Vincent Medical

VINCENT MEDICAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1612

Vincent Medical 25 Years Est.1997

Stronger Together

2022 ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. CHOI Man Shing *(Chairman)*
Mr. TO Ki Cheung *(Chief Executive Officer)*
(resigned on 1 January 2023)
Mr. CHOI Cheung Tai Raymond *(Chief Executive Officer)*
(appointed on 1 January 2023)
Mr. KOH Ming Fai
Mr. FU Kwok Fu

Non-executive Director

Mr. GUO Pengcheng

Independent Non-executive Directors

Mr. MOK Kwok Cheung Rupert
Mr. AU Yu Chiu Steven
Prof. YUNG Kai Leung

BOARD COMMITTEE

Audit Committee

Mr. AU Yu Chiu Steven *(Chairman)*
Mr. MOK Kwok Cheung Rupert
Prof. YUNG Kai Leung

Nomination Committee

Mr. CHOI Man Shing *(Chairman)*
Mr. MOK Kwok Cheung Rupert
Prof. YUNG Kai Leung

Remuneration Committee

Mr. MOK Kwok Cheung Rupert *(Chairman)*
Mr. CHOI Man Shing
Prof. YUNG Kai Leung

Risk Management Committee

Mr. KOH Ming Fai *(Chairman)*
Ms. HU Fang
Mr. ZHANG Changqing
Mr. LAI Hoi Ming
Mr. KWOK Kam Ming (ceased on 23 March 2022)
Mr. WANG Chaobin (appointed on 23 March 2022 and ceased on 15 September 2022)

Environmental, Social and Governance Committee

Mr. FU Kwok Fu *(Chairman)*
Mr. LAI Hoi Ming
Ms. TSUI Lai Ki Vicki

COMPANY SECRETARY

Ms. TSUI Lai Ki Vicki

AUTHORISED REPRESENTATIVES

Mr. CHOI Man Shing
Mr. TO Ki Cheung (ceased on 1 January 2023)
Mr. CHOI Cheung Tai Raymond (appointed on 1 January 2023)

REGISTERED OFFICE

Cricket Square, Hutchins Drive,
P.O. Box 2681, Grand Cayman,
KY1-1111, Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 1604-07A, 16/F., Two Harbourfront,
22 Tak Fung Street,
Hung Hom, Kowloon,
Hong Kong

AUDITOR

RSM Hong Kong
Certified Public Accountants
Registered Public Interest Entity Auditor
29th Floor, Lee Garden Two,
28 Yun Ping Road,
Causeway Bay, Hong Kong

PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive,
P.O. Box 2681, Grand Cayman,
KY1-1111, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F., Far East Finance Centre,
16 Harcourt Road,
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Bank of China (Hong Kong) Limited

INVESTOR RELATIONS CONTACTS

IR Department – Vincent Medical Holdings Limited

Telephone	:	(852) 2155 2998
Fax	:	(852) 2155 8298
Email	:	investors@vincentmedical.com

STOCK CODE

1612

COMPANY WEBSITE

www.vincentmedical.com

In this Annual Report (except the sections of "Independent Auditor's Report" and the audited consolidated financial statements set out on pages 110 to 199), unless the context otherwise requires, the following expressions shall have the following meanings:

"AGM"	the annual general meeting of the Company to be held at 17th Floor, Leighton, 77 Leighton Road, Causeway Bay, Hong Kong on Thursday, 18 May 2023 at 10:00 a.m. or any adjournment thereof
"Anti-corruption Policy"	the anti-corruption policy of the Company as amended from time to time
"Articles of Association"	the articles of association of the Company currently in force
"Audit Committee"	the audit committee of the Board
"Board"	the board of the Directors
"Board Diversity Policy"	the board diversity policy of the Company as amended from time to time
"Cayman Companies Act"	the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands
"CEO"	Mr. To Ki Cheung (resigned on 1 January 2023) and Mr. Choi Cheung Tai Raymond (appointed on 1 January 2023), the chief executive officer of the Company
"CG Code"	the Corporate Governance Code as set out in Part 2 of Appendix 14 to the Listing Rules
"Chairman"	Mr. Choi Man Shing, the chairman of the Company
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
"Company" or "Vincent Medical"	Vincent Medical Holdings Limited (永勝醫療控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability whose Shares are listed on the Main Board of the Stock Exchange (stock code: 1612)
"Company Secretary"	Ms. Tsui Lai Ki Vicki, the company secretary of the Group
"connected person"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	Mr. Choi Man Shing, Ms. Liu Pui Ching (the spouse of Mr. Choi Man Shing), VRI and VRHK, being the controlling shareholders who jointly control their respective interests in the Company within the meaning of the Listing Rules
"Director(s)"	the director(s) of the Company

DEFINITIONS

"Director Nomination Policy"	the nomination of directors policy and procedures of the Company as amended from time to time
"Dividend Policy"	the dividend policy of the Company as amended from time to time
"ESG"	Environmental, Social and Governance
"ESG Committee"	the environmental, social and governance committee of the Board
"FDA"	Food and Drug Administration of the US
"FVTOCI"	fair value through other comprehensive income
"Group"	the Company and its subsidiaries
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Independent Third Party"	a person who, as far as the Directors are aware after having made all reasonable enquiries, is not a connected person of the Company
"Inovytec"	Inovytec Medical Solutions Ltd., a limited liability company incorporated under the laws of the State of Israel
"JPY"	Japanese Yen, the lawful currency of Japan
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Nomination Committee"	the nomination committee of the Board
"O2FLO"	O2FLO high flow respiratory humidifier
"OBM"	original brand manufacturing
"OEM"	original equipment manufacturing
"ppts"	percentage points
"PRC"	the People's Republic of China
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme as adopted by the Company on 17 June 2016
"R&D"	research and development

"Remuneration Committee"	the remuneration committee of the Board
"Risk Management Committee"	the risk management committee of the Board
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of par value of HK$0.01 each in the share capital of the Company, or if there has been a sub-division, consolidation, reclassification or reconstruction or reduction or reorganisation of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company as shall result from any of such sub-division, consolidation, re-classification or re-construction or reduction or reorganisation
"Share Award Scheme"	the share award scheme as adopted by the Company on 2 December 2021
"Share Option Scheme"	the share option scheme as adopted by the Company on 24 June 2016
"Shareholder(s)"	the holder(s) of Shares
"Shareholders' Communication Policy"	the shareholders' communication policy of the Company as amended from time to time
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US"	the United States of America, its territories and possessions, and state of the United States and the District of Columbia
"USD"	United States dollars, the lawful currency of the US
"VHB Humidifier"	VHB series respiratory humidifiers
"VMDG"	東莞永勝醫療製品有限公司 (translated as "Vincent Medical (Dongguan) Mfg. Co. Ltd."), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
"VRDG"	永勝（東莞）電子有限公司 (translated as "Vincent Raya (Dongguan) Electronics Co., Ltd."), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of VRI
"VRHK"	VINCENT RAYA CO., LIMITED (永勝宏基集團有限公司), a limited liability company incorporated in Hong Kong and a direct wholly-owned subsidiary of VRI, and one of the Controlling Shareholders

DEFINITIONS

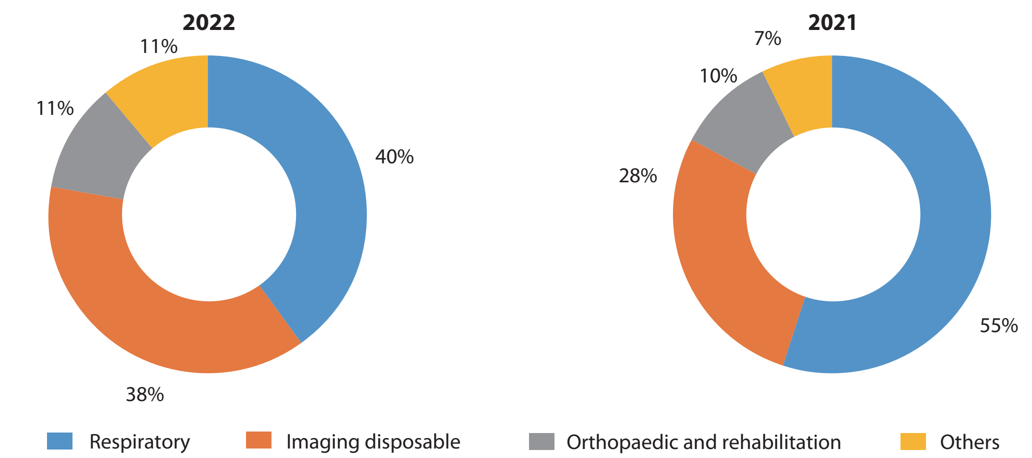
"VRI"	VINCENT RAYA INTERNATIONAL LIMITED, a company incorporated in the British Virgin Islands and being held as to 57.89% by Mr. Choi Man Shing (being the Chairman and Executive Director) and 42.11% by Ms. Liu Pui Ching (being the spouse of Mr. Choi Man Shing) as at the date of this Annual Report, and one of the Controlling Shareholders
"Whistleblowing Policy"	the whistleblowing policy of the Company as amended from time to time
"2022" or "Year" or "Reporting Period"	for the year ended 31 December 2022
"%"	per cent.

FINANCIAL HIGHLIGHTS

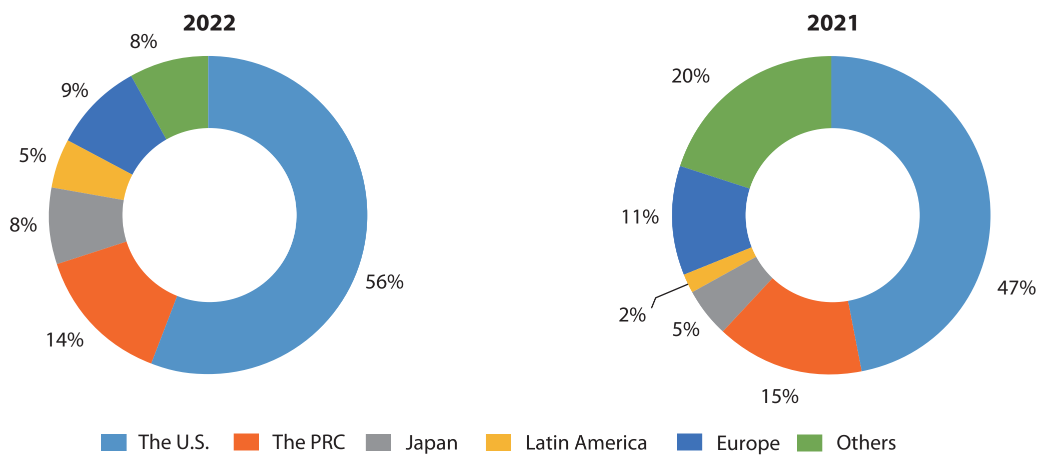
	For the year ended 31 December	
	2022	2021
	HK$'000	HK$'000
Revenue	**629,242**	777,720
Gross profit	**165,353**	259,104
(Loss)/profit attributable to owners of the Company	**(17,398)**	60,695
Basic (loss)/earnings per share (HK cents)	**(2.66)**	9.28
Total dividend per share (HK cents)	**2.5**	4.5

REVENUE ANALYSIS

By Product Category



By Geography



Corporate Milestones

25+ years of manufacturing experience
Solid base to support business transformation

All-rounded solutions provider with respiratory care **devices and disposables** under one roof

Strong R&D capabilities with **100+** engineers and growing IP and patent portfolio

Recurring cashflow from disposables and OEM
Growing and cash-generating business

Collaborating with industry leaders
in expanding geographical reach and product offering

Strategic Location
Poised to benefit from the Greater Bay Area opportunities

Mission and Values

Patient First !

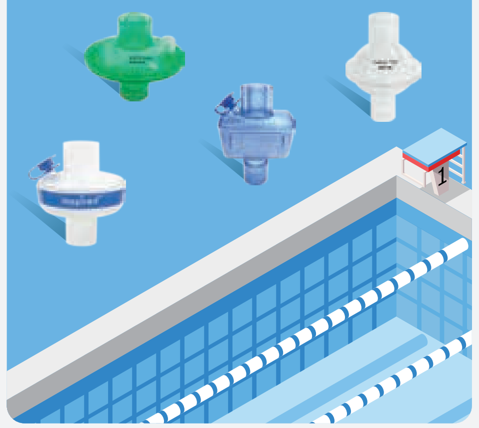
Reliability

Quality

Innovation

Delivered

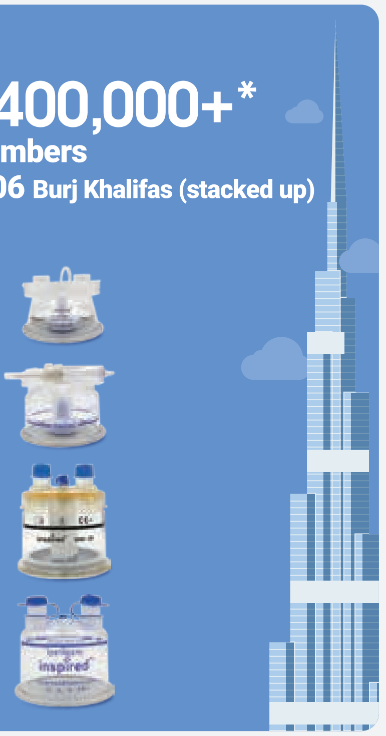
114,900,000+*
Filters
≈ 13 standard Olympic swimming pools



41,000,000+*
Circuits
≈ 5 trips around the earth

50,000+*
Heated humidifiers
≈ 3 Mount Everest (stacked up)

7,400,000+*
Chambers
≈ 806 Burj Khalifas (stacked up)



22,000+*
O2FLOs
≈ 13 Shanghai Tower (stacked up)

190,000,000+*
Patients Helped by Vincent Medical

* *Company estimates*

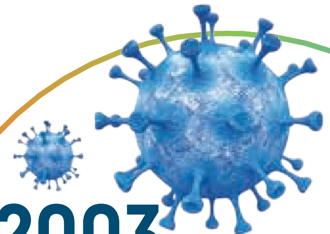
1997

Mr. Vincent Choi and partners established Vincent Medical, focusing on the manufacturing and export of medical disposable products in respiratory care.

2000

Expanded OEM capability to imaging disposable products.

Received certifications under ISO 9001 and ISO 11135 standards.



2003

Our respiratory medical disposables were used to treat patients with SARS.

Expanded our OEM capability to Orthopaedic and Rehabilitation products.

First order of respiratory disposables with Datex-Ohmeda (Now Vyaire) in the United States.

2004

Received Guangdong CFDA (now NMPA) registration certificates for anesthesia and ventilation breathing circuits, our first product for the PRC market.

2008-2009

Launched the first self-developed inspired™ heated humidifier.

The first Hong Kong medical device group to receive the ISO 14971 certification.

2011-2013

Began our collaboration with the Guangzhou Institute of Respiratory Disease.

Accredited as A grade Medical Device Manufacturer by Guangdong Province.

Selected as a high-tech enterprise.

2015

Invested in the development of innovative rehabilitation medical technology – the "Hand of Hope".

2016

Listed on the Main Board of the Stock Exchange.

2017

inspired™

Established inspired™ Medical for global market.

2018

Awarded a gold medal at the 46th International Exhibition of Inventions Geneva.

2019

Established its first overseas office in Ueno, Tokyo to expand regional market share and distribution channels.

2020

Tripled production capacity to meet increasing demand for respiratory devices and disposables.

Awarded the "Corporate Excellence Award" and "Master Entrepreneur Award" under Asia Pacific Enterprise Award 2020 Regional Edition by the Enterprise Asia.

Recognised as the Engineering Technology Research Center by the Department of Science and Technology of Guangdong Province.

2021

Entered Forbes Asia' s Best Under a Billion 2021.

2022

Vincent Medical celebrates its 25th anniversary.

FUTURE GROWTH

China will become the biggest medical device market in the world and it will play a key part in our expansion for current and future generations. Vincent Medical will continue to build opportunities and invest in the heart of Great Bay Area. The future bodes well for Vincent Medical and we will continue to contribute to patient care and create value for the society and pursue another 25 years of growth!

CHAIRMAN'S STATEMENT

Choi Man Shing
Chairman and Executive Director

Dear Shareholders,

On behalf of the Board, I am pleased to present you the annual results for the year ended 31 December 2022.

At the time of writing, the COVID-19 pandemic finally came to the closing stage, with symptoms of the variants becoming increasingly mild, and the number of confirmed cases starting to plateau. We are glad to say that Vincent Medical has been putting "Patients First", in which we strived our best to maintain a stable supply of high-quality, respiratory care medical supplies despite lockdowns, supply chain disruptions, surge in orders, and international conflicts. We also grew and evolved as a company, from a traditional original equipment manufacturer, to one with extensive know-how and proprietary technologies, along with brands and products that enjoyed numerous clinical and commercial success. Supported by our enhanced capability, we were also able to gain valuable network, establishing strategic collaborations with various global medical conglomerates, as we ventured into new specialties and new geographical markets.

Although our financial results were temporarily impacted by the normalised demand in respiratory care products during the Year, we have nonetheless remained razor-sharp in our growth strategy: focus on R&D to drive product and technology innovation, seek long-term collaborations with improved and new products, expand installed base and market penetration through partners' network, and deliver sustainable growth to boost the Shareholders' return. We firmly believe this is the way for us to go forward, a proven strategy that brought us a sales growth of 25.3% when comparing to 2019 pre-COVID level.

One of the key ways to support our strategy is through product R&D and clinical education. We made some strides on that front, as we have received favourable academic reviews for our VHB Humidifier during the Year. In December, our inspired™ VHB20 heated humidifier also received the 510(k) clearance from the FDA. This is the first FDA 510(k) cleared electronic device of the inspired™ brand. We believe the successful registration will bring us significant market opportunities, particularly in the US and Latin American markets.

