formation, 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 the 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.

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 were 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;
- 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 RMB3,500, and RMB500 to initiatives related to education and health, respectively. With the development of the new hospital division, the Group will devote more resources to local community investment.

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F, Gloucester Tower
The Landmark
11 Pedder Street
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 57 to 132, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and 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.

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	How our audit addressed the key audit matter
Impairment assessment on trademark user right and technical know-how, property, plant and equipment and right-of-use assets, in respect of the Group's beauty and wellness business segment Refer to Notes 16, 17 and 18 to the consolidated financial statements As at 31 December 2022, the Group had trademark user right and technical know-how, right-of-use assets and property, plant and equipment related to the beauty and wellness business segment of approximately HK$10,219,000, HK$8,199,000 and HK$4,136,000 respectively. Management performed impairment assessment of the beauty and wellness business segment 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$1,295,000, HK$1,039,000 and HK$651,000 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.	Our procedures in relation to management's impairment assessment included but not limited to: • 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.

Key Audit Matter	How our audit addressed the key audit matter
Impairment assessment on property, plant and equipment and right-of-use assets of the health and medical business segment	
Refer to Notes 16 and 17 to the consolidated financial statements	
As at 31 December 2022, the Group had property, plant and equipment and right-of-use assets related to the health and medical business segment of approximately HK$5,303,000 and HK$36,936,000 respectively. Management performed impairment assessment of health and medical business segment and concluded that no impairment loss was recognised on the property, plant and equipment and right-of-use assets. 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.	Our procedures in relation to management's impairment assessment included but not limited to: • Evaluating the independent valuer's competence, capabilities and objectivity; • Assessing management's identification of 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 THE 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, 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.

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

As part of an audit in accordance with HKSAs, 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.

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, 30 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Continuing operations:			
Revenue	6	**47,236**	69,057
Direct costs and operating expenses		**(21,089)**	(31,451)
Gross profit		**26,147**	37,606
Other incomes, gains and losses, net	7	**2,779**	(563)
Selling expenses		**(12,647)**	(21,347)
Administrative expenses		**(23,821)**	(37,441)
Impairment loss of goodwill	18	**–**	(8,566)
Impairment loss of trademark user right and technical know-how	18	**(1,295)**	(11,027)
Impairment loss of property, plant & equipment	16	**(651)**	(8,569)
Impairment loss of right-of-use assets	17	**(1,039)**	(18,971)
Finance costs	8	**(3,330)**	(4,189)
Loss before income tax	9	**(13,857)**	(73,067)
Income tax credit/(expenses)	10	**43**	(342)
Loss for the year from continuing operations		**(13,814)**	(73,409)
Discontinued operations:			
Profit for the year from discontinued operations	11	**–**	1,149
Loss for the year		**(13,814)**	(72,260)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Notes	2022 *HK$'000*	2021 *HK$'000*
Attributable to owners of the Company			
— Loss from continuing operations		**(13,229)**	(70,329)
— Profit from discontinued operations		**–**	1,149
		(13,229)	(69,180)
Attributable to non-controlling interest:			
— from continuing operations		**(585)**	(3,080)
— from discontinued operations		**–**	–
		(585)	(3,080)
Loss for the year		**(13,814)**	(72,260)
Loss per share for loss for the year attributable to the equity holders of the Company			
— From continuing operations			
Basic and diluted (HK cents per share)	*14*	**(2.00)**	(10.66)
— From continuing and discontinued operations			
Basic and diluted (HK cents per share)	*14*	**(2.00)**	(10.48)

The notes on pages 64 to 132 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 2022

	2022 *HK$'000*	2021 *HK$'000*
Loss for the year	**(13,814)**	(72,260)
Other comprehensive (expenses)/income, net of tax		
— Exchange differences arising during the year	**(966)**	280
Total comprehensive expenses for the year	**(14,780)**	(71,980)
Total comprehensive expenses for the year attributable to:		
— Equity holders of the Company	**(14,064)**	(68,939)
— Non-controlling interests	**(716)**	(3,041)
	(14,780)	(71,980)
Total comprehensive (expenses)/income for the year attributable to:		
— from continuing operations	**(14,780)**	(73,129)
— from discontinued operations	**–**	1,149
	(14,780)	(71,980)

The notes on pages 64 to 132 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*16*	**9,459**	13,461
Right-of-use assets	*17*	**45,302**	51,947
Trademark user right and technical know-how	*18*	**10,219**	11,514
Prepayments	*22*	**3,912**	–
		68,892	76,922
Current assets			
Inventories	*19*	**7,689**	9,319
Trade receivables	*21*	**2,855**	11,137
Prepayments, deposits and other receivables	*22*	**7,459**	6,692
Bank balances and cash	*23*	**81,742**	110,743
		99,745	137,891
Total assets		**168,637**	214,813
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	*24*	**131,979**	131,979
Reserves		**(79,792)**	(65,728)
		52,187	66,251
Non-controlling interests		**2,348**	3,064
Total equity		**54,535**	69,315

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
LIABILITIES			
Non-current liabilities			
Bonds payables	25	5,366	4,897
Lease liabilities	30	49,754	62,912
Deferred tax liabilities	26	1,021	1,151
		56,141	68,960
Current liabilities			
Trade payables	27	4,599	4,255
Contract liabilities	28	189	3,599
Accruals and other payables	29	40,589	56,113
Lease liabilities	30	12,581	12,552
Tax payable		3	19
		57,961	76,538
Total liabilities		114,102	145,498
Total equity and liabilities		168,637	214,813
Net current assets		41,784	61,353
Total assets less current liabilities		110,676	138,275

Approved and authorised for issue by the board of directors on 30 March 2023 and signed on its behalf by:

Mr. Liu Dong
Director

Mr. Yu Xiangjin
Director

The notes on pages 64 to 132 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to the equity holders of the Company						
	Share capital *HK$'000*	Share premium *HK$'000*	Exchange reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
As at 1 January 2021	131,979	895,647	11,634	(904,070)	135,190	6,105	141,295
Loss for the year	–	–	–	(69,180)	(69,180)	(3,080)	(72,260)
Exchange differences arising during the year	–	–	241	–	241	39	280
	–	–	241	(69,180)	(68,939)	(3,041)	(71,980)
As at 31 December 2021 and 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)**
As at 31 December 2022	**131,979**	**895,647**	**11,040**	**(986,479)**	**52,187**	**2,348**	**54,535**