Meanwhile, we strived to expand our product portfolio outside of the respiratory area, in order to further diversify our offerings and tap into other niche markets. As we entered January 2023, our Hand of Hope has obtained Class II medical device approval from the National Medical Products Administration of the PRC, allowing us to capture the growing demand for rehabilitation treatments in China.

Leveraging our registered products and extensive technological know-how, we were also able to reach strategic collaborations, or even securing co-development opportunities, with various global medical technology conglomerates. Although the collaboration progress was slightly dragged by the lingering pandemic during the Year, we believe it is nonetheless a good place to start, where we were able to gain first-hand clinical feedback and knowledge of the latest medical technologies, pursue deeper technology integration with our partners for bundled solutions, and expand our distribution reach through their extensive network. We believe this is an efficient way to strengthen our capability and expand our influence going forward, and we will continue to deepen collaborations with our partners, expand our network, and accumulate experiences across different specialties.

To cater for the demand from various collaborations, we see the need to expand our production capabilities and improve our manufacturing facilities. One of the key lessons during the pandemic is that, unpredictable cost pressure could be more frequent than expected, and only a more streamlined operation with higher degree of automation can provide sufficient margins to counter uncertainties. Hence, we believe our plans to build a new manufacturing site in the Greater Bay Area, would effectively reduce future operational impacts, as well as supporting us to capture market opportunities and improve profitability. The expanded capability could also open up the possibility of contract development and manufacturing services, which will allow us to establish deeper collaborations with our partners.

In addition to hardware and facilities, we are also looking at internal system upgrades, so that we can better manage our inventories and operating cost, and make our business and supply chain more transparent and sustainable. We will also streamline our group and management structure, so that we can clear unnecessary barriers and improve productivity.

As a company that is located at the heart of the Greater Bay Area, we also see a bigger role for Vincent Medical in the China market. As we enter the post-pandemic era, we saw growing emphasis on domestic substitution and strengthening of local R&D and supply chain, as well as a growing call on improving medical infrastructure. We believe these would open up notable opportunities for us, an "In China, For China" company with expansive product range, strong R&D, registered patents and products, global recognition, yet local supply chain. Going forward, we will actively seek collaborating partners in the China market, in order to expand our influence in the market.

Achievements and strategies aside, Vincent Medical has come a long way since its inception twenty-five years ago, thanks to the dedicated effort from our management team and staff. I would like to express my heartfelt gratitude to Mr. To Ki Cheung, our previous CEO and Executive Director, for his contributions over the last two decades. We wish him well in his future endeavors, and as we enter new markets with new opportunities, we also expect our new CEO and Executive Director, Mr. Choi Cheung Tai Raymond, to continue to lead with dedication, innovation and drive, and bring us to greater heights.

Through this opportunity, I would also like to thank our other Directors and colleagues, as well as customers, suppliers, consultants and our Shareholders, for your trust and support. Vincent Medical will continue to go forward and improve outcomes for a diverse patient population.

Choi Man Shing
Chairman and Executive Director

Hong Kong, 22 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

During the Year, the macro-operating environment was filled with uncertainties and disruptions across both demand and supply sides. On the supply side, the global supply chain chaos due to the COVID-19 pandemic, along with the war in Ukraine, have led to surging raw material and logistics cost particularly in the first half of the Year. That in turn, has put undeniable pressure on the Group's profit margins.

On the other hand, while the market continued to digest the accumulated inventories of respiratory devices and disposables, governments have since changed their COVID-19 strategies from treatment to prevention, and from prevention to accommodation, as well as from government-oriented hospital treatment, to domestic-oriented solutions. Hence, these have led to a change in customer ordering patterns and their required product mix, casting doubts on the Group's order visibility. Nonetheless, thanks to the Group's well balanced business pillars, the performance of its imaging disposable products segment remained resilient, and was able to partially offset the fluctuation in the respiratory products segment.

Despite facing the aforesaid challenges, Vincent Medical remained focused on its growth strategy: focusing on technology innovation that would help the Group to expand its proprietary product lines and manufacturing capabilities, as well as driving product registration in different countries and regions.

In 2021, the Group identified the need to strengthen its engagement with academics and medical professionals, in order to drive clinical education and adoption. One of the successful examples include the poster presentation on the VHB20 humidifier by Dr. François Lellouche at the 35th Annual Congress of The European Society of Intensive Care Medicine, which recognised its outstanding performance against other comparable humidifiers. In December 2022, the VHB20 humidifier has been granted the 510(k) clearance from FDA of the US, this is the first FDA 510(k) cleared electronic device of the inspired™ brand. All these progresses have further established inspired™ as one of the leading brands in the industry, laying the groundwork for future technology development, as well as new market penetration.

All in all, Vincent Medical powered through with its strategy and value proposition of putting "Patients First". Not only did it lay a foundation for sustainable development with the expanding installed base and technology innovation, it has also provided a reliable supply of medical devices to its partners in times of need, striving to contribute to saving lives.

RESPIRATORY PRODUCTS SEGMENT

	Year ended 31 December		
	2022 HK$'000	2021 HK$'000	Change
O2FLO	**7,919**	97,942	–91.9%
O2FLO disposables	**10,551**	45,152	–76.6%
VHB Humidifier	**16,852**	24,705	–31.8%
VHB Humidifier disposables	**57,029**	65,617	–13.1%
Other respiratory products	**91,459**	104,489	–12.5%
OEM respiratory products	**66,992**	89,952	–25.5%
Total	**250,802**	427,857	–41.4%

During the Year, there was a decrease in demand for respiratory products given the relatively high inventory level across countries. As a result, the respiratory products segment has fallen short of earlier forecasts, with revenue decreased by 41.4% to HK$250.8 million, accounting for 39.9% of the Group's revenue. Sales of the inspired™ O2FLO and the VHB Humidifier has dropped by 91.9% and 31.8%, to HK$7.9 million and HK$16.9 million, respectively. Sales of the respective dedicated disposables also dropped from HK$45.2 million and HK$65.6 million, to HK$10.6 million and HK$57.0 million, respectively.

The segment gross profit margin decreased from 38.3% in 2021 to 20.6% in 2022 by 17.7 ppts, of which 12.2 ppts was resulted from the increase in allowance for inventories of HK$29.9 million. In 2020 and early 2021, the Group experienced a substantial surge in demand of the Group's respiratory products due to the COVID-19 outbreak. As a result, the Group has increased the inventory level for some highly-tailored raw materials to cater for the then growing demand. Yet, during the Year, the performance of the respiratory products segment fell short of the Group's earlier forecasts, with the relevant inventories moving much slower than expected. Taking into account the market uncertainties, the residual value of the inventories and the expected performance of the Group's respiratory products segment, an allowance for slow-moving and/or obsolete inventories of HK$34.9 million was made during the Year.

Other respiratory products

Other respiratory products include items such as respiratory filters, respiratory and anaesthesia circuits and other disposables. As the demand for such products continued to normalise, its revenue has declined from HK$104.5 million in 2021 to HK$91.5 million in 2022, representing a decrease of 12.5%.

OEM respiratory products

For the Year, sales of OEM respiratory products decreased by 25.5% to HK$67.0 million (2021: HK$90.0 million), primarily due to the decrease in ad-hoc COVID-19 orders as demand gradually normalised.

IMAGING DISPOSABLE PRODUCTS SEGMENT

The Group manufactures and sells imaging disposable products on an OEM basis to one of the world's leading solutions providers of diagnostic imaging. As a trusted partner, the Group supports its customer in the design and manufacturing of various contrast media injectors and disposable components, and is an integral part of its growth strategy in the PRC. During the Year, revenue of the imaging disposable products segment grew by 11.3% to HK$238.0 million (2021: HK$213.8 million), accounted for 37.8% of the Group's revenue. Benefiting from the growing economies of scale and the improvement in production efficiency, segment gross profit margin also strengthened from 28.7% to 33.9% during the Year.

During the Year, the Group continued to focus on service innovation in manufacturing and streamlining its collaborative processes, in which both have so far received positive feedback from its customers. The Group is expecting further growth impetus from the imaging disposable products segment in 2023.

ORTHOPAEDIC AND REHABILITATION PRODUCTS SEGMENT

With the massive market size as well as the increasing importance placed on rehabilitation in the PRC, the Group saw huge growth potential for its orthopaedic and rehabilitation products segment in the domestic Chinese market.

In 2022, the Group focused on outlining its long-term development plan for the segment, and has created concrete plans to strengthen the development of its (1) robotic rehabilitation solutions; and (2) wearable Electromyography (EMG) and movement sensors. Specifically, the Group's next generation robotic hand and robotic ankles, in use with wearable movement sensors, can provide objective and precise measurements of the quantity and quality of physical activities as well as movement of patients, being able to provide clinicians with data that can be used to optimise treatments. In addition, with the accelerated adoption of digital health solutions in post-stroke rehabilitation treatments, the Group is also looking to develop some cross platform mobile applications for patients and therapists.

	Year ended 31 December		
	2022 **HK$'000**	2021 HK$'000	Change
OBM orthopaedic and rehabilitation products	**9,830**	12,095	–18.7%
OEM orthopaedic and rehabilitation products	**59,234**	66,952	–11.5%
Total	**69,064**	79,047	–12.6%

During the Year, sales of orthopaedic and rehabilitation products segment decreased to HK$69.1 million from HK$79.0 million in 2021, representing a drop of 12.6% and accounted for 11.0% of the Group's revenue. Despite the drop in production volume, gross profit margin for the segment remained stable at 31.2%, thanks to the improvement in production efficiencies and cost control.

OTHER PRODUCTS

Revenue from other products increased by 25.1% from HK$57.0 million to HK$71.3 million, mainly attributable to the manufacturing and sales of new electronic devices and body warming disposables for surgical procedures under the OEM business segment.

INVESTMENTS AND COLLABORATION

Inspired Medical Japan Co., Limited, a company incorporated in Japan and an indirect non-wholly owned subsidiary of the Company, continued to perform during the Year, with revenue growing by 36.0%, despite the fact that JPY has weakened significantly against HKD in 2022. The Group remained positive over the prospect of the Japanese market, and will strengthen its product offering catering the needs of the market.

During the Year, Inovytec continued to drive adoption of its Ventway Sparrow EMS and transport turbine ventilator around the world, and saw good uptake of its ventilators in the US and Japan. The Group remains optimistic over its long-term business prospect.

OUTLOOK

In spite of the short-term challenges, the Group has made great strides with its focused development strategy: a transition from an OEM medical company to a medical and technology solutions company through in-house R&D and proprietary intellectual property portfolio, while seeking to expand its knowledge, network, installed base and disposables' sales through collaborations.

Looking ahead, the Group will continue to deepen its collaboration with industry-leading partners on technology development, aiming to bring next generation products to market alongside new features on its existing product range. In the shorter-term horizon, the recent successful registration of the Group's humidifier and the Hand of Hope should also greatly increase their penetration in the respective markets. In addition, the Group will also look to manufacture new imaging disposable products, rehabilitation and various healthcare devices, in an attempt to further expand its product portfolio while providing a more comprehensive product development and manufacturing solutions to its customers.

At its 25th anniversary, Vincent Medical also took the opportunity to review its operational infrastructure. To allow more room to maneuver future market uncertainties, the Group sees the importance to expand its production capabilities and enhance its efficiency. Hence, the Group is planning to build a modern, purpose-designed production facilities for its single-use medical disposables and rehabilitation devices in the Greater Bay Area. The planning and construction of the new production facility are expected to commence in the current financial year. The expanded capability could also open up the possibility of contract development and manufacturing services, which will allow the Group to establish deeper collaborations with its partners.

With the aforesaid strategies, the Group remains confident in navigating the ongoing clinical, regulatory and economic challenges, and will strive to create higher values for all stakeholders.

FINANCIAL REVIEW

REVENUE

Total revenue for the Year amounted to HK$629.2 million (2021: HK$777.7 million), representing a decrease of 19.1%. Revenue from respiratory products segment accounted for 39.9% of revenue, totaling HK$250.8 million (2021: HK$427.9 million). Revenue from imaging disposable products segment accounted for 37.8% of revenue, totaling HK$238.0 million (2021: HK$213.8 million). Revenue from orthopaedic and rehabilitation products segment accounted for 11.0% of revenue, totaling HK$69.1 million (2021: HK$79.0 million). Other products accounted for 11.3% of revenue, totaling HK$71.3 million (2021: HK$57.0 million).

In terms of geographical market, the US and the PRC each accounted for 56.3% (2021: 47.3%) and 14.2% (2021: 14.2%) of total revenue, respectively. Sales to Japan increased by 27.6% from HK$39.5 million to HK$50.4 million and accounted for 8.0% of total revenue (2021: 5.1%). Meanwhile, Europe and Latin America accounted for 8.6% (2021: 10.5%) and 5.2% (2021: 1.6%), respectively.

GROSS PROFIT AND GROSS PROFIT MARGIN

Gross profit decreased by 36.2% to HK$165.4 million (2021: HK$259.1 million), mainly due to the allowance for inventories made during the Year of HK$34.9 million, and the decrease in sales and production volume of the Group's respiratory products.

Gross profit margin declined from 33.3% to 26.3%, mainly due to allowance for inventories, change in product mix and the Group's fixed production overhead and direct cost. The COVID-19 prevention and control measures in the PRC and other countries, together with the shortage of global logistic capacity as well as the drastic increase in logistic costs, have also put further pressure to the Group's gross profit margin. These factors have more than offset the positive impact from product price increase and cost efficiency improvement on the production side.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER INCOME, OTHER GAINS AND LOSSES

Other income for the Year mainly comprises government subsidies and rental support for tenants at Song Shan Lake Technology Park, while other gains and losses for the Year mainly comprises exchange losses, impairment and write-off of assets.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses decreased by 15.1% to HK$32.0 million (2021: HK$37.7 million). As a percentage of revenue, such expenses remained relatively stable at 5.1% (2021: 4.8%).

ADMINISTRATIVE EXPENSES

Administrative expenses increased by 16.0% to HK$101.7 million (2021: HK$87.7 million), accounting for 16.2% of total revenue (2021: 11.3%). The increase was primarily attributable to the additional management and administrative costs incurred for new projects under the OEM business segment and increase in depreciation.

RESEARCH AND DEVELOPMENT EXPENSES

In order to capture the massive opportunities in the fast-evolving medical device industry, as well as to go above and beyond traditional contract manufacturing services, the Group continued to put considerable effort into technology innovation, process development, commercial manufacturing, regulatory and quality assurance resources.

During the Year, R&D expenses amounted to HK$36.7 million (2021: HK$39.2 million), corresponding to 5.8% (2021: 5.0%) of the Group's revenue.

INCOME TAX EXPENSE

During the Year, the Group recorded an income tax expense of HK$2.9 million (2021: HK$6.1 million). The decrease was due to the lower profit before tax for the Year.

LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

As a result of the foregoing, the Group recorded a loss attributable to owners of the Company of HK$17.4 million (2021: profit attributable to owners of the Company of HK$60.7 million).

PROPERTY, PLANT AND EQUIPMENT

The Group incurred capital expenditure of HK$16.3 million (2021: HK$24.6 million) during the Year, which mainly included the purchase of additional machineries, tooling and equipment. As at 31 December 2022, property, plant and equipment was HK$100.8 million (2021: HK$115.6 million).

RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

As at 31 December 2022, right-of-use assets and lease liabilities amounted to HK$21.3 million (2021: HK$7.5 million) and HK$21.9 million (2021: HK$7.7 million), respectively. The increase in right-of-use assets was primarily attributable to the renewal of various tenancy agreements of the Group's facilities in Dongguan, the PRC.

INVENTORIES

Inventories as at 31 December 2022 was HK$174.0 million (2021: HK$243.2 million). The 28.5% decrease in inventories was mainly due to the substantial increase in the allowance for slow-moving and/or obsolete inventories made during the Year.

In 2020 and early 2021, the Group experienced a substantial surge in demand of the Group's respiratory products due to the COVID-19 outbreak. As a result, the Group has increased the inventory level for some highly-tailored raw materials to cater for the then growing demand. Yet, during the Year, the performance of the respiratory products segment fell short of the Group's earlier forecasts, with the relevant inventories moving much slower than expected. Taking into account the market uncertainties, the residual value of the inventories and the expected performance of the Group's respiratory products segment, an allowance for slow-moving and/or obsolete inventories of HK$34.9 million was made during the Year.

TRADE RECEIVABLES

Trade receivables as at 31 December 2022 was HK$159.3 million (2021: HK$167.2 million). The Group is comfortable with the quality of the receivables, and will continue to exercise due care in managing its credit exposure.

LIQUIDITY AND FINANCIAL RESOURCES AND BORROWINGS

During the Year, the Group continued to maintain a healthy financial position amid the fluctuating macroenvironment. Bank and cash balances as at 31 December 2022 was HK$159.3 million (2021: HK$173.2 million). This was a result of the net cash inflow from operating activities of HK$75.8 million, net cash outflow from investing activities of HK$18.1 million, net cash outflow from financing activities of HK$67.8 million, and the negative effect of foreign exchange rate changes of HK$3.8 million. Most of the bank and cash balances were denominated in HKD, USD and RMB.

As at 31 December 2022, total borrowings amounted to HK$38.5 million (2021: HK$55.3 million). The net gearing ratio, which was calculated based on the amount of total borrowings divided by the total equity attributable to owners of the Company, was 0.08 (2021: 0.09). As at 31 December 2022, the Group had unutilised bank facilities of HK$41.5 million.

HUMAN RESOURCES

As at 31 December 2022, the total number of full-time employees of the Group was 1,226 (2021: 1,281). The remuneration of employees was determined according to their experience, qualifications, result of operations of the Group and market condition. We offered senior management and key executives performance-based bonus and share options to reward and retain high-calibre employees. We also adopted commission and incentive plans to motivate and reward our sales and marketing team.

During the Year, staff costs including Directors emoluments amounted to HK$192.7 million (2021: HK$212.0 million), representing 30.6% (2021: 27.3%) of the Group's revenue.

CAPITAL STRUCTURE

As at 31 December 2022, the issued share capital of the Company was approximately HK$6.5 million (2021: approximately HK$6.6 million), comprising 653,336,332 Shares (2021: 655,008,332 Shares) of nominal value of HK$0.01 per Share. The difference was attributable to (i) the Shares issued under the Pre-IPO Share Option Scheme; and (ii) the Shares repurchased on the Stock Exchange and cancelled before the end of the Reporting Period.

SIGNIFICANT INVESTMENT

As at 31 December 2022, the Company considered that the following equity investment at FVTOCI is significant in nature:

Name of company	Principal business	Approximate percentage of shareholding	Total investment	Fair value of the equity investment		Assets ratio defined under the Listing Rules	
				2022	2021	**2022**	2021
Inovytec	An Israeli company that develops medical devices with a focus on routine and emergency respiratory and cardiac failures.	13.68%	US$3.0 million (equivalent to HK$23.4 million)	**US$3.1 million (equivalent to HK$24.5 million)**	US$3.1 million (equivalent to HK$23.8 million)	**3.4%**	2.8%

For additional information regarding the performance during the Year and prospects of the above significant investment, please refer to the paragraph headed "Investments and Collaboration" above.

MATERIAL ACQUISITIONS AND DISPOSALS

During the Year, the Group had no material acquisitions or disposals of subsidiaries and associated companies.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2022, none of the assets of the Group were pledged.

FOREIGN EXCHANGE EXPOSURE

While some of the Group's costs and expenses are denominated in RMB, there was a substantial amount of sales denominated in USD and JPY given the export-oriented nature of the Group's business. Thus, any appreciation of RMB against USD and JPY may subject the Group to increased costs and lower profitability. The Directors have assessed the impact of such foreign currency risk and considered that it may materially affect the Group's profitability. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have contingent liabilities.

EXECUTIVE DIRECTORS

Mr. Choi Man Shing (蔡文成), aged 70, is the Chairman and an Executive Director of the Company, the Chairman of the Nomination Committee and a member of the Remuneration Committee. He currently serves as a director of many subsidiaries of the Company. Mr. Choi is the founder of the Group and primarily responsible for formulating long-term development and marketing strategies of the Group. He has over 44 years of management experience in the manufacturing industry in Hong Kong and the PRC. Mr. Choi is (i) the father of Mr. Choi Cheung Tai Raymond, an Executive Director and the CEO of the Company; (ii) the spouse of Ms. Liu Pui Ching, the Controlling Shareholder; and (iii) a director of VRI (the Controlling Shareholder) and certain of its subsidiaries.

Mr. Choi Cheung Tai Raymond (蔡章泰), aged 41, is an Executive Director and CEO of the Company. He also currently serves as a director of various subsidiaries of the Company. Mr. Raymond Choi joined the Group in May 2020 and is primarily responsible for overseeing the corporate management of the Group, formulating our business and product development strategies. He is (i) the son of Mr. Choi Man Shing, an Executive Director, Chairman of the Board and the Controlling Shareholder; (ii) the son of Ms. Liu Pui Ching, the spouse of Mr. Choi Man Shing and the Controlling Shareholder; and (iii) a director of VRI (the Controlling Shareholder) and certain of its subsidiaries.

Mr. Raymond Choi obtained a degree of bachelor of science majoring in industrial engineering from The Pennsylvania State University, the US in May 2005 and a degree in master of business administration through distance learning from The University of Manchester, the United Kingdom in June 2014. Mr. Raymond Choi is a corporate member of The Hong Kong Institution of Engineers and a Professional Engineer (Manufacturing, Industrial and Systems) registered with the Engineers Registration Board, a body corporate established under the Engineers Registration Ordinance (Chapter 409 of the Laws of Hong Kong). He is a Registered Lean Sigma Black Belt of the Six Sigma Institute and a Certified Six Sigma Black Belt of the China Association for Quality. He is an Executive Board Member, a member of each of the Quality and Regulatory Affairs Panel and the Greater Bay Area Panel of the Hong Kong Medical and Healthcare Device Industries Association (the "**HKMHDIA**"). He is also a member of Expert Review Panel of Logistics and Supply Chain MultiTech R&D Centre Limited. He has also been appointed as an industrial advisor of the Technology Transfer Management Committee of The Hong Kong Polytechnic University with effect from 1 April 2023.

Mr. Raymond Choi has over 17 years of experience in industrial engineering and operations management across medical device, cosmetics and beauty products and industrial and semiconductor system. Throughout his career he has worked for companies including MEDRAD, Inc. (subsequently acquired by Bayer AG), Sanmina-SCI Enclosure Systems (Asia) Ltd., VRHK, Dongguan Zensee Printing Limited (a subsidiary of Q P Group Holdings Limited (stock code: 1412HK)) and Elegance Industrial Co., Ltd. (a subsidiary of Crystal International Group Limited (stock code: 2232HK)).

Mr. Koh Ming Fai (許明輝), aged 49, is an Executive Director of the Company and the Chairman of the Risk Management Committee. He currently serves as the Vice President of OEM of the Group and a director of various subsidiaries of the Company. Mr. Koh joined the Group in September 2000 and is primarily responsible for managing the business operations of the Group.

Mr. Koh received a bachelor's degree in science in mechanical engineering from University of Alberta, Canada in June 2000 and a master's degree in business through distance learning from the University of Newcastle, Australia in May 2009. He is a member of the Hong Kong Institution of Engineers and he was admitted as a member of the biomedical discipline of the Hong Kong Institution of Engineer through the founding member route in January 2007. He is also a professional engineer (biomedical) registered with the Engineers Registration Board, a body corporate established under the Engineers Registration Ordinance (Chapter 409 of the Laws of Hong Kong). He is also elected as a member of the Institution of Mechanical Engineers and was registered as a chartered engineer in April 2008.

Mr. Koh is currently a member of each of the External Relations Panel, the Quality and Regulatory Affairs Panel and the Greater Bay Area Panel of the HKMHDIA. He served as an Executive Board Member of the HKMHDIA for the terms from 2017 to 2022.

Mr. Fu Kwok Fu (符國富), aged 52, is an Executive Director of the Company and the chairman of the ESG Committee. He currently serves as the Vice President of Engineering of the Group and a director of various subsidiaries of the Company. Mr. Fu joined the Group in June 1997 and is primarily responsible for overseeing the R&D and initiating product development through integrating technologies and techniques. He has over 25 years of experience in the medical device manufacturing industry.

Mr. Fu obtained a bachelor's degree in mechanical engineering from the University of Hong Kong in December 1997 and a master's degree in business administration (general management) from the Hong Kong Polytechnic University in October 2009. He is a member of the Institution of Mechanical Engineer and was registered as a chartered engineer in April 2008 and is a member of the Hong Kong Institution of Engineers. He was admitted as a member of the biomedical discipline of the Hong Kong Institution of Engineers through the founding member route in January 2007 and serves a member of the committee of the biomedical division of the same institution.

NON-EXECUTIVE DIRECTOR

Mr. Guo Pengcheng (過鵬程), aged 61, is a Non-executive Director of the Company and joined the Group in February 2017. He graduated from the Shanghai University of Technology with a bachelor's degree in mechanical engineering in 1983. He has over 36 years of experience in business advisory work and cross-border investments. During the period from 1986 to 2004, Mr. Guo worked in various organisations where he was responsible for inbound and outbound business development and business expansion from the PRC. From 2009 to 2015, he was the operating partner of Orchid Asia Private Equity Fund where he was responsible for operational due diligence and post-investment management for listing applicants on the Stock Exchange. Mr. Guo currently acts as the senior investment consultant of Dong Yin Development (Holdings) Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Mok Kwok Cheung Rupert (莫國章), aged 64, is an Independent Non-executive Director of the Company and joined the Group in June 2016. Also, he is the Chairman of the Remuneration Committee, as well as a member of each of the Audit Committee and the Nomination Committee. Mr. Mok obtained a bachelor's degree in electrical engineering from the University of Sydney, Australia in March 1982 and a master's degree in biomedical engineering from the University of New South Wales, Australia in October 1984.

Mr. Mok is currently (i) the Treasurer of the Executive Board; (ii) the Chair of the Greater Bay Area Panel; (iii) the Co-Chairs of the Membership Affairs Panel and the Global Harmonisation Working Group Panel; (iv) a member of the Product and Technology Development Panel; and (v) a member of the Quality and Regulatory Affairs Panel of the HKMHDIA, respectively. He served as the Secretary General of the Executive Board of the HKMHDIA for the terms from 2016 to 2022. He is a member of the Research Project Assessment Panel (Biotechnology) and an assessor of the Enterprise Support Scheme Assessment Panel of the Innovation and Technology Fund, Innovation and Technology Commission. He is also an industrial advisor on Undergraduate Program in BioEngineering of the Hong Kong University of Science and Technology.

Mr. Mok has over 38 years of experience in administrative management, sales and marketing and R&D of medical devices in the Asia Pacific region.

Mr. Au Yu Chiu Steven (區裕釗), aged 64, is an Independent Non-executive Director of the Company and joined the Group in June 2016. Also, he is the chairman of the Audit Committee. Mr. Au graduated from the University of East Anglia, the United Kingdom, with a bachelor's degree in arts majoring in economics in July 1982. He further obtained a master's degree in business administration from the University of Western Ontario, Canada in October 2000. Mr. Au was admitted as a chartered accountant of the Institute of Chartered Accounts in England and Wales in November 1987. He is also a fellow member of the Hong Kong Institute of Certified Public Accountants.

Mr. Au has more than 37 years of experience in accounting and finance. He worked as an accountant at an accounting firm in the United Kingdom from October 1982 to October 1987 and then at Arthur & Anderson & Co. from December 1987 to January 1989. During the period from August 1992 to April 2008, he was a director of a number of companies where he was responsible for overall corporate management, including China Everbright Securities (International) Limited and Anglo Chinese Securities Limited, both of which are finance and investment companies, and Kin Wah Hong Company Limited, a textiles trading company. Also, Mr. Au was an executive director of finance and administration of Matilda International Hospital from October 2002 to September 2019.

Mr. Au was appointed as an independent non-executive director of Expert Systems Holdings Limited (stock code: 8319, a company which shares are listed on GEM of the Stock Exchange) on 15 March 2016.

Prof. Yung Kai Leung (容啟亮), aged 73, is an Independent Non-executive Director of the Company and joined the Group in February 2017. Also, he is a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee. He graduated from Brighton University, the United Kingdom with a bachelor's degree in electronic engineering in 1975. He further obtained a master's degree in automatic control systems from Imperial College of Science, Technology and Medicine, London, the United Kingdom in 1976 and his doctorate in microprocessor applications in process control from the Plymouth University, the United Kingdom in 1985. He is a fellow member of the Hong Kong Institute of Engineers and a fellow of the Hong Kong Academy of Engineering Sciences. In 2015, Prof. Yung was awarded the Bronze Bauhinia Star for his contributions to scientific research.

Since 1986, Prof. Yung held various positions at The Hong Kong Polytechnic University. He is currently the Chair Professor of Precision Engineering and Associate Head in the Department of Industrial and Systems Engineering at The Hong Kong Polytechnic University. He has been appointed as Sir Sze-yuen Chung Professor in Precision Engineering with effect from 1 March 2020.

SENIOR MANAGEMENT

Mr. Lai Hoi Ming (黎海明), aged 41, is the Chief Financial Officer of the Group. He is also a member of each of the Risk Management Committee and the ESG Committee. Mr. Lai joined the Group in July 2018 and is primarily responsible for managing all finance, accounting, human resources and administration work. He obtained a bachelor degree in accountancy from the City University of Hong Kong in November 2005. He is currently an associate member of the Hong Kong Institute of Certified Public Accountants, and a member of the Institute of Certified Management Accountants, Australia. Before joining the Group, Mr. Lai was the senior manager of RSM Hong Kong where he was responsible for the IPO and audit work of the Group. He has over 18 years of experience in finance and accounting.

Ms. Tsui Lai Ki Vicki (**徐麗琪**), aged 47, is the Company Secretary of the Group. She is also a member of the ESG Committee. She joined the Group in April 2016 and is responsible for the company secretarial functions and provides advice to the Board and the Board committees. Ms. Tsui has over 18 years' experience in the listed corporate secretarial and governance field. Prior to joining the Group, Ms. Tsui acted as the company secretary of a number of listed companies on the Stock Exchange, providing professional corporate secretarial services to the board of directors. She is a Fellow of both The Chartered Governance Institute and The Hong Kong Chartered Governance Institute. Ms. Tsui holds a bachelor degree in accountancy.

Mr. Wong Yuk Ming David (**黃育明**), aged 52, is the Vice President of Sales and Marketing of the Group. He joined the Group in December 2016 and is primarily responsible for leading the "inspired™" portfolio of medical devices, strategic partnerships with multinational corporations and OBM sales and marketing of the Group.

Mr. Wong has over 18 years of experience in developing, manufacturing and global distribution of medical devices, with a strong clinical network. He has successfully refocused the Company's brand identity, portfolio of respiratory products, sales channels and established the strategic path of co-operation with multinational corporations. His experience in laparoscopic, endoluminal surgery combined with his respiratory experience has created synergy for the Company's future pipeline of products.

Mr. Wong graduated from University of Bradford, the United Kingdom with a master's degree and a bachelor's degree in civil and structural engineering in July 1993. He gained his chartership in civil engineering in 1998 and biomedical engineering in 2014, and gained his fellow membership of the Hong Kong Institution of Engineers in 2022. He is an advisor of the Innovation and Technology Support Programme Assessment Panel of the Innovation and Technology Fund, Innovation and Technology Commission. He is currently the chairman of the biomedical division of the Hong Kong Institute of Engineers for a term from 2022 to 2023 and served as its vice chairman for the terms from 2014 to 2015, 2017 to 2018 and 2021 to 2022. He also serves as a professional assessor and a member of the accreditation committee for the Hong Kong Institute of Engineers.

Mr. Zhang Changqing (**張長青**), aged 51, is the Head of Sales and Marketing (Greater China) of the Group. He is also a member of the Risk Management Committee. Mr. Zhang is primarily responsible for overseeing sales and business development in the PRC. He has over 19 years of experience in trading of medical devices since he joined the Group as marketing manager in March 2004. Mr. Zhang is the vice chairman of Guangdong Association of Medical Devices Industry* (廣東省醫療器械行業協會) and Dongguan Association of Medical Devices Industry* (東莞市醫療器械行業協會).

Ms. Tsui Wing Kwan (徐詠琨), aged 42, is the Head of Investor Relations and Corporate Development of the Group. She joined the Group in October 2016 and is responsible for matters relating to corporate development, investor relations and assists in strategic planning and execution of ad hoc projects for the Group. She is also the general manager of Rehab-Robotics Company Limited, an indirect wholly-owned subsidiary of the Company. She obtained a bachelor of social science degree in journalism and communications in December 2003 and a master of science degree in finance in December 2009 from the Chinese University of Hong Kong. Prior to joining the Group, Ms. Tsui worked in a number of Hong Kong and Singapore listed companies. She has more than 16 years of experience in financial communications, investor relations and corporate finance.

Mr. Xu Jiebing (徐結兵), aged 48, is the Senior Research and Development Manager of the Group. He joined the Group in December 1998 and is responsible for initiating research and development of products. He graduated from the mechanical engineering programme of Hefei University of Technology* (合肥工業大學), the PRC in July 1995 and from the online course of business administration of Xiamen University* (廈門大學), the PRC in January 2016. He attended various training courses relating to the regulation and standardisation of medical devices and protection of intellectual property rights between the period of October 2001 and July 2013. Mr. Xu is a member of the Respiratory Disease Professional Equipment Commission* (呼吸病學專業裝備委員會) of the China Association of Medical Equipment* (中國醫學裝備協會).

Mr. Liang Kar Kaan (梁家侃), aged 56, is the Senior Operations Manager of the Group. He joined the Group in August 2018 and is primarily responsible for managing and leading the production operations (respiratory and imaging disposable businesses) in Dongguan. He graduated from the Universiti Teknologi Malaysia with a bachelor's degree in mechanical engineering in September 1990. Before joining the Group, Mr. Liang was the operations manager of Infineon Technologies (Kulim) Sdn. Bhd., a production plant of Infineon Technologies AG (a world leader in semiconductor solutions) in Malaysia. He has over 26 years of experience in operations management.

Mr. Yeung Wing Fung (楊永峰), aged 47, is the Senior Operations Manager of the Group. He joined the Group in October 2014 and is primarily responsible for managing and leading the production operations (rehab business) in Dongguan. Before joining the Group, Mr. Yeung held managerial position in various textile trading companies. He has over 24 years of experience in operations management.

* *For identification purpose only.*

DIRECTORS' REPORT

The Board is pleased to present to the Shareholders their annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaging in the development, manufacture and sales of medical devices focusing on respiratory care, imaging disposables, and orthopaedic and rehabilitation products. Our products include a range of electronic medical devices such as high-flow oxygen therapy devices, respiratory humidification systems, rehabilitation devices, as well as the related disposables in respiratory care and anesthesiology. With our major production base in Dongguan, the PRC, along with the R&D, regulatory and manufacturing divisions in Dongguan Songshan Lake Technology Industrial Park, we are dedicated to bringing innovative, high-quality and reliable medical devices to the global market.

Details of the principal activities of the Company's principal subsidiaries are set out in Note 42 to the consolidated financial statements of the Annual Report. The segment information of the operations of the Group for the Year is set out in Note 10 to the consolidated financial statements of the Annual Report.