The notes on pages 64 to 132 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Cash flows from operating activities			
Cash used in operations	*31*	**(12,709)**	(136)
Profits tax paid		**(103)**	(1,472)
Net cash used in operating activities		**(12,812)**	(1,608)
Cash flows from investing activities			
Additions to property, plant and equipment	*16*	**(357)**	(3,674)
Interest received		**527**	155
Net cash inflow on disposal of subsidiaries	*11(a),(b)*	**–**	2,739
Net cash generated from/(used in) investing activities		**170**	(780)
Cash flows from financing activities			
Interest paid		**(2,545)**	(3,375)
Repayment of lease liabilities		**(12,724)**	(13,630)
Redemption of bonds payable		**–**	(9,751)
Net cash used in financing activities		**(15,269)**	(26,756)
Net decrease in cash and cash equivalents		**(27,911)**	(29,144)
Cash and cash equivalents at 1 January		**110,743**	139,788
Effects of exchange rate changes on balances denominated in foreign currencies		**(1,090)**	99
Cash and cash equivalents at 31 December		**81,742**	110,743

The notes on pages 64 to 132 are an integral part of these 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 30 March 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Basic 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 HKAS 16 (since 1 January 2019) or HKAS 17 (before application of HKAS 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.

2.3 Application of Amendments to Hong Kong Financial Reporting Standards

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for their annual reporting period commencing 1 January 2022 for the preparation of consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

2.4 New and Amendments to HKFRS in issued but not yet effective

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1	Non-current Liabilities with Covenants[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

[1] Effective for annual periods beginning on or after 1 January 2023.
[2] Effective for annual periods beginning on or after a date to be determined.
[3] Effective for annual periods beginning on or after 1 January 2024.

The 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.

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 is power to affect is returns.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Basis of consolidations *(Continued)*

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 right 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 right 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 or HK(IFRIC)-Int 21, 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 acquire 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(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 entities 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 non-controlling 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 applicate, 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 quality 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 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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Foreign currency translation *(Continued)*

(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.

(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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 that its estimated recoverable amount (Note 2.12).

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Financial instruments *(Continued)*

Financial assets *(Continued)*

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Financial instruments *(Continued)*

Financial assets *(Continued)*

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.

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;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Financial instruments *(Continued)*

Financial assets *(Continued)*

Significant increase in credit risk (Continued)

- 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; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

The Group 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Financial instruments *(Continued)*

Financial assets *(Continued)*

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Financial instruments *(Continued)*

Financial assets *(Continued)*

Measurement and recognition of ECL *(Continued)*

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

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.

Financial liabilities at amortised cost

Financial liabilities (including trade payables, other payables and accruals, lease liabilities and bond payables) 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 Current and deferred income tax *(Continued)*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets arising from deductible temporary differences associated with such investments are recognised only to the extent that it is probable the temporary difference will reverse in the foreseeable future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Employee benefits *(Continued)*

(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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 leasee. All other leases are classified as operating leases.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Leases *(Continued)*

As a lessee *(Continued)*

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Leases *(Continued)*

As a lessee *(Continued)*

Lease liabilities (Continued)

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

(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;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Related parties *(Continued)*

(b) *(Continued)*

(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.

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.

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

3.1 Financial risk factors *(Continued)*

(a) ***Foreign exchange risk*** *(Continued)*

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	
	2022	2021	**2022**	2021
	HK'000	*HK'000*	***HK'000***	*HK'000*
Renminbi ("**RMB**")	**11,116**	18,941	**105,005**	116,858

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

The following table details the Group's sensitivity to a 5% (2021: 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% (2021: 5%) against RMB. For a 5% (2021: 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	
	2022	2021
	HK'000	*HK'000*
Renminbi ("**RMB**")	**3,521**	4,088

(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.

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

3.1 Financial risk factors *(Continued)*

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

Trade receivables (Continued)

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 2022 and 2021 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.

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

	Other receivables *HK$'000*
At a 1 January 2021	883
Allowance for expected credit losses	385
Effect of foreign currency exchange difference	29
As at 31 December 2021 and 1 January 2022	**1,297**
Allowance for expected credit losses	**1,176**
Effect of foreign currency exchange difference	**(108)**
As at 31 December 2022	**2,365**

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.

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

3.1 Financial risk factors *(Continued)*

(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.

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	1 to 2 years	Over 2 years	Total undiscounted cash flow	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2022						
Trade payables	–	4,599	–	–	4,599	4,599
Accruals and other payables	8.0%	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
		60,330	19,752	40,990	121,072	112,889
As at 31 December 2021						
Trade payables	–	4,255	–	–	4,255	4,255
Accruals and other payables	8.0%	56,391	–	–	56,391	56,113
Lease liabilities	3.6%	15,171	15,179	55,437	85,787	75,464
Bond payable	13.24%	–	–	6,000	6,000	4,897
		75,817	15,179	61,437	152,433	140,729

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

3.1 Financial risk factors *(Continued)*

(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.

The Group has no significant in interest-bearing liabilities at floating rates. As at 31 December 2022, the Groups has bonds payables, other borrowing and lease liabilities (2021: 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 25, 29 and 30 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 (which includes bank loan) 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 2022 and 2021 were as follows:

	2022 *HK'000*	2021 *HK$'000*
Debt (i)	**72,517**	83,107
Equity (ii)	**52,187**	66,251
Gearing ratio	**139.0%**	125.4%

(i) Debt includes bonds payables, other borrowing and lease liabilities.

(ii) Equity includes all capital and reserves of the Group.

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), 21 and 22.

(b) Income taxes

The Group is subject to income taxes in the PRC and Hong Kong. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which determination is made.

(c) 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 2022, the carrying amounts of right-of-use assets and property, plant and equipment amounted to HK$45,302,000 and HK$9,459,000 (2021: HK$51,947,000 and HK$13,461,000), respectively. For the year ended 31 December 2022, impairment losses of approximately HK$1,039,000 and HK$651,000 (2021: HK$18,971,000 and HK$8,566,000) 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 17 and 16.