BUSINESS AND FINANCIAL REVIEW

A fair review of the Group's business and financial, and the analysis of the Group's performance for the Year as well as the prospects of the Group's business, are provided in the sections "Chairman's Statement" and "Management Discussion and Analysis" of the Annual Report.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's business, financial condition and operations results are subject to various business risks and uncertainties. The factors set out below are those that the Group believes could result in the Group's financial condition or operations results differing materially from expected or historical results. There may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

(a) Global Economy

As a global respiratory medical device and disposables supplier, the Group is exposed to the developments in the global economy as well as developments in the geographical markets in which it operates. As a result, any significant decrease in the level of economic growth in the global or regional or a specific economy could adversely affect the Group's financial condition or results of operations.

In general, volatility in the US and worldwide credit and financial markets, the COVID-19 pandemic, fluctuations in commodity prices and rising energy costs, mounting inflationary pressures, potential interest rate hikes, increasing geopolitical risks and political turbulence, global trade competition and supply chain disruptions have all contributed to the increased uncertainty of global economic prospects.

(b) Outbreak of Highly Contagious Disease

The continuing COVID-19 pandemic and the spread of new coronavirus variants in different parts of the world, including the places of businesses in which the Group operates, has a significant adverse impact on most economies due to the disruption of business activities, behavioural change, and restricted labour supply and production. Although the situation of COVID-19 outbreak has now begun to stabilise following the rollout of vaccines and many countries have started to ease border restrictions for international tourism as well as business, the pandemic remains highly volatile and unpredictable due to the potential emergence of new coronavirus variants. The threat of new COVID-19 variants may cause setback to the global economic recovery and disruption of operational activities and loss of life, and may pose a negative impact on the Group's businesses, financial conditions, results of operations or growth prospects.

(c) Political Unrest, Terrorist Attacks and Military Tensions

The political unrest, terrorist attacks or military tensions have created a lot of uncertainties and risks on the global economy. This might have ripple effect to some of the Group's customers and create uncertainties to the Group's business in future. It might also drive up the price of the components of the Group's products, thereby increasing the costs of the Group. If any political unrest, terrorist attacks or military tensions continue to exacerbate and lead to an economic contraction, it might materially and adversely impact the Group's business.

(d) Customer Concentration

The Group generated 58.3% of revenue from the top five customers for the Year. Customer concentration exposes the Group to risks and factors affecting the performance of major customers and may subject us to fluctuations or decline in the Group's revenue. It may also result in difficulty for the Group to negotiate with such customers for satisfactory prices for the products and commercial terms. These risks result in a lack of predictability about the Group's sales, and any reduction in the order from and termination of business relationship with the major customers will have material adverse effect on the Group's business and results of operations.

(e) Product Development Risks

The actual timing of the introduction of each of the future products to the market could vary significantly due to a number of factors, many of which are outside the Group's control, including but not limited to, the difficulties and failures in R&D process, the availability of funds and the competition within the medical device market. In addition, clinical trials and product registration are inherently a lengthy and expensive process and there can be no assurance that the future products will meet the standards required to pass all necessary clinical trials. Failure to develop, obtain registration or approval for or commercialise the pipeline products could materially and adversely affect the Group's business and results of operations.

(f) Labour Costs and Shortage

In recent years, the Group has to face the problems of labour shortage and increase in labour costs. The utilisation of production facilities may be limited by the ability to recruit sufficiently skilled labour. Also, the Group is unable to offset such increase of labour costs by reducing other costs or passing it on to the Group's customers, thus the Group's business, financial condition and results of operations may be materially and adversely affected.

(g) Supply Chain

Currently, we purchase our raw materials only from the approved suppliers which meet our evaluation criteria and are listed on our approved supplier list. If the suppliers fail to supply raw materials in accordance with our delivery schedule, quality standards or product specifications, we may be forced to deliver our products on a delayed basis or cancel our product offering, either of which could harm our reputation and our relationships with distributors and consumers and expose us to the risks such as potential litigation and damage claims. Therefore, any disruption of logistics supply chain of raw materials could materially and adversely affect the Group's business and results of operations.

(h) Intellectual Property Infringement

The Group operates in an industry in which the Group and its competitors or customers may utilise or own similar technologies and product designs. Consequently, the Group, its competitors or customers may claim intellectual property rights over the technologies and product designs used in the products. Legal proceedings involving intellectual property rights can be expensive and time-consuming, and their outcomes are uncertain. Successful infringement claims by third parties against the Group could materially and adversely harm the Group's business and reputation.

(i) Change of Laws and Regulations

The medical device industry is highly regulated and each country or territory in which the Group sells its products is subject to its own robust legal and regulatory regime. Any change in the applicable laws, regulations, standards or import policies of overseas countries may prevent or restrict the Group from conducting certain aspects of its current business. There can be no guarantee that the Group will be able to retain its certificates and other licences required to sell its products. If such loss were to occur, it would restrict the Group's ability to service its customers or sell certain medical devices, which could have an adverse impact on its business, prospects and financial condition.

In case of a breach of laws and regulations, this could lead to litigation, investigations or disputes, resulting in additional costs being incurred, civil and/or criminal proceedings and reputational damage. It is therefore vital to closely monitor changes and developments in the regulatory environment and ensure that sufficient resources are made available to implement any required changes timely.

(j) Product Quality

The Group operates manufacturing facilities. Poor product quality could affect customer or public safety. Incidents of this nature could lead to product recall costs, legal liability and reputational damage. While the Group maintains product liability insurance coverage, there can be no assurance that the coverage will be applicable and adequate to cover all possible adverse outcomes of claims and legal proceedings against the Group. In addition, any lost confidence on the part of the Group's customers would be difficult and costly to re-establish. As such, any material issue regarding the safety of any products could materially and adversely affect the Group's business and results of operations.

(k) Climate Change

Some of the Group's assets and businesses, and many of the Group's customers and suppliers are located in areas that would be affected in the medium to long-term by climate change. Climate change may increase the frequency and intensity of extreme weather events, and some of which can result in natural disasters. It could disrupt supply chains, interrupt business operations and cause financial and physical damages. Alternation in weather patterns, such as typhoons, droughts, or rain amount may cause shortage of crops for food and other natural resources. The harsher temperatures in some locations may also pose increased risk for employees working in those locations. Changes in microclimates for certain locations may render certain businesses obsolete. Some governments are also beginning to introduce legislations or requirements to restrict emissions and other environmental protective measures. Regulations, disruption and damage arising from climate change could have a material impact on the Group's businesses and adversely affect the Group's financial conditions and results of operations.

Although the Group has not experienced any significant disruption or damage from climate change thus far, there can be no assurance that climate change and its impact including rising sea levels, prolonged droughts or heat waves and other extreme weather patterns will not occur and result in major disruption or damage to the Group's assets and businesses, which could materially and adversely affect the Group's financial condition and results of operations.

(l) Financial Risks

The Group's principal business activities are exposed to a variety of financial risks including foreign currency risk, credit risk, liquidity risk and interest rate risk. Details of the aforesaid key risks and risk mitigation measures are elaborated in Note 6 "Financial Risk Management" to the consolidated financial statements of the Annual Report.

RELATIONSHIPS WITH KEY STAKEHOLDERS

The success of the Group also depends on the support from key stakeholders which comprise customers, suppliers, employees, regulators and Shareholders.

Customers

The customers of the Group comprise generally the major international medical device companies, distributors and medical equipment manufacturers. The Group has been devoted to providing good customer service with the purpose of maintaining a stable and long-term business relationship.

Suppliers

Strong relationship with the Group's major suppliers constitutes one of the essential elements of the Group's success. To achieve positive business growth, the Group maintains close relationship with its major suppliers to ensure stability of supply. The Group also leverages on bulk purchases which enable the Group to purchase raw materials at competitive prices.

The principal raw materials used for production are resin, plastic parts and tubings. The Group purchases raw materials only from approved suppliers which meet the Group's evaluation criteria and are listed on the Group's approved supplier list. The Group selects its major suppliers based on their technological capacity, quality control system, business reputation and production scale and regularly assesses them based on their product quality, price and delivery time. For the OEM segment, the Group is often required to purchase the relevant raw materials from suppliers as specified by the customers.

Employees

Employees are the most valuable asset of the Group. The Group strives to create a harmonious and safe working environment to all employees. The key objective of the Group's human resource management is to recognise and reward performing staff by providing competitive remuneration packages, granting share options and implementing an effective performance appraisal system with appropriate incentives.

Regulators

The Company's shares are listed on the Main Board of the Stock Exchange and the Group is regulated by the Securities and Futures Commission of Hong Kong and other relevant authorities. The Group makes it a top priority to stay up to date and ensure compliance with new rules and regulations.

Shareholders

The Company considers that effective communication with the Shareholders is essential. The Board has established the Shareholders' Communication Policy which aims to promote effective communication between the Company and the Shareholders and other stakeholders and to enable the Shareholders to exercise their rights effectively in an informed manner.

Apart from transparent and timely disclosure of corporate information in the websites of the Company and the Stock Exchange, the senior management maintains regular dialogue with institutional investors through one-on-one meetings and electronic conferences. The Company considers stable and sustainable returns to the Shareholders to be the goal and endeavours to maintain the Dividend Policy. The Group will focus on its core business for achieving sustainable profit growth and rewarding the Shareholders with dividend after taking into account the business development needs and financial condition of the Group.

DISCLOSURES ON RISK MANAGEMENT AND ENVIRONMENTAL POLICIES

Details of disclosures on risk management and environmental policies are set out in the sections "Corporate Governance Report" and "Environmental, Social and Governance Report" of the Annual Report.

COMPLIANCE WITH LAWS AND REGULATIONS

So far as the Board and the Company's management are aware of, the Group is in compliance with the relevant laws and regulations that have a significant impact on the Group's businesses and operations in all material aspects. There was no material violation of or non-compliance with applicable laws and regulations by the Group during the Year.

RESULTS AND DIVIDENDS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income of the Annual Report.

The Board did not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: HK2.5 cents).

During the Year, in light of the solid financial position of the Group and in celebration of the Company's 25th anniversary, the Board has resolved to declare a special dividend of HK2.5 cents per Share and paid to the Shareholders on 30 September 2022. The total dividend for the year ended 31 December 2022 is HK2.5 cents (2021: HK4.5 cents) per Share.

DIVIDEND POLICY

The Company has adopted the Dividend Policy, pursuant to which the Company may declare and distribute dividends to the Shareholders, provided that the Group records a profit after tax and that the declaration and distribution of dividends do not affect the normal operations of the Group.

The payment of any interim dividend or recommendation of the payment of any final dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the Shareholders. In proposing any dividend payout, the Board shall also take into account, inter alia, the Group's financial condition, results of operations, level of cash, statutory and regulatory restrictions in relation thereto, future prospects, and other factors that the Directors may consider relevant. The historical dividend distribution record may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future. The payment of dividend is also subject to any restrictions under the laws of the Cayman Islands and the Articles of Association.

The Company intends to pay a total dividend in respect of each financial year of not less than 30% of the Group's consolidated profit attributable to the Shareholders for the years thereafter, subject to the criteria set out in the Dividend Policy.

The Board will monitor the implementation of the Dividend Policy. Also, the Board will review the Dividend Policy on a regular basis to ensure its effectiveness, and will discuss and approve any revisions that may be required.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM to be held on Thursday, 18 May 2023, the register of members of the Company will be closed from Monday, 15 May 2023 to Thursday, 18 May 2023, both days inclusive, during which period no transfer of the Shares will be registered. In order to be eligible to attend and vote at the AGM, the Shareholders must lodge all transfer forms accompanied by the relevant share certificates for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Friday, 12 May 2023.

RESERVES

Movements in the reserves of the Company and of the Group during the Year are set out in Note 29(b) to the consolidated financial statements and the consolidated statement of changes in equity of the Annual Report.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company's reserves available for distribution to the Shareholders amounted to HK$178.2 million comprising amount from share premium account and retained profits.

Under the Cayman Companies Act and subject to the provisions of the Articles of Association, the Company's share premium account may be applied to pay distributions or dividends to the Shareholders provided that immediately following the date of distribution or dividend that is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets, equity and liabilities of the Group for the last five financial years is set out in the section "Five-Year Financial Summary" of the Annual Report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the Year are set out in Note 18 to the consolidated financial statements of the Annual Report.

SHARE CAPITAL

Details of the movements in the Share capital of the Company during the Year are set out in Note 28 to the consolidated financial statements of the Annual Report.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws of Cayman Islands which would oblige the Company to offer new Shares on a pro rata basis to the existing Shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Year, the Company repurchased a total of 1,746,000 Shares on the Stock Exchange at an aggregate consideration of HK$1,555,820 (before expenses). All the above repurchased Shares were subsequently cancelled during the Year. Details of the Shares repurchased during the Year are as follows:

Month	Number of Shares purchased	Price paid per Share		Aggregate consideration (before expenses)
		Highest	Lowest	
		HK$	*HK$*	*HK$*
January 2022	972,000	1.03	0.94	964,400
April 2022	304,000	0.79	0.76	236,220
May 2022	470,000	0.76	0.75	355,200
	1,746,000			1,555,820

The above Share repurchases were made with a view to enhancing the earnings per Share of the Company.

Saved for the above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Year.

DONATIONS

During the Year, the Group had made charitable donations of RMB110,000 (2021: Nil). Also, the Group donated 20,000 COVID-19 self-test kits (approximately HK$200,000 in value) to support the underprivileged communities in Hong Kong during the fifth COVID-19 wave. These supplies were distributed to a number of non-governmental organisations, such as The Neighbourhood Advice-Action Council and The Elderly Services Association of Hong Kong.

MAJOR CUSTOMERS AND SUPPLIERS

For the Year, the aggregate sales attributable to the Group's five largest customers was 58.3% (2021: 52.0%). The sales attributable to the Group's largest customer during the Year was 39.9% (2021: 29.3%).

The aggregate purchases attributable to the Group's five largest suppliers during the Year was 23.4% (2021: 18.3%). The purchases attributable to the Group's largest supplier during the Year was 6.5% (2021: 5.0%).

None of the Directors or any of their close associates or any Shareholders (who to the knowledge of the Directors own more than 5% of the Company's issued Share capital) had an interest in any of the five largest suppliers or customers of the Group.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the Shareholders by reason of their holding of the Company's securities.

DIRECTORS

The Directors for the Year and up to the date of the Annual Report were as follows:

Executive Directors

Mr. Choi Man Shing *(Chairman)*
Mr. To Ki Cheung *(CEO)* (resigned on 1 January 2023)
Mr. Choi Cheung Tai Raymond *(CEO)* (appointed on 1 January 2023)
Mr. Koh Ming Fai
Mr. Fu Kwok Fu

Non-executive Director

Mr. Guo Pengcheng

Independent Non-executive Directors

Mr. Mok Kwok Cheung Rupert
Mr. Au Yu Chiu Steven
Prof. Yung Kai Leung

Pursuant to Articles 84(1) and (2) of the Articles of Association, Mr. Choi Man Shing (an Executive Director), Mr. Guo Pengcheng (a Non-executive Director) and Prof. Yung Kai Leung (an Independent Non-executive Director) shall retire from office by rotation and be eligible for re-election at the AGM. Mr. Choi Man Shing and Prof. Yung Kai Leung will offer themselves for re-election at the AGM. Mr. Guo Pengcheng confirmed that due to his intention to focus on other business engagements and personal commitments, he will not offer himself for re-election as a Non-executive Director and will retire from the Board with effect from the conclusion of the AGM.

Also, pursuant to Article 83(3) of the Articles of Association, Mr. Choi Cheung Tai Raymond, being the new Director so appointed by the Board as an Executive Director to fill a casual vacancy on the Board as disclosed in the announcement of the Company dated 30 December 2022, shall hold office until the AGM and shall then be eligible, will offer himself for re-election at the AGM.

The Company has received an annual confirmation of independence from each of the Independent Non-executive Directors in accordance with Rule 3.13 of the Listing Rules and considers each of the Independent Non-executive Directors to be independent.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out in the section "Biographical Details of Directors and Senior Management" of the Annual Report.

DISCLOSURE PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Since the date of the 2022 interim report and the announcement dated 30 December 2022 of the Company, the changes of Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Name of Director	Details of changes
Mr. Choi Cheung Tai Raymond	• Appointed for below positions of the Hong Kong Medical and Healthcare Device Industries Association (the "**HKMHDIA**"): 1. an Executive Board Member with effect from 5 December 2022; 2. a member of the Quality and Regulatory Affairs Panel with effect from 11 January 2023; and 3. a member of the Greater Bay Area Panel with effect from 13 February 2023. • Appointed as a member of the Expert Review Panel of Logistics and Supply Chain MultiTech R&D Centre Limited with effect from 1 January 2023. • Appointed as an industrial advisor of the Technology Transfer Management Committee of The Hong Kong Polytechnic University with effect from 1 April 2023.
Mr. Koh Ming Fai	• Ceased to be an Executive Board Member of the HKMHDIA (2017 to 2022) with effect from 5 December 2022. • Appointed for below positions of the HKMHDIA: 1. a member of the External Relations Panel with effect from 10 January 2023; 2. a member of the Quality and Regulatory Affairs Panel with effect from 11 January 2023; and 3. a member of the Greater Bay Area Panel with effect from 13 February 2023.

Name of Director	Details of changes
Mr. Mok Kwok Cheung Rupert	• Ceased to be the Secretary General of the Executive Board of the HKMHDIA (2016 to 2022) with effect from 5 December 2022. • Appointed for below positions of the HKMHDIA: 1. the Treasurer of the Executive Board with effect from 5 December 2022; 2. the Chair of the Greater Bay Area Panel with effect from 13 February 2023; 3. the Co-Chairs of the Membership Affairs Panel and the Global Harmonisation Working Group Panel with effect from 9 January 2023 and 12 January 2023, respectively; and 4. a member of the Product and Technology Development Panel with effect from 11 January 2023; and 5. a member of the Quality and Regulatory Affairs Panel with effect from 11 January 2023.