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

(d) Impairment of trademark user right and technical know-how and goodwill

The Group determines whether trademark user right and technical know-how and goodwill 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 goodwill 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 and goodwill at December 2022 was HK$10,219,000 and HK$Nil, respectively (2021: HK$11,514,000 and HK$Nil). For the year ended 31 December 2022, impairment loss of approximately HK$1,295,000 and HK$Nil (2021: HK$11,027,000 and HK$8,566,000) was recognised for technical know-how and goodwill respectively. Further details are disclosed in Note 18.

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 clubhouse(which was closed in 2021), hemodialysis center and hospital; and

(b) the beauty and wellness segment, which is engaged in selling of beauty and wellness products and related services.

The information reported below does not include any amounts for the discontinued operation, which are disclosed more detail in Note 11 to the consolidated financial statements.

The discontinued operations represents the operations of the financial segment which was previously engaged in securities brokerage, advising on securities and asset management businesses but were discontinued by the Group upon the disposal of Green Securities Limited and Green Asset Management Limited in March 2021.

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 decision-maker.

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.

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:

	Health and medical business *HK$'000*	Beauty and wellness business *HK$'000*	Total *HK$'000*
For the year ended 31 December 2022			
The PRC			
— At a point in time	**31,806**	**15,430**	**47,236**

	Health and medical business *HK$'000*	Beauty and wellness business *HK$'000*	Total *HK$'000*
For the year ended 31 December 2021			
The PRC			
— At a point in time	39,930	29,127	69,057

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 2022 and 2021, no single customer's revenue accounted for more than 10% of the Group's total revenue.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

5.2 Results by operating segments are as follows:

	2022 *HK$'000*	2021 *HK$'000*
Continuing operations:		
Health and medical business *(Note (i))*	**658**	(19,557)
Beauty and wellness business *(Note (ii))*	**(2,399)**	(33,250)
Total net operating loss by operating segments	**(1,741)**	(52,807)
Unallocated corporate expenses, net	**(7,610)**	(15,686)
Net allowance of expected credit loss on other receivables	**(1,176)**	(385)
Finance costs	**(3,330)**	(4,189)
Loss before income tax	**(13,857)**	(73,067)
Income tax credit/(expenses)	**43**	(342)
Loss for the year from continuing operations	**(13,814)**	(73,409)

Notes:

(i) For the year ended 31 December 2022, impairment loss of goodwill, property, plant and equipment and right-of-use assets of approximately HK$Nil (2021: HK$8,566,000), HK$Nil (2021:HK$1,089,000) and HK$Nil (2021:HK$6,348,000) respectively and loss on disposal of property, plant and equipment of approximately HK$19,000 (2021:HK$143,000) were included within the health and medical business segment.

(ii) For the year ended 31 December 2022, impairment loss of trademark user right and technical know-how, property, plant and equipment and right-of-use assets of approximately HK$1,295,000 (2021: HK$11,027,000), HK$651,000 (2021: HK$7,480,000) and HK$1,039,000 (2021:HK$12,623,000) respectively were included within the beauty and wellness business segment.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

5.3 Other segment information are as follows:

	2022 *HK$'000*	2021 *HK$'000*
Continuing operations:		
Amounts included in the segment results:		
Depreciation and amortization:		
— Health and medical business	**5,215**	6,319
— Beauty and wellness business	**4,441**	9,684
	9,656	16,003
— Unallocated	**1,005**	787
	10,661	16,790
Addition to non-current assets:		
— Health and medical business	**5,417**	691
— Beauty and wellness business	**83**	18,538
	5,500	19,229
— Unallocated	**1,184**	6
	6,684	19,235

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

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 *HK$'000*	Beauty and wellness business *HK$'000*	Unallocated corporate assets *HK$'000*	Total *HK$'000*
As at 31 December 2022				
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

	Health and Medical Business *HK$'000*	Beauty and wellness business *HK$'000*	Unallocated corporate assets *HK$'000*	Total *HK$'000*
As at 31 December 2021				
Hong Kong	–	–	109,544	109,544
The PRC	64,261	41,008	–	105,269
Segment total assets	64,261	41,008	109,544	214,813

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 *HK$'000*	Beauty and wellness business *HK$'000*	Unallocated corporate assets *HK$'000*	Total *HK$'000*
As at 31 December 2022				
Hong Kong	–	–	188	188
The PRC	46,149	22,555	–	68,704
Segment total non-current assets	46,149	22,555	188	68,892

	Health and medical business *HK$'000*	Beauty and wellness business *HK$'000*	Unallocated corporate assets *HK$'000*	Total *HK$'000*
As at 31 December 2021				
Hong Kong	–	–	9	9
The PRC	45,408	31,505	–	76,913
Segment total non-current assets	45,408	31,505	9	76,922

6. REVENUE

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

An analysis of revenue by types of services is as follows:

	2022 *HK$'000*	2021 *HK$'000*
Continuing operations:		
Health and medical business	**31,806**	39,930
Beauty and wellness business	**15,430**	29,127
Total revenue recognised at a point in time	**47,236**	69,057

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 INCOMES, GAINS AND LOSS, NET

	2022 *HK$'000*	2021 *HK$'000*
Continuing operations:		
Bank interest income	**960**	155
Government subsidy *(Note)*	**693**	682
Sundry income	**198**	416
Rent Concession	**947**	–
Loss on early release of bonds payable	**–**	(1,673)
Loss on disposal of property, plant and equipment	**(19)**	(143)
	2,779	(563)

Note: 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. During the year ended 31 December 2021, the Group recognized government grant of approximately HK$682,000 which was derived from the government tax policy in PRC.

8. FINANCE COSTS

	2022 *HK$'000*	2021 *HK$'000*
Continuing operations:		
Interest expenses:		
— Bonds payable	**469**	1,162
— Other borrowing	**316**	199
— Lease liabilities	**2,545**	2,828
	3,330	4,189

9. LOSS BEFORE INCOME TAX

Loss from continuing operations has been arrived at after charging:

	2022 *HK$'000*	2021 *HK$'000*
Continuing operations:		
Auditors' remuneration	**1,250**	1,650
Depreciation of property, plant and equipment	**2,514**	5,304
Depreciation of right-of-use assets	**8,147**	11,486
Merchandise purchased and movements in inventories	**15,436**	20,054
Employee benefit expenses	**22,188**	29,189
Net allowance of expected credit loss on other receivables	**1,176**	385

10. INCOME TAX (CREDIT)/EXPENSES

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.