Saved for the above, there were no other changes to the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2022 interim report and the announcement dated 30 December 2022 of the Company.

DIRECTORS' SERVICE AGREEMENTS

Each of the Directors has entered into a service agreement with the Company for an initial fixed term of three years. The service agreements may be terminated in accordance with the respective terms of the service agreements.

None of the Directors has entered or has proposed to enter into any service agreement with the Company or any member of the Group which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save for the Directors' material interests in transactions, arrangements or contracts and the related party transactions as disclosed in Notes 15(c) and 41, respectively, to the consolidated financial statements of the Annual Report, no other transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party and in which any Director (or any entity connected with such Director) had a material interest, whether directly or indirectly, subsisted during or at the end of the Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Year and up to the date of the Annual Report, none of the Directors and the directors of the Company's subsidiaries, or their respective associates had interests in businesses, other than being a director of the Company and/or its subsidiaries and their respective associates, which compete or are likely to compete, either directly or indirectly, with the businesses of the Company and its subsidiaries as required to be disclosed pursuant to the Listing Rules.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save for the Directors' material interests in transactions, arrangements or contracts and the related party transactions as disclosed in Notes 15(c) and 41, respectively, to the consolidated financial statements of the Annual Report, no contracts of significance were entered into between the Company or any of its subsidiaries and any Controlling Shareholder or its subsidiaries subsisted during or at the end of the Year.

PERMITTED INDEMNITY PROVISION

Subject to the Companies Ordinance, every Director is entitled under the Articles of Association to be indemnified and secured harmless out of the assets of the Company from and against all costs, charges, expenses, losses and liabilities which he may sustain or incur in or about the execution or discharge of his duties.

The Company has arranged directors' and officers' liability insurance for all Directors and senior management of the Company, who subject to the applicable laws, will be indemnified against the costs, charges, expenses, losses and liabilities for legal action incurred by such Director or officer in the execution of his/her duties or otherwise in relation thereto.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2022, to the best knowledge of the Directors and chief executives of the Company, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests in Shares and underlying Shares

Name of Director	Name of the Group member/ associated corporation	Capacity/Type of interest	Number and class of shares (L) *(Note 1)*	Approximate percentage of shareholding *(Note 8)*
Mr. Choi Man Shing	The Company	Beneficial owner/ Interest of controlled corporations	391,189,890 Shares *(Note 2)*	59.88%
	VRI *(Note 3)*	Beneficial owner	2,750 ordinary shares of US$1.00 each	57.89%
		Interest of spouse *(Note 4)*	2,000 ordinary shares of US$1.00 each	42.11%
Mr. To Ki Cheung	The Company	Beneficial owner	13,624,110 Shares *(Note 5)*	2.09%
Mr. Koh Ming Fai	The Company	Beneficial owner/Interest of spouse	7,645,166 Shares *(Note 6)*	1.17%
Mr. Fu Kwok Fu	The Company	Beneficial owner/Interest of spouse	7,867,166 Shares *(Note 7)*	1.20%

Notes:

(1) The letter "L" denotes the person's long position in the Shares or the underlying Shares or the shares in the share capital of the relevant associated corporation.

(2) These interests represented:

(a) 9,000,000 Shares held by Mr. Choi Man Shing ("**Mr. Choi**"), the Chairman and an Executive Director of the Company;

(b) 381,939,890 Shares held by VRI. Mr. Choi holds 57.89% of the issued share capital of VRI. By virtue of the SFO, Mr. Choi is deemed to be interested in all the Shares in which VRI is interested; and

(c) 250,000 Shares held by VRHK. VRI holds the entire issued share capital of VRHK and therefore by virtue of the SFO, Mr. Choi is deemed to be interested in all the Shares in which VRHK is interested.

(3) As at 31 December 2022, VRI was the holding company of the Company, and hence an associated corporation of the Company under Part XV of the SFO.

(4) Ms. Liu Pui Ching holds 42.11% of the issued share capital of VRI. Since Ms. Liu Pui Ching is the spouse of Mr. Choi, Mr. Choi is deemed to be interested in all the shares in VRI in which Ms. Liu Pui Ching is interested by virtue of the SFO.

(5) These interests represented:

(a) 12,624,110 Shares held by Mr. To Ki Cheung ("**Mr. To**"), the then CEO and Executive Director of the Company, who resigned on 1 January 2023; and

(b) 1,000,000 options granted to Mr. To, which are subject to certain vesting conditions pursuant to the Share Option Scheme, details of which are set out in the section headed "Share Option Schemes" in this Directors' Report. Following the resignation of Mr. To as the CEO and an Executive Director of the Company with effect from 1 January 2023, 1,000,000 options granted to him were lapsed on 1 January 2023 pursuant to the Share Option Scheme.

(6) These interests represented:

(a) 4,941,166 Shares held by Mr. Koh Ming Fai ("**Mr. Koh**"), an Executive Director;

(b) 174,000 Shares held by the spouse of Mr. Koh. By virtue of the SFO, Mr. Koh is deemed to be interested in all the Shares in which his spouse is interested;

(c) 528,834 options granted to Mr. Koh, which are subject to certain vesting conditions pursuant to the Pre-IPO Share Option Scheme, details of which are set out in the section headed "Share Option Schemes" in this Directors' Report; and

(d) 2,001,166 options granted to Mr. Koh, which are subject to certain vesting conditions pursuant to the Share Option Scheme, details of which are set out in the section headed "Share Option Schemes" in this Directors' Report.

(7) These interests represented:

(a) 5,691,166 Shares held by Mr. Fu Kwok Fu ("**Mr. Fu**"), an Executive Director;

(b) 396,000 Shares held by the spouse of Mr. Fu. By virtue of the SFO, Mr. Fu is deemed to be interested in all the Shares in which his spouse is interested;

(c) 528,834 options granted to Mr. Fu, which are subject to certain vesting conditions pursuant to the Pre-IPO Share Option Scheme, details of which are set out in the section headed "Share Option Schemes" in this Directors' Report; and

(d) 1,251,166 options granted to Mr. Fu, which are subject to certain vesting conditions pursuant to the Share Option Scheme, details of which are set out in the section headed "Share Option Schemes" in this Directors' Report.

(8) Approximate percentage of shareholding of the Company was calculated based on the 653,336,332 Shares in issue as at 31 December 2022.

Save as disclosed above and to the best knowledge of the Directors, as at 31 December 2022, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN SHARES OF THE COMPANY

As at 31 December 2022, so far as the Directors are aware, the following persons (other than the Directors or chief executives of the Company) had an interest or a short position in the Shares or underlying Shares, as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity/Type of interest	Number of Shares (L) *(Note 1)*	Approximate percentage of shareholding *(Note 4)*
Ms. Liu Pui Ching ("**Ms. Liu**")	Interest of spouse/ Interest of controlled corporations	391,189,890 Shares *(Note 2)*	59.88%
VRI	Beneficial owner/Interest of a controlled corporation	382,189,890 Shares *(Note 3)*	58.50%

Notes:

(1) The letter "L" denotes the person/entity's long position in the Shares or the shares in the share capital of the relevant associated corporation.

(2) These interests represented:

(a) 9,000,000 Shares held by Mr. Choi. Mr. Choi is the spouse of Ms. Liu. By virtue of the SFO, Ms. Liu is deemed to be interested in all the Shares in which Mr. Choi is interested;

(b) 381,939,890 Shares held by VRI. Ms. Liu holds 42.11% and Mr. Choi holds 57.89% of the issued share capital of VRI, respectively. By virtue of the SFO, Ms. Liu is deemed to be interested in all the Shares in which VRI is interested; and

(c) 250,000 Shares held by VRHK. VRI holds the entire issued share capital of VRHK and therefore by virtue of the SFO, Ms. Liu is deemed to be interested in all the Shares in which VRHK is interested.

(3) These interests represented:

(a) 381,939,890 Shares held by VRI; and

(b) 250,000 Shares held by VRHK. VRI holds the entire issued share capital of VRHK and therefore by the virtue of the SFO, VRI is deemed to be interested in all the Shares held by VRHK.

(4) Approximate percentage calculated based on the 653,336,332 Shares in issue as at 31 December 2022.

Save as disclosed above, as at 31 December 2022, the Directors were not aware of any other corporation or individual (other than the Directors or chief executives of the Company) who had an interest or a short position in the Shares or underlying Shares as recorded in the register to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the Annual Report, at no time during the Year was the Group or any of the Company's holding companies or subsidiaries of the Company's holding companies a party to any arrangements to enable the Directors or the chief executives of the Company or their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

EQUITY-LINKED AGREEMENTS

Save for the Pre-IPO Share Option Scheme, the Share Option Scheme and the Share Award Scheme as described below, no equity-linked agreements that will or may result in the Company issuing Shares nor require the Company to enter into an agreement that will or may result in the Company issuing Shares was entered into by the Company during the Year or subsisted at the end of the Year.

SHARE OPTION SCHEMES

Pre-IPO Share Option Scheme adopted on 17 June 2016

The Pre-IPO Share Option Scheme was adopted by the Company on 17 June 2016. The purpose of the Pre-IPO Share Option Scheme is to recognise and acknowledge the contributions made by certain executives, Directors, employees and/or consultants of the Group to the growth of the Group by granting options to them as rewards and further incentives. The Pre-IPO Share Option Scheme will expire on 16 June 2026 and the remaining life of the Pre-IPO Share Option Scheme as at the date of the Annual Report is around 3 years.

Pursuant to the Pre-IPO Share Option Scheme, on 17 June 2016, the Company conditionally granted the options to subscribe for an aggregate of 19,684,000 Shares to a total of 91 grantees at exercise price of HK$0.80 per Share which is an amount equal to 80% of the final price (i.e. HK$1.00) for each offer share of the Hong Kong public offering and the international placing in connection with the Company's listing of the Shares on the Main Board of the Stock Exchange on 13 July 2016. A consideration of HK$1.00 was payable by each grantee upon acceptance of the offer of the option. Save for the options which have been granted on 17 June 2016, no further options will be granted under the Pre-IPO Share Option Scheme.

For the year ended 31 December 2022, a total of 264,000 share options were exercised in accordance with the terms of the Pre-IPO Share Option Scheme and no share options were cancelled or lapsed.

As at 31 December 2022, the maximum number of Shares which might be issued upon exercise of all outstanding options granted under the Pre-IPO Share Option Scheme was 2,646,668 Shares, representing approximately 0.41% of the Company's issued share capital as at 31 December 2022.

As at 22 March 2023, being the date of the Annual Report, no share options are available for issue under the Pre-IPO Share Option Scheme.

Details of the outstanding share options under the Pre-IPO Share Option Scheme during the Year are as follows:

Grantee	Date of grant	Vesting schedule	Exercise period	Exercise price (HK$)	Outstanding as at 1 January 2022	Number of Shares underlying the share options granted: Exercised during the Year (Note)	Cancelled during the Year	Lapsed during the Year	Outstanding as at 31 December 2022
Directors									
Mr. Koh Ming Fai	17 June 2016	25% of options will vest on each of 13 July 2017, 2018, 2019 and 2020, respectively	25% of options will be exercisable from each of 13 July 2017, 2018, 2019 and 2020, respectively to 16 June 2026	0.80	528,834	–	–	–	528,834
Mr. Fu Kwok Fu	17 June 2016	25% of options will vest on each of 13 July 2017, 2018, 2019 and 2020, respectively	25% of options will be exercisable from each of 13 July 2017, 2018, 2019 and 2020, respectively to 16 June 2026	0.80	528,834	–	–	–	528,834
In aggregate					**1,057,668**	**-**	**-**	**-**	**1,057,668**
Senior management and other employees									
In aggregate	17 June 2016	25% of options will vest on each of 13 July 2017, 2018, 2019 and 2020, respectively	25% of options will be exercisable from each of 13 July 2017, 2018, 2019 and 2020, respectively to 16 June 2026	0.80	**1,853,000**	**(264,000)**	**-**	**-**	**1,589,000**
Total					**2,910,668**	**(264,000)**	**-**	**-**	**2,646,668**

Note:

Please see Note 31(a) to the consolidated financial statements of the Annual Report for the weighted average Share price immediately before the dates of exercise in respect of the share options exercised during the Year.

Share Option Scheme adopted on 24 June 2016

The Share Option Scheme was adopted by the Company on 24 June 2016. The purpose of the Share Option Scheme is to recognise and acknowledge the contributions of eligible participants of the Share Option Scheme including any executive, Director, employee, advisor, consultant, professional, agent, contractor, customer, provider of goods and/or services or business or joint-venture partner to the Group (the "**Share Option Eligible Participant(s)**") by granting options to them as incentives or rewards. The Share Option Scheme will expire on 23 June 2026 and the remaining life of the Share Option Scheme as at the date of the Annual Report is around 3 years.

The exercise price per Share shall be determined by the Board and notified to the grantee at the time of offer of the options. The exercise price should at least be the highest of:

(i) the nominal value of the Shares;

(ii) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer, which must be a day on which the Stock Exchange is open for the business of dealing in securities (the "**Business Day**"); and

(iii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of offer,

or (where applicable) such price as from time to time adjusted pursuant to the Share Option Scheme.

The initial total number of Shares which may be issued upon exercise of all options to be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme shall not in aggregate exceed 63,800,000 Shares, being 10% of the total number of Shares in issue at the time dealings in the Shares first commenced on the Stock Exchange. The total number of Shares issued and to be issued upon the exercise of the options granted or to be granted under the Share Option Scheme and any other schemes of the Company (including exercised, cancelled and outstanding options) to each Share Option Eligible Participant in any 12 consecutive months up to and including the date of grant shall not exceed 1% of the Shares in issue as at the date of grant.

For each of the grant of share options under the Share Option Scheme, a consideration of HK$1.00 was payable by each grantee upon acceptance of an offer of the option. Any offer of option may be accepted in writing received by any Director or the secretary of the Company until 5:00 p.m. on the date specified in the offer provided that no such offer shall be open for acceptance after expiry of the scheme period or the termination of the Share Option Scheme. The vesting period of the option shall be determined by the Board at the time of the offer of the option. No performance targets were attached to share options granted under the Share Option Scheme.

The number of options available for grant under the existing scheme mandate of the Share Option Scheme as at 1 January 2022 and 31 December 2022 is 13,428,000 Shares and 35,668 Shares, respectively.

During the Year, the Company conditionally granted the options to subscribe for an aggregate of 13,392,332 Shares (the "**Share Options**") on 13 June 2022 (the "**Date of Grant**") pursuant to the Share Option Scheme to a total of 107 grantees, including Directors, senior management and other employees of the Group, at exercise price of HK$0.80 per Share which was determined by the Board and at least be the highest of (i) the closing price of HK$0.69 per Share as stated in the Stock Exchange's daily quotations sheet on the Date of Grant; (ii) the average closing price of HK$0.70 per Share as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the Date of Grant; and (iii) the nominal value of the Share of HK$0.01 each.

Among the Shares Options granted above, a total of 2,002,332 Share Options were granted to Mr. Koh Ming Fai and Mr. Fu Kwok Fu (both being Executive Directors), and Mr. Choi Cheung Tai Raymond (Deputy Chief Executive Officer of the Group as at the Date of Grant) who is the son of Mr. Choi Man Shing (Chairman and Executive Director of the Company) and thus an associate of Mr. Choi Man Shing. The remaining 11,390,000 Share Options were granted to 6 senior management and 98 other employees of the Group under the Share Option Scheme, which ranged from 50,000 to 500,000 Share Options each grantee. There is no performance target or clawback mechanism for the Share Options granted above. For details, please refer to the Company's announcement dated 13 June 2022.

Save for the above grant of options, the Company has granted share options under the Share Option Scheme on 28 May 2018, 25 March 2019 and 25 August 2021, respectively. The last dates of acceptance and the closing prices of the Shares immediately before the respective dates on which the share options were granted are set out below:

Date of grant	Last date of acceptance	Closing price of the Shares immediately before the date on which the share options were granted *HK$*
28 May 2018	8 June 2018	0.65
25 March 2019	4 April 2019	0.74
25 August 2021	8 September 2021	1.09
13 June 2022	27 June 2022	0.70

For the year ended 31 December 2022, a total of 1,890,000 share options were lapsed in accordance with the terms of the Share Option Scheme and no share options were exercised or cancelled.

As at 31 December 2022, the maximum number of Shares which might be issued upon exercise of all outstanding options granted under the Share Option Scheme was 32,590,332 Shares, representing approximately 4.99% of the Company's issued share capital as at 31 December 2022.

As at 22 March 2023, being the date of the Annual Report, the total number of share options available for issue under the Share Option Scheme was 35,668 Shares, representing approximately 0.0055% of the issued shares of the Company as at such date.