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

	2022 *HK$'000*	2021 *HK$'000*
Continuing operations:		
Current taxation		
PRC enterprise income tax		
— Current year	87	1,445
Deferred taxation	(130)	(1,103)
	(43)	342

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 2022 and 2021.

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:

	2022 *HK$'000*	2021 *HK$'000*
Loss before income tax	(13,857)	(62,492)
Calculated at Hong Kong Profits tax rate of 16.5% (2021: 16.5%)	(2,286)	(10,311)
Effect of different tax rates in other jurisdictions	(294)	(1,002)
Income not subject to tax	(161)	(130)
Expenses not deductible	687	7,840
Tax effect of tax losses not recognised	2,011	3,945
Income tax (credit)/expense	(43)	342

11. DISCONTINUED OPERATIONS

(a) On 9 March 2021 and 19 March 2021, the Group entered into sale and purchase agreements to dispose of two subsidiaries, namely, Celestial Radiant Limited (including its wholly owned subsidiary, Green Securities Limited) and World Path Limited (including its wholly owned subsidiary, Green Asset Management Limited), (collectively, the "**Integrated Finance Business**") which were principally engaged in securities brokerage, advising on securities and asset management. The disposals were completed on 11 March 2021 and 24 March 2021 respectively beyond which the Group no longer had control of the Integrated Finance Business and had passed control to the respective acquirers.

The profit for the period from the discontinued operations of the Integrated Finance Business is set out below.

Profit/(loss) for the period from discontinued operations was as follows:

	2021 *HK$'000*
Loss for the period of the Integrated Finance Business	(751)
Gain on disposal of the Integrated Finance Business	1,900
Profit from discontinued operations	1,149

The results of the Integrated Finance Business for the period from 1 January 2021 to the respective disposal dated 11 March 2021 and 24 March 2021, which have been included in the consolidated statement of profit or loss and other comprehensive income/statement of profit or loss of the Group were as follows:

	2021 *HK$'000*
Revenue	4
Administrative expenses	(755)
Loss for the period	(751)

11. DISCONTINUED OPERATIONS *(Continued)*

(a) *(Continued)*

Loss for the year/period from discontinued operations includes the following:

	2021
	HK$'000
Depreciation of property, plant and equipment	5
Depreciation of right-of-use assets	63
Employee benefit expenses	384

Analysis of the cash flow of discontinued operations is as follows:

	2021
	HK$'000
Net cash used in operating activities	(637)
Net cash generated from investing activities	2
Net cash used in from financing activities	(64)
Net cash outflow	(699)

(b) (i) On 9 March 2021, the Group entered into a sale and purchase agreement to dispose of Celestial Radiant Limited (including its wholly owned subsidiary, Green Securities Limited). The disposal was completed on 11 March 2021. Summary of the effects of the disposal is as follows:

	HK$'000
Consideration:	
Consideration received in respect of premium	2,900
Consideration received in respect of reimbursement of net assets value	6,296
Total consideration in cash	9,196

11. DISCONTINUED OPERATIONS *(Continued)*

(b) (i) *(Continued)*

Analysis of assets and liabilities over which control was lost:

	HK$'000
Non-current assets	
Property, plant and equipment	29
Right-of-use assets	285
	314
Current assets	
Prepayment, deposits and other receivables	814
Bank balances — trust and segregated accounts	1,651
Bank balances (general accounts) and cash	5,461
	7,926
Current liabilities	
Trade payables	1,651
Lease liabilities	292
Other payables	1
	1,944
Net asset disposed	6,296
Gain on disposal of subsidiaries	
Consideration received in cash	9,196
Net assets disposed	(6,296)
Transaction costs of disposal	(1,900)
Gain on disposal of subsidiaries	1,000
Net cash inflow on disposal of subsidiaries	
Consideration received in cash	9,196
Less: cash and bank balance disposal of	(5,461)
Less: transaction costs of disposal	(1,900)
Net cash inflow	1,835

11. DISCONTINUED OPERATIONS *(Continued)*

(b) (ii) On 19 March 2021, the Group entered into a sale and purchase agreement to dispose of World Path Limited (including its wholly owned subsidiary, Green Asset Management Limited). The disposal was completed on 24 March 2021. Summary of the effects of the disposal is as follows:

	HK$'000
Consideration:	
Consideration received in respect of premium	2,600
Consideration received in respect of reimbursement of net assets value	3,898
Total consideration in cash	6,498

Analysis of assets and liabilities over which control was lost:

	HK$'000
Current assets	
Prepayment, deposits and other receivables	4
Bank balances (general accounts) and cash	3,894
Net asset disposed	3,898
Gain on disposal of subsidiaries	
Consideration received in cash	6,498
Net assets disposed of	(3,898)
Transaction costs of disposal	(1,700)
Gain on disposal of subsidiaries	900
Net cash inflow on disposal of subsidiaries	
Consideration received in cash	6,498
Less: cash and bank balance disposal of	(3,894)
Less: transaction costs of disposal	(1,700)
Net cash inflow	904

12. EMPLOYEE BENEFIT EXPENSES

	2022	2021
	HK$'000	*HK$'000*
Wages, salaries and other short-term employee benefits	21,874	28,843
Pension costs — defined contribution plans	314	346
	22,188	29,189

(a) Directors' emoluments

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

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

12. EMPLOYEE BENEFIT EXPENSES *(Continued)*

(a) Directors' emoluments *(Continued)*

The remuneration of each Director for the year ended 31 December 2021 is set out below:

Name of Director	Fees	Salaries, allowances and benefits in kind	Employer's contribution to pension scheme	Share options	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
YU, Qigang *(Note(ii))*	–	1,046	9	–	1,055
LIU, Dong	–	180	9	–	189
YU, Xiangjin	–	505	8	–	513
Non-executive Directors					
CHEN, Hanhong	360	–	–	–	360
YU, Zhoujie *(Chairman)* *(Note(i))*		180	9	–	189
Independent Non-executive Directors					
WU, Hong	180	–	–	–	180
TSOI, David	180	–	–	–	180
WANG, Chunlin	180	–	–	–	180
	900	1,911	35	–	2,846

Notes:

(i) Appointed as non-executive director on 16 July 2020 and appointed as a Chairman on 25 March 2021

(ii) Retired on 7 June 2021.

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.

12. 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 2022 including 2 Directors (2021: 3), whose emoluments are disclosed in Note 12(a). Details of emoluments of the remaining 3 (2021: 2) individuals are as follows:

	2022 *HK$'000*	2021 *HK$'000*
Wages, salaries and other short-term employee benefits	**1,890**	1,524
Pension costs — defined contribution plans	**54**	36
	1,944	1,560

The emoluments are within the following bands:

	Number of individuals	
	2022	2021
Nil–HK$1,000,000	**3**	2

13. 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$52,255,000 (2021: HK$46,061,000) (Note 33(c)).

14. LOSS PER SHARE

For continuing operations:

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

	2022	2021
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of basic and diluted loss per share	**(13,229)**	(70,329)
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares in issue	**659,895**	659,895
Loss per share		
Basic and diluted loss per share *(HK cents) (Note)*	**(2.00)**	(10.66)

For continuing and discontinued operations:

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

	2022	2021
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of basic and diluted loss per share	**(13,229)**	(69,180)
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares in issue	**659,895**	659,895
Loss per share		
Basic and diluted loss per share *(HK cents) (Note)*	**(2.00)**	(10.48)

Note: The basic loss per share was same as diluted loss per share as there is no potential ordinary shares in issue in 2022 and 2021.

14. LOSS PER SHARE *(Continued)*

For discontinued operations:

For the year ended 31 December 2021, basic earnings per share from discontinued operations attributable to owners of the Company based on the profit for the year from discontinued operations of approximately HK$1,149,000 is 0.18 HK cents.

15. DIVIDENDS

No dividend in respect of the year ended 31 December 2022 (2021: Nil) is to be proposed at the forthcoming annual general meeting.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Office equipment furniture and fixtures *HK$'000*	Transportation vehicles *HK$'000*	Total *HK$'000*
At 1 January 2021					
Cost	41,679	33,648	7,151	1,263	83,741
Accumulated depreciation and impairment	(27,695)	(26,540)	(5,163)	(1,152)	(60,550)
Net book amount	13,984	7,108	1,988	111	23,191
Year ended 31 December 2021					
Opening net book amount	13,984	7,108	1,988	111	23,191
Disposal of subsidiaries *(Note 11(b))*	(12)	–	(17)	–	(29)
Additions	2,217	1,333	124	–	3,674
Depreciation *(Note 9)*	(2,558)	(1,950)	(791)	(10)	(5,309)
Disposal	–	(105)	(27)	(11)	(143)
Impairment loss for the year	(4,927)	(3,318)	(279)	(45)	(8,569)
Exchange realignment	672	28	(57)	3	646
At 31 December 2021	9,376	3,096	941	48	13,461
31 December 2021					
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

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Office equipment furniture and fixtures *HK$'000*	Transportation vehicles *HK$'000*	Total *HK$'000*
At 1 January 2022					
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
Year ended 31 December 2022					
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)
At 31 December 2022	7,249	1,546	630	34	9,459
At 31 December 2022					
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

Depreciation expense for the year ended 31 December 2022 of approximately HK$1,067,000 (2021: HK$1,949,000) and HK$1,447,000 (2021: HK$3,360,000) have been recognised as selling expenses and administrative expenses, respectively.

During the year ended 31 December 2022, an impairment loss of approximately HK$651,000 (2021: HK$8,569,000) was recognised in respect of health and medical and beauty and wellness business segment. Please refer to Note 18 for detail of impairment tests.

17. RIGHT-OF-USE ASSETS

	Plant and machinery *HK$'000*	Leased Properties *HK$'000*	Total *HK$'000*
As at 31 December 2022			
Carrying amount	**24,442**	**20,860**	**45,302**
As at 31 December 2021			
Carrying amount	**29,018**	**22,929**	**51,947**
For the year ended 31 December 2022			
Depreciation charge	**(2,418)**	**(5,729)**	**(8,147)**
Impairment loss for the year	**–**	**(1,039)**	**(1,039)**
Additions *(Note)*	**–**	**6,327**	**6,327**
Exchange realignment	**(2,158)**	**(1,628)**	**(3,786)**
For the year ended 31 December 2021			
Depreciation charge	**(2,915)**	**(8,634)**	**(11,549)**
Impairment loss for the year	**(4,783)**	**(14,188)**	**18,971)**
Additions *(Note)*	**–**	**15,561**	**15,561**
Disposal of subsidiaries *(Note 11(b))*	**–**	**(285)**	**(285)**
Exchange realignment	**1,106**	**1,057**	**2,163**

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 2022 of approximately HK$8,147,000 (2021: HK$11,549,000) have been recognized as administrative expenses.

During the year ended 31 December 2022, an impairment loss of approximately HK$1,039,000 (2021: HK$18,971,000) was recognized in respect of health and medical and beauty and wellness business segment. Please refer to Note 18 for detail of the impairment tests.

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

	Trademark user right and technical know-how *HK$'000* *(Note (a))*	Goodwill *HK$'000* *(Note (b))*	Total *HK$'000*
At 31 December 2021			
Cost	222,222	54,232	276,454
Accumulated amortisation and impairment	(210,708)	(54,232)	(264,940)
Net book amount	11,514	–	11,514
Year ended 31 December 2021			
Opening net book amount	22,541	8,566	31,107
Impairment loss	(11,027)	(8,566)	(19,593)
Closing net book amount	11,514	–	11,514
At 31 December 2022			
Cost	**222,222**	**54,232**	**276,454**
Accumulated amortisation and impairment	**(212,003)**	**(54,232)**	**(266,235)**
Net book amount	**10,219**	**–**	**10,219**
Year ended 31 December 2022			
Opening net book amount	**11,514**	**–**	**11,514**
Impairment loss	**(1,295)**	**–**	**(1,295)**
Closing net book amount	**10,219**	**–**	**10,219**

18. 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% (2021: 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 17.56% (2021: 16.70%). 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 2022, an impairment loss of approximately HK$1,295,000, HK$1,039,000 and HK$651,000 (2021: HK$11,027,000, HK$12,623,000 and HK$7,480,000) 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.