Details of the outstanding share options under the Share Option Scheme during the Year are as follows:

Grantee	Date of grant	Vesting schedule	Exercise period	Exercise price *(HK$)*	Outstanding as at 1 January 2022	Number of Shares underlying the share options granted: Granted during the Year *(Note)*	Exercised during the Year	Cancelled during the Year	Lapsed during the Year	Outstanding as at 31 December 2022
Directors										
Mr. To Ki Cheung (resigned on 1 January 2023)	28 May 2018	25% of options will vest on each of 28 May 2019, 2020, 2021 and 2022, respectively	25% of options will be exercisable from each of 28 May 2019, 2020, 2021 and 2022, respectively to 23 June 2026	0.80	1,000,000	-	-	-	-	1,000,000
Mr. Koh Ming Fai	28 May 2018	25% of options will vest on each of 28 May 2019, 2020, 2021 and 2022, respectively	25% of options will be exercisable from each of 28 May 2019, 2020, 2021 and 2022, respectively to 23 June 2026	0.80	1,500,000	-	-	-	-	1,500,000
	13 June 2022	25% of options will vest on each of 13 June 2023, 2024, 2025 and 2026, respectively	25% of options will be exercisable from each of 13 June 2023, 2024, 2025 and 2026, respectively to 23 June 2026	0.80	-	501,166	-	-	-	501,166
Mr. Fu Kwok Fu	28 May 2018	25% of options will vest on each of 28 May 2019, 2020, 2021 and 2022, respectively	25% of options will be exercisable from each of 28 May 2019, 2020, 2021 and 2022, respectively to 23 June 2026	0.80	750,000	-	-	-	-	750,000
	13 June 2022	25% of options will vest on each of 13 June 2023, 2024, 2025 and 2026, respectively	25% of options will be exercisable from each of 13 June 2023, 2024, 2025 and 2026, respectively to 23 June 2026	0.80	-	501,166	-	-	-	501,166
In aggregate					**3,250,000**	**1,002,332**	**-**	**-**	**-**	**4,252,332**
Senior management and other employees	28 May 2018	25% of options will vest on each of 28 May 2019, 2020, 2021 and 2022, respectively	25% of options will be exercisable from each of 28 May 2019, 2020, 2021 and 2022, respectively to 23 June 2026	0.80	4,350,000	-	-	-	(150,000)	4,200,000
	25 March 2019	25% of options will vest on each of 25 March 2020, 2021, 2022 and 2023, respectively	25% of options will be exercisable from each of 25 March 2020, 2021, 2022 and 2023, respectively to 23 June 2026	0.80	1,700,000	-	-	-	-	1,700,000
	25 August 2021	25% of options will vest on each of 25 August 2022, 2023, 2024 and 2025, respectively	25% of options will be exercisable from each of 25 August 2022, 2023, 2024 and 2025, respectively to 23 June 2026	1.14	11,788,000	-	-	-	(1,640,000)	10,148,000
	13 June 2022	25% of options will vest on each of 13 June 2023, 2024, 2025 and 2026, respectively	25% of options will be exercisable from each of 13 June 2023, 2024, 2025 and 2026, respectively to 23 June 2026	0.80	-	12,390,000	-	-	(100,000)	12,290,000
In aggregate					**17,838,000**	**12,390,000**	**-**	**-**	**(1,890,000)**	**28,338,000**
Total					**21,088,000**	**13,392,332**	**-**	**-**	**(1,890,000)**	**32,590,332**

Note:

The closing price of the Shares on 10 June 2022, the date immediately before the date on which the share options were granted, was HK$0.70. Please see Note 31(a) to the consolidated financial statements of the Annual Report for the fair value of share options at the date of grant and the accounting standard and policy adopted in respect of the share options granted during the Year.

SHARE AWARD SCHEME

The Share Award Scheme was adopted by the Company on 2 December 2021 (the "**Adoption Date**"). The purposes of the Share Award Scheme are to through the Shares awarded or provisionally awarded (the "**Award(s)"** or **"Award Share(s)**") (a) to recognise and reward the contribution of certain eligible participants to the growth and development of the Group and to give incentives thereto in order to retain them for the continual operation and development of the Group; and (b) to attract suitable personnel for further development of the Group. The Share Award Scheme will expire on 1 December 2031 and the remaining life of the Share Award Scheme as at the date of the Annual Report is around 9 years.

The eligible participants of the Share Award Scheme (the "**Share Award Eligible Participants**") include (a) any employee (whether full time or part time, including any executive Director but excluding any non-executive Director) of the Company, any subsidiary or any related entity; (b) any non-executive Directors (including independent non-executive Directors) of the Company, any subsidiary or any related entity; (c) any adviser (professional or otherwise), consultant to or expert in any area of business or business development of any member of the Group or any related entity; and (d) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group, and, for the purposes of the Share Award Scheme, the Award may be made to any company wholly owned by one or more of the above participants and any trust where the settlor is one of the above participants, but excluding the excluded participants.

Subject to the terms and conditions of the Share Award Scheme and the requirements of the Listing Rules, the Board or a duly authorised committee or other person(s) from time to time delegated by the Board with the power and authority to administer the Share Award Scheme (the "**Committee**") may, from time to time at its absolute discretion, select any Share Award Eligible Participants to participate in the Share Award Scheme as a selected participant, make an offer to the selected participants and grant Award Shares to such selected participants, and such Award Shares can be satisfied by (i) new Shares to be subscribed by the trustee under the Company's available general mandate or under a specific mandate approved or to be approved by the Shareholders; or (ii) Shares purchased by the trustee in the open market as directed by the Board or the Committee.

Upon approval of any grant of Award(s) by the Board to any selected participant, the Board or the Committee shall notify a selected participant of the terms and conditions of any Award, including but not limited to any vesting schedule and vesting conditions relating to the performance of the Selected Participant or the Group, by an award notice. An Award shall be deemed to be irrevocably declined by a selected participant unless the selected participant shall within 5 Business Days (or if any, such other period as prescribed on the notice given to the Selected Participant as referred hereto) after receipt of such notice from the Board or the Committee notify the Company in writing that he would accept such Award. The vesting schedule is determined by the Board or the Committee at the time of the offer of the Award.

A detailed summary of the terms of the Share Award Scheme are set out in the Company's announcement dated 2 December 2021.

As at 22 March 2023, being the date of the Annual Report, the total number of Shares which may be issued upon exercise of all Awards to be granted under the Share Award Scheme shall not in aggregate exceed 32,820,516 Shares, being 5% of the issued share capital of the Company as at the Adoption Date and approximately 5.02% of the issued share capital of the Company as at such date. The maximum number of Shares which may be subject to an Award or Awards made to a single selected Share Award Eligible Participant shall not in aggregate exceed 1% of the issued share capital of the Company as at the Adoption Date.

The number of Awards available for grant under the existing scheme mandate of the Share Award Scheme as at 1 January 2022 and 31 December 2022 is 32,820,516 Shares and 32,820,516 Shares, respectively.

During the Year and up to the date of the Annual Report, no Award has been granted under the Share Award Scheme.

Further details of the share options and share awards are set out in Note 31 to the consolidated financial statements of the Annual Report.

The number of Shares that may be issued in respect of Share Options and Awards granted under all schemes (i.e. the Pre-IPO Share Option Scheme, Share Option Scheme and Share Award Scheme) of the Company during the Year is 13,292,332 Shares, and divided by the weighted average number of Shares of 653,741,121 Shares for the Year, is 2.03%.

REMUNERATION POLICY

The remuneration policy of the Company is designed in a way to support the Company's strategies and long-term vision, provide adequate motivational incentive for Directors, senior management and all employees to pursue long-term growth and success of the Company, and attract and retain experienced people of high calibre to oversee the Company's business and development. It is essential for achieving its strategic vision of gaining a competitive advantage.

Base salary is determined based on the particular job responsibilities, duties and scope of each position. The Company should also provide a range of benefits and allowances to maintain employee wellness and engagement in compliance with local regulations of relevant countries and the Company's contractual agreement with its employees.

Annual salary adjustment and discretionary bonus are considered according to operating results of the Group, environment of human resources market and performance of individual employee. Such calculation base is determined and recommended by the senior management and reviewed by the Remuneration Committee for the Board's approval.

In compliance with the CG Code, the Company has established the Remuneration Committee to formulate remuneration policies. Directors' remunerations are subject to the Shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to Directors' duties and responsibilities, the recommendations of the Remuneration Committee and the performance and results of the Group.

Details of the remuneration of the Directors and the five highest paid individuals of the Group are set out in Notes 15(a) and 14(b) to the consolidated financial statements of the Annual Report, respectively.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the section "Corporate Governance Report" of the Annual Report.

MANAGEMENT CONTRACTS

Other than the service agreements entered into with the Directors as disclosed above, the Company has not entered into any contract with any individuals, firms or corporate entities to manage or regulate the whole or any substantial part of any business of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Board, the Company had maintained a sufficient public float of not less than 25% of its total issued Shares as required under the Listing Rules during the Year and up to the date of the Annual Report.

DEED OF NON-COMPETITION

During the Year, the Controlling Shareholders have confirmed to the Company of their compliance with the non-competition undertakings provided to the Company under a deed of non-competition entered into between the Controlling Shareholders and the Company dated 24 June 2016.

The Independent Non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the deed of non-competition have been complied with by the Controlling Shareholders and duly enforced during the Year.

INDEPENDENT AUDITOR

RSM Hong Kong will retire at the conclusion of the forthcoming AGM and be eligible to offer themselves for re-appointment. A resolution will be submitted to the AGM to be held on 18 May 2023 to seek the Shareholders' approval on the appointment of RSM Hong Kong as the Company's auditor until the conclusion of the next annual general meeting and to authorise the Board to fix their remuneration.

RELATED PARTY TRANSACTIONS

A summary of the significant related party transactions which were conducted in the ordinary course of business during the Year are set out in Note 41 to the consolidated financial statements of the Annual Report.

Save for those transactions as disclosed in the paragraph headed "Continuing Connected Transactions" below, all other related party transactions were not regarded as connected transactions or continuing connected transactions under the Listing Rules or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules. The Company has complied with the applicable requirements under the Listing Rules for those related party transactions which constituted non-fully exempt and non-exempt continuing connected transactions under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

The Group has entered into the following medical trolley purchase agreement dated 30 June 2021 (the "**Medical Trolley Purchase Agreement**") and plastic and metal services renewal agreement (the "**Plastic and Metal Services Renewal Agreement**") dated 2 December 2021 with VRDG, respectively. These transactions contemplated under the Medical Trolley Purchase Agreement and the Plastic and Metal Services Renewal Agreement have constituted continuing connected transactions as defined in Chapter 14A of the Listing Rules.

	Medical Trolley Purchase Agreement	Plastic and Metal Services Renewal Agreement
Parties	VMDG as purchaser VRDG as supplier *(Note)*	VMDG as purchaser VRDG as supplier *(Note)*
Effective period	30 June 2021 to 31 December 2023	1 January 2022 to 31 December 2023
Nature of transaction	VRDG agreed to provide medical trolley, being the accessories of some of the Group's respiratory devices, to VMDG.	VRDG agreed to supply certain plastic and metal components and provide painting, embossing, repairing and moulding services to VMDG.
Termination	Either party to the Medical Trolley Purchase Agreement may terminate the agreement by giving the other party not less than three months' notice.	Either party to the Plastic and Metal Services Renewal Agreement may terminate the agreement by giving the other party not less than three months' notice.
Pricing basis	VMDG and VRDG shall, from time to time, during the term of the Medical Trolley Purchase Agreement, enter into separate purchase order(s) in respect of the purchase of medical trolley provided that such purchase order(s) shall always be subject to the Medical Trolley Purchase Agreement. The price and terms of the purchase order(s) in respect of the purchase of medical trolley shall be determined in the ordinary and usual course of business of the Group, on normal commercial terms, negotiated on an arm's length basis and on pricing terms no less favourable to the Group than those available from the Independent Third Parties by reference to at least three comparable quotations obtained from the Independent Third Parties in the market.	The price of the plastic and metal components and painting and moulding services provided by VRDG under the Plastic and Metal Services Renewal Agreement was determined based on VRDG's actual cost plus 10% margin.
Annual cap	For the year ended/ending 31 December: 2022: HK$20,000,000 2023: HK$22,000,000	For the year ended/ending 31 December 2022: HK$10,500,000 2023: HK$11,500,000

Note:

VRDG is an indirect wholly-owned subsidiary of VRI, the Controlling Shareholder. Accordingly, VRDG is a connected person of the Company under Chapter 14A of the Listing Rules.

During the Year, VMDG paid approximately HK$2.5 million and HK$7.7 million to VRDG pursuant to the Medical Trolley Purchase Agreement and the Plastic and Metal Services Renewal Agreement, respectively.

Internal Control

In order to ensure the terms of the non-exempt continuing connected transactions are on normal commercial terms and fair and reasonable to the Company and the Shareholders and are no more favourable than those offered by the Group to the Independent Third Parties, the Company has formulated the following internal control policies and adopted the following internal control measures for the Year:

(i) the finance department of the Company has closely monitored the non-exempt continuing connected transactions to ensure that the transactions amount have not exceeded the annual cap, respectively;

(ii) the finance department of the Company has conducted regular random checks to review and assess whether the non-exempt continuing connected transactions are conducted on normal commercial terms, in accordance with the terms set out in the related agreements and whether the relevant contract terms are in the interest of the Company and the Shareholders as a whole;

(iii) Pursuant to Rule 14A.55 of the Listing Rules, the Independent Non-executive Directors have reviewed the non-exempt continuing connected transactions and confirmed that they have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and

(iv) the Company's auditor, RSM Hong Kong, has conducted an annual review of the transactions entered into under the non-exempt continuing connected transactions to ensure that the transaction amount is within the annual cap, respectively and the transactions are in accordance with the terms set out in the related agreements. Also, pursuant to Rule 14A.56 of the Listing Rules, the Company's auditor were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. RSM Hong Kong has issued the unqualified letter (a copy of which has been provided by the Company to the Stock Exchange) containing its findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules.

COMPLIANCE WITH THE SANCTIONS UNDERTAKING

As disclosed in the prospectus issued by the Company dated 30 June 2016, the Company has, amongst others, undertaken to the Stock Exchange that it would not use the proceeds from the Hong Kong public offering and the international placing in connection with the Company's listing of the Shares on the Main Board of the Stock Exchange on 13 July 2016, or any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any other government, individual or entity sanctioned country which are prohibited under international sanction laws and regulations or with any sanctioned person (the "**Sanctions Undertaking**"). To ensure compliance with the Sanctions Undertaking, the Company has adopted enhanced internal control and risk management measures in order to continuously monitor and evaluate the business and take measures to protect the interests of the Group and the Shareholder from economic sanctions risks.

During the Year, the Risk Management Committee maintained the internal control and risk management policies and procedures, amongst others, to keep updating the sanctions countries list with customers periodically and to investigate customer background so as to ensure the nature and location of the activities or business, as well as the identity of the counterparties and the products involved, if necessary, etc., would not violate the Sanctions Undertaking. In the opinion of the Directors, the Company has complied with the Sanctions Undertaking for the Year.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the Reporting Period up to the date of the Annual Report.

PUBLICATION OF ANNUAL REPORT

The Annual Report containing all the relevant information required by the Listing Rules and the relevant laws and regulations has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.vincentmedical.com).

By Order of the Board

Choi Man Shing
Chairman and Executive Director

Hong Kong, 22 March 2023

1. INTRODUCTION

The Board is committed to maintaining the highest possible standards of corporate governance, and strives to maintain transparent, responsible and value-driven management practices that will enhance and safeguard the interests of the Shareholders. The Board believes that effective and high quality corporate governance is an essential platform for creating value for the Shareholders. The Board is committed to continuously reviewing and improving the Group's corporate governance practices, and maintaining the highest standards of ethical corporate behaviour across the organisation.

2. CORPORATE GOVERNANCE PRACTICES

The Company has adopted the CG Code as contained in Part 2 of Appendix 14 to the Listing Rules and its subsequent amendments from time to time as its own code of corporate governance. The corporate governance principles of the Company emphasise a quality Board, sound internal controls and risk management, and transparency and accountability to all Shareholders. In the opinion of the Directors, the Company has complied with the code provisions set out in the CG Code throughout the Year.

In December 2021, the Stock Exchange published the "Consultation Conclusions of Review of Corporate Governance Code & Related Listing Rules, and Housekeeping Rule Amendments" (the "**Consultation Conclusions**"), which sets out the amendments to the CG Code and the related Listing Rules. Most of the amendments are applicable to the corporate governance reports for financial year commencing on or after 1 January 2022. A good part of the new requirements under the amended CG Code have long been adopted by the Group as our corporate governance practices over the years. These are highlighted in the following table:

New Requirements	Group's practices
To align the company's culture with its purpose, values and strategy (Code Provision A.1.1)	A healthy corporate culture across the Group is vital for the Group to achieve its vision and mission towards sustainable growth. It is the Board's role to foster a corporate culture with the core principles to guide the behaviours of its employees, and ensure that the Company's vision, values and business strategies are aligned with it. Details are explained in the section headed "Corporate Strategy, Business Model and Culture" in this report.
To establish policy(ies) and system(s) that promote and support anti-corruption laws and regulations (Code Provision D.2.7)	The Anti-corruption Policy was first adopted by the Company on 17 August 2021. The policy covers activities such as anti-corruption, code of conduct, guidance on gifts, entertainment and gratuities, the Group's expectations and requirements of business ethics, as well as preventive, control and remedial measures, investigation and reporting mechanism of suspected corruption practices. Any convicted cases will be reported to the Board and the Audit Committee. For details, please refer to the section headed "Risk Management and Internal Control – Anti-corruption Policy" of this report.