Particular of impairment testing on goodwill are disclosed below:

Goodwill has been allocated for impairment testing purposes to the following cash-generating units:

Health and medical business

Before recognition of impairment loss, the carrying amount of goodwill was allocated to cash-generating units as follows:

	2022 ***HK$'000***	2021 *HK$'000*
Health and medical business	**54,232**	54,232

For the year ended 31 December 2021, the recoverable amount of goodwill, right-of-use assets and property, plant and equipment of the Group's health and medical business determined based on a value in use calculation by reference to the valuation report issued by an independent valuer. The cash flow projection based on financial budgets approved by the Directors and valued by the professional valuer covering a five year period, and pre-tax discount rate of 11.8% per annum. Cash flows beyond that five-year period have been extrapolated using a steady 3%growth rate. This growth rate does not exceed the long-term average growth rate for the market.

The key assumptions used in the value-in-use calculations are as follows:

Budgeted market share	Average market share in the period immediately before the budget period. The values assigned to the assumption reflect past experience.
Budgeted gross margin	Average gross margins achieved in the period immediately before the budget period which reflects the past experience.

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

Notes: (Continued)

During the year ended 31 December 2021, the goodwill was fully impaired with an impairment loss of approximately HK$8,566,000 and approximately HK$6,348,000 and HK$1,089,000 was recognised in respect of the right-of-use assets and property, plant and equipment within the health and medical segment respectively. In the opinion of the Directors, the main factor contributing to the impairment loss was due to the prolonged effect of the COVID-19 on the health and medical business and the latest market trend and environment.

19. INVENTORIES

	2022	2021
	HK$'000	*HK$'000*
Raw materials and consumables	**7,689**	9,319

The cost of inventories recognized as expenses and included in cost of sales during the year ended 31 December 2022 amounted to approximately HK$15,436,000 (2021: HK$20,054,000) (Note 9).

20. FINANCIAL INSTRUMENTS BY CATEGORY

	2022	2021
	HK$'000	*HK$'000*
Financial assets		
at amortised cost		
Trade and other receivable, excluding prepayments	**9,722**	17,281
Bank balances (general accounts) and cash	**81,742**	110,743
	91,464	128,024

	2022	2021
	HK$'000	*HK$'000*
Financial liabilities		
at amortised cost		
Bonds payables	**5,366**	4,897
Lease liabilities	**62,335**	75,464
Trade and other payables	**45,188**	60,368
	112,889	140,729

21. TRADE RECEIVABLES

	2022 *HK$'000*	2021 *HK$'000*
Trade receivables	**2,855**	11,137

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.

Ageing analysis

The ageing analysis of trade receivables, based on invoice dates, as at 31 December 2022 and 2021 are as follows:

	2022 *HK$'000*	2021 *HK$'000*
Within 30 days	**2,220**	5,156
31–60 days	**192**	1,080
61–90 days	**117**	1,202
91–180 days	**135**	3,496
Over 180 days	**191**	203
	2,855	11,137

Management assessed the credit quality of the trade receivables in the amount of approximately HK$2,529,000 (31 December 2021: HK$7,438,000) that are neither past due nor impaired by reference to the repayment history of those customers.

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

Trade receivables are denominated in the following currencies:

	2022 *HK$'000*	2021 *HK$'000*
Renminbi	**2,855**	11,137

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022	2021
	HK$'000	*HK$'000*
Prepayments	**4,504**	548
Other deposits paid	**2,823**	2,326
Other receivables	**5,976**	5,106
Interest receivables	**433**	9
	13,736	7,989
Less: Allowance for expected credit losses on deposits and other receivables *(Note)*	**(2,365)**	(1,297)
	11,371	6,692
Less: Non-current portion of prepayments	**(3,912)**	–
Current portion of prepayments, deposits and other receivables	**7,459**	6,692

Notes: 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 2022 and 2021 was detailed in Note 3.1(b).

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

	2022	2021
	HK$'000	*HK$'000*
Hong Kong dollars	**1,187**	2,074
Renminbi	**10,184**	4,618
	11,371	6,692

23. CASH AND BANK BALANCES

	2022 *HK$'000*	2021 *HK$'000*
Bank balances and cash *(Note)*	**81,742**	110,743

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

Cash and cash equivalents are denominated in the following currencies:

	2022 *HK$'000*	2021 *HK$'000*
Hong Kong dollars	**70,662**	104,913
Renminbi	**11,080**	5,830
	81,742	110,743

24. SHARE CAPITAL

Details of the movements of the share capital for the years ended 31 December 2022 and 2021 are set out as follows:

	Number of shares		Nominal value	
	2022 *Number*	2021 *Number*	2022 *HK'000*	2021 *HK'000*
Authorised capital:				
As at 1 January	**1,000,000,000**	5,000,000,000	**200,000**	200,000
Share consolidation *(Note)*	**–**	(4,000,000,000)	**–**	–
As at 31 December	**1,000,000,000**	1,000,000,000	**200,000**	200,000
Issued and fully paid:				
As at 1 January	**659,894,693**	3,299,473,466	**131,979**	131,979
Share consolidation *(Note)*	**–**	(2,639,578,773)	**–**	–
As at 31 December	**659,894,693**	659,894,693	**131,979**	131,979

Note: The share consolidation became effective on 22 January 2021 on the basis of every five issued and unissued ordinary shares of par value HK$0.04 each in the share capital of the Company being consolidated into one consolidated share of par value HK$0.20 each.

25. BONDS PAYABLES

Details on the movements of the bonds payables for the years ended 31 December 2022 and 2021 are set out as follows:

	HK$'000
As at 1 January 2021	12,313
Interest paid	(500)
Interest expense	1,162
Loss on early release of bonds payable	1,673
Redemption of bond	(9,751)
As at 31 December 2021	**4,897**
Interest expense	**469**
As at 31 December 2022	**5,366**

As at 31 December 2022 and 2021, 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 10.55% to 13.24% per annum.

The fair value of each of the bonds at issue was calculated using market interest rates for equivalent bonds. The difference between the fair value at issue and the net proceeds received was recognized within other income and loss in the consolidated statements of profit or loss.

26. DEFERRED TAX LIABILITIES

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

	Trademark user right and technical know-how
	HK$'000
At 1 January 2021	2,254
Charged to consolidated statement of profit or loss *(Note 10)*	(1,103)
As at 31 December 2021	**1,151**
Charged to consolidated statement of profit or loss *(Note 10)*	**(130)**
As at 31 December 2022	**1,021**

No deferred tax asset has been recognized due to unpredictability of future profit streams.

27. TRADE PAYABLES

	2022	2021
	HK$'000	*HK$'000*
Trade payables	**4,599**	4,255

Ageing analysis

The ageing analysis of trade payables, based on invoice dates, as at 31 December 2022 and 2021 are as follows:

	2022	2021
	HK$'000	*HK$'000*
Within 30 days	**2,154**	1,934
31–60 days	**1,435**	1,496
61–90 days	**782**	279
91–180 days	**63**	439
Over 180 days	**165**	107
	4,599	4,255

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

27. TRADE PAYABLES *(Continued)*

Trade payables are denominated in the following currencies:

	2022 *HK$'000*	2021 *HK$'000*
Renminbi	**4,599**	4,255

28. CONTRACT LIABILITIES

	2022 *HK$'000*	2021 *HK$'000*
Receipts in advance	**189**	3,599

	HK$'000
Movements in contract liabilities:	
As at 1 January 2021	–
Increase in contract liabilities excluding amounts recognised as revenue during the year	3,599
As at 31 December 2021 and 1 January 2022	**3,599**
Decrease in contract liabilities excluding amounts recognised as revenue during the year	**(3,410)**
As at 31 December 2022	**189**

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.

29. ACCRUALS AND OTHER PAYABLES

	2022 *HK$'000*	2021 *HK$'000*
Bond payable *(Note (i))*	–	14,835
Accruals	5,493	7,792
Other borrowings *(Note (ii))*	4,816	2,746
Other payables *(Note (iii))*	30,280	30,740
	40,589	56,113

Notes:

(i) On 15 April 2016, the Company issued 8% per annum convertible bonds to Hong Kong Qian Hai Financial Group Limited in an aggregate principal amount of HK$12,000,000 (the "**Qianhai CB**") carrying conversion right to convert into 40,000,000 shares at the conversion price of HK$0.30 per share (after adjustment) maturing on 15 April 2019. As disclosed in the Company's announcement dated 20 December 2019, the Company was capable and willing to honour its contractual obligations under the Qianhai CB but due to conflicting instructions given by Zhang Xuejun and Shenzhen Qianhai Shengzun Hualong Holdings Co., Ltd. as to the recipient of cash payment, the redemption process was delayed without any fault on the part of the Company, pending the resolution of litigation and dispute amongst the various parties. After the date of maturity of Qianhai CB on 15 April 2019, the bond was no longer convertible into shares of the Company. Therefore, the Qianhai CB in an aggregate principal amount of HK$12,000,000 and accrued interest of approximately HK$2,835,000 was reclassified to accruals and other payables as bond payable in the consolidated statement of financial position as at 31 December 2021. Pursuant to the Court's order upon the resolution of litigation, the Group fully settled the principal amount and accrued interest of the bond payable in the aggregate amount of approximately HK$15,000,000 to Shengzun Hualong Holdings Co., Ltd. In the third quarter of 2022.

(ii) As at 31 December 2022, other borrowings were unsecured loans from independent third parties, carrying interest rate of 8% (2021: 8%) and repayable on demand.

(iii) As at 31 December 2022, payable to the lessor in respect of leased machineries in the amount of approximately HK$14,923,000 (2021:HK$13,537,000) was included in the other payables.

Accruals and other payables are denominated in the following currencies:

	2022 *HK$'000*	2021 *HK$'000*
Hong Kong dollars	2,349	19,051
Renminbi	38,240	37,062
	40,589	56,113

30. LEASE LIABILITIES

	2022 *HK$'000*	2021 *HK$'000*
Leases liabilities payable:		
Within one year	**12,581**	12,552
Within a period of more than one year but not exceeding two years	**11,978**	12,964
Within a period of more than two years but not exceeding five years	**30,079**	33,022
Within a period of more than five years	**7,697**	16,926
	62,335	75,464
Less: Amount due for settlement within one year shown under current liabilities	**(12,581)**	(12,552)
Amount due for settlement after one year shown under non-current liabilities	**49,754**	62,912

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 (2021: 2-19 years). The weighted average incremental borrowing rates applied to lease liabilities range from 2.1% to 5.7% (2021: 2.1% to 5.7%) per annum as at 31 December 2022, respectively.

The leases liabilities amount to approximately HK$26,610,000 (2021: HK$33,279,000) are secured by the lessor's charge over the leased assets with net carrying amount of HK$24,443,000 (2021: HK$33,802,000).

Lease obligations denominated in RMB was approximately HK$62,166,000 (2021: HK$75,464,000)

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Cash used in operations

	Notes	2022 HK$'000	2021 HK$'000
Loss before tax from continuing operations		**(13,857)**	(73,067)
Loss before tax from discontinued operation		**–**	1,149
		(13,857)	(71,918)
Adjustment for:			
— Depreciation of property, plant and equipment	16	**2,514**	5,309
— Depreciation of right of use assets	17	**8,147**	11,549
— Loss on disposal of property, plant and equipment	7	**19**	143
— Gain on disposal of subsidiaries		**–**	(1,900)
— Impairment loss of goodwill	18	**–**	8,566
— Impairment loss of trademark user right and technical know-how	18	**1,295**	11,027
— Impairment loss of property, plant and equipment	16	**651**	8,569
— Impairment loss of right-of-use assets	17	**1,039**	18,971
— Loss on early release of bonds payable	7	**–**	1,673
— Rent Concession	7	**(947)**	–
— Net allowance for expected credit losses on other receivables	9	**1,176**	385
— Interest income	7	**(960)**	(155)
— Finance cost	8	**3,330**	4,189
		2,407	(3,592)
Changes in working capital:			
— Inventories		**1,097**	878
— Trade receivables		**7,824**	(4,855)
— Prepayments, deposits and other receivables		**(6,182)**	(675)
— Bank balances trust and segregated accounts		**–**	294
— Trade payables		**618**	952
— Contract liabilities		**(3,283)**	3,599
— Other payables and accruals		**(15,190)**	3,263
Cash used in operations		**(12,709)**	(136)

Significant non-cash transactions

The Group had the following significant non-cash activities during the year ended 31 December 2022:

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$6,327,000 in respect of lease arrangements for leased properties.