New Requirements	Group's practices
To establish whistleblowing policy and system (Code Provision D.2.6)	The Whistleblowing Policy was adopted by the Company on 23 March 2022. The policy covers its scope, protection and safeguards to whistleblowers, as well as procedures for reporting and investigation. For details, please refer to the section headed "Risk Management and Internal Control – Whistleblowing Policy" of this report.
Communications with shareholders and annual review (Paragraph L of the Mandatory Disclosure Requirement)	The Shareholders' Communication Policy was first adopted by the Company on 24 June 2016. It aims to promote effective communication between the Company and the Shareholders and other stakeholders, and to enable the Shareholders to exercise their rights as shareholders effectively in an informed manner. The Shareholders' Communication Policy is reviewed by the Board on a regular (not less than an annual) basis to ensure its implementation and effectiveness. For details, please refer to the section headed "Investor Relations – Shareholders' Communication Policy" of this report.
Annually review the board diversity policy; and disclose the mechanism(s) to ensure independent views and input are available to the board, and annual review of the implementation and effectiveness of such mechanism(s) (Code Provisions B.1.3 and B.1.4)	The Board Diversity Policy was first adopted by the Company on 24 June 2016 and is subject to annual review by the Nomination Committee and the Board to ensure its effectiveness. The Board Diversity Policy formally recognises the practice of ensuring that independent views and input are made available to the Board. For details, please refer to the section headed "Board of Directors – Independent Non-executive Directors" in this report.
Gender diversity targets at board level and across workforce Board level – to set and disclose the numerical targets and timelines for achieving gender diversity Workforce level – to disclose and explain the gender ratio (including senior management), any plans or measurable objectives the company has set for achieving gender diversity (Paragraph J of the Mandatory Disclosure Requirement)	The Board currently has no female Director. The Board would continue to take initiatives to identify suitable candidates so as to appoint at least one female Director on the Board no later than 31 December 2024. Details of gender diversity at workforce level (including our senior management) are explained in the section headed "Board of Directors – Diversity" in this report.

New Requirements	Group's practices
Nomination Committee chaired by the chairman of the board or an independent non-executive director and comprising a majority of independent non-executive directors (Listing Rule 3.27A)	The Nomination Committee, which comprises a majority of Independent Non-executive Directors, has been chaired by the Chairman of the Board since the Company's listing of the Shares on the main board of the Stock Exchange on 13 July 2016 (the "**Listing**"). For details, please refer to the section headed "Nomination of Directors – Nomination Committee" of this report.
To elaborate the linkage between corporate governance and ESG (Introductory paragraph in the CG Code, Principle D.2, Code Provisions D.2.2 and D.2.3)	The linkage is shown in the section headed "ESG, Responsibility" of this report and "ESG Governance Structure" section of the ESG Report.
To publish ESG reports at the same time as publication of annual reports (Listing Rule 13.91(5)(d) and paragraph 4(2)(d) of the ESG Reporting Guide)	The ESG Report has been published at the same time as the annual report for each year since the Listing.

3. CORPORATE STRATEGY, BUSINESS MODEL AND CULTURE

A healthy corporate culture across the Group is integral to attaining its vision and strategy. It is the Board's role to foster a corporate culture with the following core principles and to ensure that the Company's vision, values and business strategies are aligned to it.

Integrity and code of conduct

The Group strives to maintain high standards of business ethics and corporate governance across all our activities and operations. The Directors, management and staff are all required to act lawfully, ethically and responsibly, and the required standards and norms are explicitly set out in the training materials for all new staff and embedded in various policies such as the Group's employee handbook (including therein the Group's code of conduct), the Anti-corruption Policy and the Whistleblowing Policy. Trainings are conducted from time to time to reinforce the required standards in respect of ethics and integrity.

Commitment

The Group believes that the culture of commitment to workforce development, workplace safety and health, diversity, and sustainability is one where people have a feeling of commitment and emotional engagement with the Group's mission. This sets the tone for a strong, productive workforce that attracts, develops, and retains the best talent and produces the highest quality work. Moreover, the Company's strategy in the business development and management is to achieve long-term, steady and sustainable growth, while having due considerations from environment, social and governance aspects.

4. BOARD OF DIRECTORS

4.1 Responsibilities of the Board

The Board, which is accountable to the Shareholders for the long-term performance of the Company, has multiple responsibilities to the Company, including setting strategic goals, establishing long-term strategies, and ensuring that the necessary financial and human resources are in place for the Company to meet its business objectives. It is also tasked with establishing a framework of effective controls for managing risks, with the particular aim of safeguarding the Company's assets and the interests of the Shareholders. Further, the Board is responsible for reviewing the performance of the Company's management and, more generally, setting and consolidating the Company's values and standards. The Directors take decisions objectively in the best interests of the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve any conflict of interests), financial information and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operations and management of the Company are delegated to the management. Such delegation is reviewed periodically.

Five Board committees, namely, the Audit Committee, the Nomination Committee, the Remuneration Committee, the Risk Management Committee and the ESG Committee, have also been established to oversee particular aspects of the Group's affairs and help the Board in the execution of its responsibilities. Each Board committee has its written terms of reference which clearly outline its authority, duties and the requirement to report back on its decisions or recommendations to the Board. The Board committees are provided with sufficient resources to discharge their duties.

The Directors can seek independent professional advice for performing their duties at the expense of the Company. Also, the Directors at all times have full access to information of the Group and they can also have access to information from the senior management of the Company independently. During the Year, the Directors were provided with periodically operating information on the Group's business, up-to-date performance and financial matters (including monthly updates on the Group's performance, position and prospects) as well as regular updates on applicable legal and regulatory requirements to enable the Board as a whole and each Director to discharge their duties.

Other than the Non-executive Directors (including Independent Non-executive Directors), all Executive Directors are appointed on a full-time basis and have sufficient time to deal with the affairs of the Company. All Directors are required to fulfil their responsibilities as Directors of the Company and their common law duties as directors.

4.2 Board Composition

The structure, size and composition of the Board are subject to review from time to time to ensure that the Board (i) has a balanced composition of skills and experience appropriate for the business of the Group; and (ii) provides adequate checks and balances among the Directors to safeguard the interests of the Shareholders and to enable the Board to exercise independent judgment.

As at 31 December 2022, the Board had a total of eight members, which comprised four Executive Directors, one Non-executive Director and three Independent Non-executive Directors. With effect from 1 January 2023, Mr. To Ki Cheung resigned and Mr. Choi Cheung Tai Raymond was appointed as an Executive Director and the CEO. As at the date of this report, the total number of Directors and the Board composition remain unchanged.

The composition of the Board in the Year and up to the date of this report, and the individual attendance records of each Director at the Board meetings, Board committees' meetings and general meeting in the Year are listed below:

	Number of meeting attended/held in 2022						
Name of Director	Board meetings	Audit Committee meetings	Nomination Committee meetings	Remuneration Committee meetings	Risk Management Committee meetings	ESG Committee meetings	General meeting
Executive Directors							
Mr. Choi Man Shing *(Chairman)*	7/7	N/A	2/2	3/3	N/A	N/A	1/1
Mr. To Ki Cheung *(CEO)* (Resigned with effect on 1 January 2023)	7/7	N/A	N/A	N/A	N/A	N/A	1/1
Mr. Choi Cheung Tai Raymond *(CEO)* (Appointed with effect on 1 January 2023)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Koh Ming Fai	7/7	N/A	N/A	N/A	2/2	N/A	1/1
Mr. Fu Kwok Fu	7/7	N/A	N/A	N/A	N/A	4/4	1/1
Non-executive Director							
Mr. Guo Pengcheng	7/7	N/A	N/A	N/A	N/A	N/A	0/1
Independent Non-executive Directors							
Mr. Mok Kwok Cheung Rupert	7/7	3/3	2/2	3/3	N/A	N/A	1/1
Mr. Au Yu Chiu Steven	7/7	3/3	N/A	N/A	N/A	N/A	1/1
Prof. Yung Kai Leung	7/7	3/3	2/2	3/3	N/A	N/A	1/1

The Directors have extensive industry knowledge and experience in corporate management, strategic planning, accounting and financial matters. The Directors bring a good balance of skills and experience to the Company.

Biographical details of each of the existing Directors are set out in the "Biographical Details of Directors and Senior Management" section of the Annual Report. The information is also available on the Company's website. In addition, a list containing the names of the Directors and their roles and functions is posted on the websites of the Stock Exchange and the Company. They are also reminded to notify the Company in a timely manner and confirm bi-annually to the Company any change of such information so that the Company will set out the change and the updated information regarding such Directors in the next published annual report and interim report of the Company (as the case maybe). The Independent Non-executive Directors are identified in all corporate communications that disclose the names of Directors.

4.3 Chairman and CEO

Mr. Choi Man Shing serves as the Chairman. Mr. To Ki Cheung acted as the CEO until 31 December 2022 and Mr. Choi Cheung Tai Raymond was appointed as the CEO with effect from 1 January 2023 following the resignation of Mr. To.

Mr. Choi Cheung Tai Raymond is (i) the son of Mr. Choi Man Shing, an Executive Director, Chairman of the Board and the Controlling Shareholder; (ii) the son of Ms. Liu Pui Ching, the spouse of Mr. Choi Man Shing and the Controlling Shareholder; and (iii) a director of VRI (the Controlling Shareholder) and certain of its subsidiaries. Notwithstanding the above relationship between the Chairman and CEO, the roles of the Chairman and CEO remain separated and the job responsibilities are not concentrated on any one individual. The Chairman provides leadership and is responsible for effective functioning and leadership of the Board, while the CEO is delegated with the authorities to focus on the Company's business development and daily management and operations generally. In view of a clear division of responsibilities between the Chairman and CEO, the Board considered that this structure would not impair the balance of power and authority of the Board.

4.4 Independent Non-executive Directors

The Company has three Independent Non-executive Directors, who are persons of high calibre with academic and professional qualifications in the fields of accounting and business management. By their active participation in the Board meetings and their services on the Audit Committee, the Nomination Committee, the Remuneration Committee, respectively, the Independent Non-executive Directors have made important contributions to the expression of objective views, effective direction and strategic decision-making of the Group. Also, they do not participate in the day-to-day management of the Company and do not involve themselves in business transactions or relationships with the Company, in order not to compromise their objectivity.

Throughout the Year under review, the Board at all times fulfilled the requirement of Rules 3.10(1) and (2) and 3.10A of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors (representing at least one-third of the Board) with at least one Independent Non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

In order to ensure that independent views and input of the Independent Non-executive Directors are made available to the Board, the Board as well as the Nomination Committee are committed to assessing the Directors' independence annually with regards to all relevant factors related to the Independent Non-executive Directors including the following:

- required character, integrity, expertise, experience and stability to fulfill their roles;
- time commitment and attention to the Company's affairs;
- firm commitment to their independent roles and to the Board;
- declaration of any conflict of interest in their roles as Independent Non-executive Directors;
- no involvement in the daily management of the Company; and
- no financial, business or family or other material relationships with other members of the Board or circumstances which would interfere with the exercise of their independent judgment.

The Company has received from each Independent Non-executive Director an annual confirmation of his independence, and the Company considers such Directors to be independent in accordance with the criteria set out in Rule 3.13 of the Listing Rules. During the Year, the Chairman held two meetings with Independent Non-executive Directors without the presence of other Directors or executives of the Group to discuss issues that they wish to raise at the Board.

4.5 Appointment and Re-election of Directors

The Nomination Committee is responsible for assessing the candidate for appointment as and re-election of Director and submit recommendation to the Board for consideration and approval. The Articles of Association also provides that one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire by rotation at each annual general meeting provided that every Director shall be subject to retirement at an annual general meeting at least once every three years, and those Directors newly appointed shall hold office until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election. The performance of those Directors who are subject to re-election at the annual general meeting of the Company will be assessed by the Nomination Committee and recommended to the Board to decide the tabling of the proposed re-election of Directors for shareholders' approval at the annual general meeting.

All Directors are elected for a term of three years, subject to the retirement by rotation and re-election provisions in the Articles of Association.

4.6 Board Diversity Policy

The Company first adopted the Board Diversity Policy on 24 June 2016, which aims to set out the approach to achieve diversity on the Board. The vision of this policy, together with the policy statement and measurable objectives set for implementing this policy, and the progress made towards achieving those objectives are disclosed as below.

Vision – The Company continuously seeks to maintain the highest standards of corporate governance, and recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

Policy Statement – In designing the Board's composition, the Company sees diversity as a wide concept and Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Measurable Objectives – The Company endeavours to ensure that its Board has the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy and to maximise the Board's effectiveness. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Implementation and Monitoring – The Nomination Committee, together with the Board, will monitor the implementation of the Board Diversity Policy, and will review the Board Diversity Policy, as appropriate (and not less than an annual basis), to ensure the effectiveness of this Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

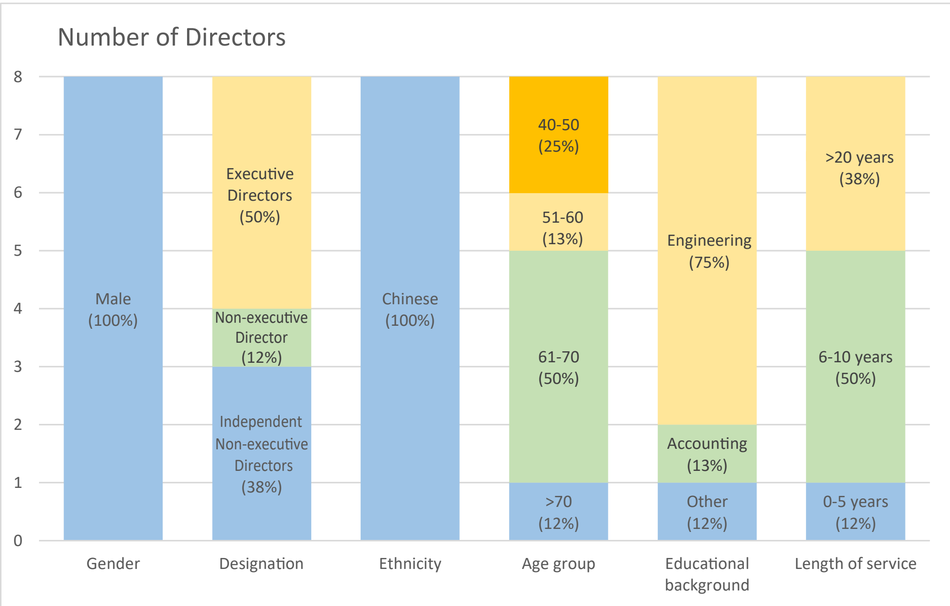
4.7 Diversity

Board Level

Pursuant to the Board Diversity Policy, in reviewing and assessing suitable candidates to serve as a Director, the Board or the Nomination Committee will consider a range of diversity of perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, length of service and the potential contributions that the candidate is expected to bring to the Board. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee, together with the Board, will review the Board Diversity Policy, as appropriate (and not less than an annual basis), to ensure the effectiveness of the Board Diversity Policy. The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

The following chart and table further illustrate the diversity profile of the Board as at the date of this report:



Name of Director	Professional Experience/Skills and Knowledge
Mr. Choi Man Shing	Manufacturing of medical devices
Mr. Choi Cheung Tai Raymond (appointed on 1 January 2023)	Industrial engineering and operations management of medical devices
Mr. Koh Ming Fai	Manufacturing, sales and marketing of medical devices
Mr. Fu Kwok Fu	Manufacturing, R&D and engineering of medical devices
Mr. Guo Pengcheng	Investment management
Mr. Mok Kwok Cheung Rupert	Administrative management, sales and marketing and R&D of medical devices
Mr. Au Yu Chiu Steven	Audit and Finance
Prof. Yung Kai Leung	Engineering

The Nomination Committee considered that the Board was sufficiently diverse in terms of professional experience, skills and knowledge. The Company has also reviewed the membership, structure and composition of the Board, and is of the opinion that the structure of the Board is reasonable, and the experiences and skills of the Directors in various aspects and fields can enable the Company to maintain a high standard of operation.

The nomination strategy of the Group is to appoint a right candidate for a right Board member regardless of the gender, and that the Company welcomes all gender to join the Board. As per the Consultation Conclusions, a single gender board will not be considered by the Stock Exchange to be a diverse board. As at the date of this report, the Board consists of eight male members and currently has no female Director. The Board would continue to take initiatives to identify suitable candidates so as to appoint at least one female Director on the Board pursuant to the Nomination Policy no later than 31 December 2024.

In respect of succession plan for achieving gender diversity on the Board, the Board has (i) set a target to have at least one female Director by 31 December 2024, and (ii) placed an emphasis on inclusive hiring practices to ensure that qualified female candidates are given equal consideration alongside their male counterparts. By placing emphasis on gender diversity in the succession planning process, the Company ensures that it has a diverse pipeline of candidates ready to step into leadership positions when vacancies arise.

Workforce Level
The details of workforce composition were disclosed under the Environmental, Social and Governance Report in the Annual Report.

The recruitment strategy of the Group is to employ a right staff for a right position regardless of the gender, and that the Company welcomes all gender to join. The Group has various departments which are led by different male and female staff, and in order to enhance efficiency, the Company has not set a measurable objective for achieving gender diversity at workforce level. In particular, gender diversity is a particular challenge in the medical device manufacturing industry with its labour intensive work nature. Nonetheless, on a merit-based policy, the Company commits to providing equal opportunities to its staff in respect of recruitment, training and development, job advancement, and remuneration and benefits.

4.8 Directors' Induction and Continuous Professional Development

The Directors keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive comprehensive and tailored induction on appointment to ensure appropriate understanding of the business and governance policies and operations of the Group and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. This understanding is deepened and continued by the Directors' participation in Board meetings and their work on various Board committees.

The Directors understand the need to continue to broaden and refresh their knowledge and skills on the roles, functions and duties of a listed company director for making contributions to the Company. The Company is responsible for arranging and funding suitable training for the Directors to help them to keep abreast of current trends and issues facing the Group, including the latest changes in the commercial, legal and regulatory environment in which the Group conducts its businesses.

During the year, all the Directors have participated in continuous professional development with respect to directors' duties, relevant programmes and seminars or had perused reading materials and updated information in relation to business and industrial development, corporate governance issues and regulatory updates, etc. The Directors had provided the relevant records for the Year to the Company.

4.9 Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors.

The Company requires any Director wishing to deal in the Shares to make a specific written notice of the proposed dealing, and to obtain approval from the Chairman. If the Chairman declares his intention of dealing in the Shares, he must first obtain approval from the CEO.