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

Reconciliation of liabilities arising from financing activities

	Bonds payables	Other borrowing (including in other payables)	Lease liabilities	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net debt as at 31 January 2021	12,313	2,470	71,095	85,878
Interest expenses	1,162	199	2,828	4,189
Interest paid	(500)	–	(2,875)	(3,375)
Loss on early release of bonds payable	1,673	–	–	1,673
Redemption of bonds payable	(9,751)	–	–	(9,751)
Repayment of lease liabilities	–	–	(13,630)	(13,630)
Addition of lease liabilities	–	–	15,561	15,561
Disposal of subsidiaries	–	–	(292)	(292)
Exchange realignment	–	77	2,777	2,854
Net debt as at 31 December 2021	**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)**
Net debt as at 31 December 2022	**5,366**	**4,816**	**62,335**	**72,517**

32. SIGNIFICANT RELATED PARTY TRANSACTIONS

Saved as disclosed on the consolidated financial statements, the Group has following transactions with related parties:

Key management compensation

	2022 *HK$'000*	2021 *HK$'000*
Wages, salaries and other short-term employee benefits	1,620	2,811
Pension costs — defined contribution plans	36	35
	1,656	2,846

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 *HK$'000*	2021 *HK$'000*
ASSETS		
Non-current assets		
Property, plant and equipment	20	9
Right-of-use assets	167	–
Investments in subsidiaries	–	34,130
	187	34,139
Current assets		
Prepayments, deposits and other receivables	1,132	1,199
Cash and cash equivalents	69,765	104,014
	70,897	105,213
Total assets	71,084	139,352
EQUITY		
Capital and reserves attributable to the equity holders of the Company		
Share capital	131,979	131,979
Reserves	(94,347)	(42,092)
Total equity	37,632	89,887

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

	2022 *HK$'000*	2021 *HK$'000*
LIABILITIES		
Non-current liabilities		
Bonds payables	**5,366**	4,897
	5,366	4,897
Current liabilities		
Accrual and other payables	**2,347**	18,998
Amounts due to subsidiaries	**25,570**	25,570
Lease liabilities	**169**	–
	28,086	44,568
Total liabilities	**33,452**	49,465
Total equity and liabilities	**71,084**	139,352
Net current assets	**42,811**	60,645
Total assets less current liabilities	**42,998**	94,784

33. 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 2022 and 2021 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 capital	Equity interests attributable to the Company				Principal activities and places of operations
			Direct		Indirect		
			2022	2021	2022	2021	
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-owned foreign 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-owned foreign enterprise	RMB15,000,000	–	–	70%	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-owned foreign enterprise	RMB10,000,000	–	–	70%	70%	Medical services of internal medicine, nephrology, medical laboratory and medical imaging ultrasound diagnosis 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.

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Notes: (Continued)

(c) Reserve

	Share premium	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2021	895,647	(891,678)	3,969
Loss for the year	–	(46,061)	(46,061)
At 31 December 2021	**895,647**	**(937,739)**	**(42,092)**
Loss for the year	–	(52,255)	(52,255)
At 31 December 2022	**895,647**	**(989,994)**	**(94,347)**

34. SHARE OPTION SCHEME

As at 31 December 2022 and 2021, 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 and the year ended 31 December 2020 and there were no outstanding share options as at 31 December 2022 and 2021. 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.

35. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENT

The consolidated financial statement were approved and authorized for issue by the board of Directors on 30 March 2023.

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				
	2022	2021	2020	2019	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
Revenue	**47,236**	69,057	65,532	78,659	82,092
Direct costs and operating expenses	**(21,089)**	(31,451)	(28,788)	(31,202)	(27,958)
Gross profit	**26,147**	37,606	36,744	47,457	54,134
Other income/(expenses) and gains, net	**2,779**	(563)	1,403	(6,878)	9,536
Gain on disposal of a subsidiary	**–**	–	2,789	1,104	240
Selling expenses	**(12,647)**	(21,347)	(23,601)	(32,396)	(38,775)
Administrative expenses	**(23,821)**	(37,441)	(45,790)	(64,279)	(80,514)
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	35,651
— Financial assets at fair value through profit or loss	**–**	–	–	–	1,328
— Derivative financial assets	**–**	–	(3,505)	2,802	(28,747)
Impairment loss of goodwill	**–**	(8,566)	(2,162)	(25,692)	(17,812)
Impairment loss of trademark user right and technical know-how	**(1,295)**	(11,027)	(12,203)	(60,143)	–
Impairment loss of property plant and equipment	**(651)**	(8,569)	(5,787)	–	–
Impairment loss of right-of-use asset	**(1,039)**	(18,971)	(3,504)	–	–
Finance cost	**(3,330)**	(4,189)	(6,381)	(11,225)	(13,534)
Loss before income tax	**(13,857)**	(73,067)	(61,997)	(157,626)	(78,493)
Income tax credit/(expenses)	**43**	(342)	685	5,629	339
Loss for the year	**(13,814)**	(73,409)	(61,312)	(151,997)	(78,154)
Loss for the year attributable to:					
— Equity holders of the Company	**(13,229)**	(70,329)	(59,274)	(147,992)	(79,454)
— Non-controlling interests	**(585)**	(3,080)	(2,038)	(4,005)	1,300
	(13,814)	(73,409)	(61,312)	(151,997)	(78,154)

FIVE-YEAR FINANCIAL SUMMARY

	As at 31 December				
	2022	2021	2020	2019	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES					
TOTAL ASSETS	**168,637**	214,813	283,977	305,381	329,057
TOTAL LIABILITIES	**(114,102)**	(145,498)	(142,682)	(206,705)	(230,798)
Non-controlling interests	**(2,348)**	(3,064)	(6,105)	(7,769)	(12,038)
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**52,187**	66,251	135,190	90,907	86,221