Having made specific enquiries with all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code regarding their transactions throughout the Year and up to the date of the Annual Report.

4.10 Indemnification of Directors and Officers

The Directors and officers are indemnified under a directors' and officers' liability insurance against any liability incurred by them in the discharge of their duties while holding the office as the Directors and officers of the Company. The Directors and officers shall not be indemnified where there is any negligence, fraud, breach of duty or breach of trust proven against them.

4.11 Board and Board Committees' Meetings

The Company holds at least four Board meetings per year, with special Board meetings being scheduled as required to determine the overall strategic directions and objectives of the Group and approve interim and annual results and other significant matters. The Articles of Association allow the Board meetings to be conducted by means of a telephone conference or other communication method through which all persons participating in the meeting can communicate with each other. Also, a resolution in writing signed by all the Directors for the time being entitled to receive notices of Board meetings shall, provided such Directors would constitute a quorum at any meeting of the Board convened to consider the resolution, be valid and effectual.

At least fourteen (14) days' notice for regular meetings of the Board and at least seven (7) days' notice for regular meetings of the Board committees, and reasonable notice for non-regular meetings of the Board and the Board committees' were given to all Directors/committee members so as to ensure that each of them had an opportunity to attend the meetings. The Company Secretary assists the respective chairman of the Board and the Board committees in preparing the agenda for meetings and ensures that all applicable rules and regulations are complied with. The agenda and the accompanying meeting papers are sent in full to all Directors or the relevant committee members at least three (3) days before the date of meetings (or such other period as the members may agree). The Directors are allowed to include into the draft agenda any additional matters that they wish to discuss and resolve at the meetings.

Minutes of each Board and Board committees' meeting record in sufficient details the matters considered and decisions made, including any concerns or views of the Directors or the relevant committee members or dissenting views expressed. Final drafts of minutes are circulated to all Directors or committee members for their perusal prior to confirmation of the minutes at the subsequent Board or Board committees' meeting. The Directors or committee members may request for clarification or raise comments before the minutes are tabled for confirmation. Upon receiving confirmation from the Directors or committee members, the minutes will be signed by the chairman of the meeting as a correct record of the proceedings of the meeting and kept by the Company Secretary, and are open for inspection at any reasonable time on reasonable notice given by any Director or committee member.

If a matter to be considered by the Board involves a conflict of interests of any substantial Shareholder or the Controlling Shareholder of the Company or Director and if the Board considers that the matter is material, it would be dealt with by a physical meeting rather than a written resolution of the Directors. A Director having material interests would abstain from deliberating and voting on the resolution to avoid any conflict of interests.

5. COMPANY SECRETARY

The Company Secretary, Ms. Tsui Lai Ki Vicki, is an employee of the Group and is accountable to the Board for ensuring that the Board procedures are followed and the Board activities are efficiently and effectively conducted. These objectives are achieved through the adherence to proper Board procedures and the timely preparation and dissemination of meeting agendas and papers to the Directors. Minutes of all Board and Board committees' meetings are prepared and maintained by the Company Secretary in sufficient detail the matters considered and decisions reached by the Board or the Board committees, including any concerns raised or views voiced by any Director. All draft and final minutes of the Board and the Board committees' meetings are sent to the Directors and Board committee members as appropriate for comments, approval and records. Board records are available for inspection by any Director or committee member upon request.

The Company Secretary is responsible for ensuring that the Board is fully apprised of all legislative, regulatory, corporate governance and ESG developments of relevance to the Group and that the Board takes these developments into consideration when making decisions for the Group. From time to time, the Company Secretary organises seminars on specific topics of importance and interest and disseminates reference materials to Directors for their information.

The Company Secretary is also directly responsible for the Group's compliance with all obligations under the Listing Rules and The Codes on Takeovers and Mergers and Share Repurchases, including the preparation, publication and despatch of annual reports and interim reports within the time limits laid down in the Listing Rules, and the timely dissemination to the Shareholders and the market of information relating to the Group.

Furthermore, the Company Secretary advises the Directors on connected transactions, notifiable transactions, price-sensitive/inside information and their obligations for disclosure of interests and dealings in the Group's securities, to ensure that the standards and disclosures required by the Listing Rules and all applicable laws, rules and regulations are complied with and, where required, reported in the annual report and/or interim report of the Company.

The appointment and removal of the Company Secretary is subject to the Board's approval in accordance with the Articles of Association. Whilst the Company Secretary reports to the Chairman and the CEO, all members of the Board have access to her advice and service. Ms. Tsui joined the Group in April 2016 and was appointed as the Company Secretary of the Company in May 2017. She has day-to-day knowledge of the Group's affairs. During the Year under review, Ms. Tsui confirmed that she had complied with all the required qualifications, experience and training requirements under the Listing Rules.

6. ACCOUNTABILITY AND AUDIT

6.1 Directors' and Auditor's Responsibilities for the Financial Statements

The Board is committed to providing a balanced, clear and comprehensible assessment of the financial performance and prospects of the Group in all the disclosures made to the stakeholders and the regulatory authorities. The annual and interim results of the Company are published in a timely manner within the prescribed periods of the year end and the half-year end in accordance with the Listing Rules. Timely release of interim and annual results announcements reflects the Board's commitment to providing transparent and up-to-date disclosures of the performance of the Group.

The responsibility of Directors in relation to the financial statements is set out below. The statement of the external auditor of the Company about its reporting responsibilities on the Group's consolidated financial statements for the Year is set out in the section "Independent Auditor's Report" of the Annual Report.

6.2 Financial Report and Consolidated Financial Statements

The Directors acknowledge their responsibility to prepare the accounts of the Group and other disclosures required under the Listing Rules and the Companies Ordinance and the management of the Group will provide information and explanation to the Board to enable it to make an informed assessment of the financial and other Board decisions.

6.3 Audit Committee

The Company established the Audit Committee with its written terms of reference in compliance with the Listing Rules which are available on the websites of the Stock Exchange and the Company. The Audit Committee is currently chaired by Mr. Au Yu Chiu Steven with Mr. Mok Kwok Cheung Rupert and Prof. Yung Kai Leung. Its composition complies with the code provision requirements under the CG Code for an audit committee.

The functions of the Audit Committee include but are not limited to:

(a) ensuring that the Company has an effective financial reporting, risk management and internal control system;

(b) overseeing the integrity of the financial statements of the Company;

(c) selecting and assessing the independence and qualifications of the Company's external auditor; and

(d) ensuring effective communication between the Directors and external auditor.

During the Year, the Audit Committee had performed the following works:

- reviewed the audited annual financial statements for the year ended 31 December 2021;
- reviewed the unaudited interim financial statements for the six months ended 30 June 2022;
- made recommendations to the Board for approval the above-mentioned financial statements, respectively;
- reviewed and approved the audit planning/closing memorandum presented by the external auditor;
- discussed with the management and the external auditor about the issues concerning the accounting policies and practices which may affect the Group, along with financial reporting matters;
- reviewed the risk management and internal control systems;
- recommended to the Board on the re-appointment of the external auditor; and
- determined the interim review and annual audit fees of the external auditor.

Apart from the regular Audit Committee meetings, the Audit Committee also held a meeting with the external auditor without the presence of management.

The Annual Report for the year ended 31 December 2022 has been reviewed by the Audit Committee.

6.4 External Auditor and Auditor's Remuneration

The Audit Committee reviews and monitors the external auditor's independence and objectivity and effectiveness of the audit process. The Audit Committee receives each year the engagement letter from the external auditor of the Company confirming their independence and objectivity and holds meetings with representatives of the external auditor to consider the scope of its audit, approve its fees, and the scope and appropriateness of non-audit services, if any, to be provided by it. The Audit Committee also makes recommendations to the Board on the appointment and retention of the external auditor.

The remuneration paid or payable to RSM Hong Kong, being the external auditor of the Company, in respect of the audit services related to the audit for the year ended 31 December 2022 and the review of the interim results for the six months ended 30 June 2022 amounted to approximately HK$2.1 million.

The remuneration paid or payable to RSM Hong Kong and its related entities in respect of the services related to other permissible non-audit services amounted to approximately HK$0.4 million. The non-audit services provided by the external auditor of the Company during the Year mainly include advisory and tax service.

7. RISK MANAGEMENT AND INTERNAL CONTROL

7.1 Board Oversight

The Board recognises that it has the overall responsibility to establish and maintain sound and effective risk management and internal control systems to ensure the smooth running of operations, to safeguard the Group's assets and the Shareholders' interest as well as to ensure the reliability of financial statements in compliance with applicable laws and regulations. In devising internal controls, the Group has regard to the nature and extent of the risk, the likelihood of it crystallising, and the cost of controls. Systems of risk management and internal control are designed to manage, but not eliminate, the risk of failure to achieve business objectives and can only provide reasonable but not absolute, assurance against the risk of material misstatement, fraud or loss.

7.2 Risk Management Committee

The Company established the Risk Management Committee with its written terms of reference in compliance with the Listing Rules. The functions of the Risk Management Committee are included but not limited to, oversee the implementation of the Group's internal control and compliance policies and to manage the Group's exposure to risks.

During the Year, the Risk Management Committee held two meetings and the individual attendance records of each member of the Risk Management Committee are listed below:

Name of member	Meeting Attendance/Eligible to Attend
Mr. Koh Ming Fai *(Executive Director)*	2/2
Ms. Hu Fang *(Senior Sales and Marketing Manager)*	2/2
Mr. Zhang Changqing *(Head of Sales and Marketing (Greater China))*	2/2
Mr. Lai Hoi Ming *(Chief Financial Officer)*	2/2
Mr. Kwok Kam Ming *(Quality Assurance Manager)* (ceased on 23 March 2022)	0/0
Mr. WANG Chaobin *(Senior Quality Assurance and Regulatory Affairs Manager)* (appointed on 23 March 2022 and ceased on 15 September 2022)	1/1

During the Year, the Risk Management Committee had performed the following works:

- reviewed the business transactions to manage the Group's exposure to risks, including but not limited to sanctions risk, anti-corruptions and anti-fraud risks and patent infringement risk;

- reviewed the business operation to manage the Group's exposure to risks, including but not limited to of the environmental, health and safety risk, financial risk and data security risk;

- conducted periodic checks on the implementation of the Group's internal control, compliance and risk management policies and procedures to ensure that they can be implemented effectively and efficiently; and

- discussed and considered whether the Group's internal control, compliance and risk management policies and procedures and the internal audit function are adequate, effective and efficient in monitoring the Group's risks and, where necessary, make recommendations to the Board to improve and enhance the internal control, compliance and risk management policies and procedures of the Group.

7.3 Risk Management and Internal Control Structural Framework

The Company has set up an internal audit division within the Group and maintained an organisation structure with defined levels of responsibility in the Company's risk management and internal control system. It was decided that the Board would be directly responsible for internal control of the Group and for reviewing its effectiveness. The Board has delegated its responsibilities of risk management and internal control to the Audit Committee and the Risk Management Committee as well as internal audit division. The Audit Committee oversees the financial reporting, risk management and internal control systems and provides advice for improvement. The Risk Management Committee as well as the internal audit division of the Group (i) oversee the management of each business department in the design, implementation and monitoring of the risk management and internal control systems; and (ii) determine and evaluate the associated financial, operation, reporting and compliance risks and their corresponding mitigation plans. The entire process and its outcome are documented and reviewed by the Risk Management Committee twice a year.

The Group's risk management and internal control structural framework is summarised below:

Board

- Evaluate and determine the nature and extent of the risks taken by the Group to achieve its strategic business objectives;

- review and maintain the risk management and internal control structural framework and their responsibilities; and

- through the Audit Committee and the Risk Management Committee, regularly review and monitor the effectiveness of the risk management and internal control systems and monitor the corporate governance practices and compliance procedures on an ongoing basis.

Audit Committee

- Review the systems of the Company on financial controls, internal control and risk management regularly;

- monitor the implementation of the action plans and the effectiveness and adequacy of the internal control and risk management systems; and

- report directly to the Board on its findings, decisions and/or recommendations.

Risk Management Committee

- Assist the Board and the Audit Committee to perform its responsibilities of risk management and internal control systems;
- review the effectiveness of the Group's risk management and internal control systems at least half a year, and such review should cover all material controls including financial, operational and compliance control;
- discuss the risk management and internal control systems with the internal audit division and management of each business development to ensure that management has performed its duty to have effective and efficient control systems so as to ensure the adequacy of resources, staff qualifications and experience, and training programmes; and
- report directly to the Board and the Audit Committee on its findings, decisions and/or recommendations.

Internal Audit Division

- Oversee the Group's risk management and internal control systems on an ongoing basis;
- oversee the operation of each business department and evaluate the associated financial, operation and compliance risks and their corresponding mitigation plans; and
- report directly to the Risk Management Committee on its findings, decisions and/or recommendations.

Management of each business development

- Design, implement and maintain appropriate and effective risk management and internal control systems;
- identify, evaluate and manage the risks (including ESG risks) that may potentially impact the major processes of the operations;
- monitor risks (including ESG risks) and take measures to mitigate risks in day-to-day operations;
- give prompt responses to, and follow up the findings on risk management and internal control matters; and
- report directly to the Risk Management Committee and the internal audit division on its findings, decisions and/or recommendations.

7.4 Processes Adopted to Identify, Evaluate and Manage Risks

The processes adopted by the Group to identify, evaluate and manage risks associated with the business of the Group, the industry and market are summarised as follows:

Risk Identification

- Identify the risks that may potentially affect the Group's business and operations.

Risk Assessment

- Assess the risks identified by using the assessment criteria developed by the management; and
- assess the likelihood of their occurrence and the potential impact on the business and results of the Group.

Risk Response

- Determine the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

Risk Monitoring and Reporting

- Perform ongoing and periodic monitoring of the risk and ensure that appropriate risk management and internal control processes are in place and effective;
- review and revise the risk management strategies and internal control processes in case of any significant change of situation; and
- report the findings, decisions and recommendations of risk monitoring within the risk management and internal control structural framework regularly.

The Board, through the Audit Committee and the Risk Management Committee as well as internal audit division, conducted an annual review on the Group's risk management and internal control systems and considers that the systems are adequate and effective during the Year. The Board is satisfied that the Group has fully complied with the code provisions on risk management and internal controls as set out in the CG Code.

7.5 Disclosure of Inside Information

The Group acknowledges its responsibilities under the Listing Rules and the SFO and the overriding principle that inside information should be announced as soon as reasonably practicable when it is the subject of a decision. The procedures and internal controls for handling and dissemination of inside information are as follows:

(i) The Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;

(ii) The Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and the Company's website;

(iii) The Group has strictly prohibited the unauthorised use of confidential or inside information and reinforced the awareness to the obligations in preserving confidentiality of inside information within the Group;

(iv) Sending blackout period and securities dealing restrictions notification to the Directors and relevant employees regularly; and

(v) The Group has implemented procedures for responding to external enquiries about the Group's affairs, so that only the Executive Directors as well as the Company Secretary and the head of investor relations of the Company are authorised to communicate with parties outside the Group.

7.6 Whistleblowing Policy

The Whistleblowing Policy was adopted by the Company on 23 March 2022 which is available on the websites of the Stock Exchange and the Company.

The purpose of the Whistleblowing Policy is to establish a mechanism to enable staff and other members of the Group to voice concerns in a responsible and effective manner so as to promote the highest standards of openness, probity and accountability, and encourage the reporting of misconduct, unlawful and unethical behavior.

The nature, status and results of the complaints received under the Whistleblowing Policy are reported through a centralised channel to delegated independent personnel for processing and reportable to the Chairman on a confidential and also possibly on an anonymous basis. No incident of fraud or misconduct that has material effect on the Group's financial statements or overall operations for the year ended 31 December 2022 has been discovered. The Whistleblowing Policy is reviewed annually by the Board to ensure its implementation and effectiveness.

7.7 Anti-corruption Policy

The Anti-corruption Policy was first adopted by the Company on 17 August 2021 which is available on the websites of the Stock Exchange and the Company.

To promote a culture of compliance, ethical conduct and good corporate governance within the Group, the Company prohibits all forms of corruption and is committed to preventing and investigating all forms of corruption.

The Anti-corruption Policy forms an integral part of the Group's corporate governance framework. The Anti-corruption Policy sets out the specific behavioural guidelines that the Group's personnel and business partners must follow to combat corruption. It demonstrates the Group's commitment to the practice of ethical business conduct and the compliance of the anti-corruption laws and regulations that apply to its local and foreign operations. In line with this commitment and to ensure transparency in the Group's practices, the Anti-corruption Policy has been prepared as a guide to all Group employees and third parties dealing with the Group.

The Chief Financial Officer and the administration department of the Company shall review the Anti-corruption Policy as and when appropriate to ensure its continued effectiveness. Any amendments that may be required shall be discussed and approved by the ESG Committee.

8. NOMINATION OF DIRECTORS

8.1 Nomination Committee

The Company established the Nomination Committee with its written terms of reference in compliance with the Listing Rules which are available on the websites of the Stock Exchange and the Company. The Nomination Committee is currently chaired by Mr. Choi Man Shing with Mr. Mok Kwok Cheung Rupert and Prof. Yung Kai Leung. Its composition meets the requirements of chairmanship and independence under the Listing Rules.

The functions of the Nomination Committee include but are not limited to, (i) identify, screen and recommend to the Board appropriate candidates to serve as the Directors; (ii) oversee the process for evaluating the performance of the Board; and (iii) develop, recommend to the Board and monitor nomination guidelines for the Company.

During the Year, the Nomination Committee had performed the following works:

- reviewed the existing structure, size, composition and diversity (including but not limited to gender, age, cultural, education background, ethnicity, professional experience, skills, knowledge and length of service in the Company) of the Board;
- reviewed the revisions on the Board Diversity Policy of the Company in response to the revised CG Code focus on enhancing the Company's corporate governance and diversity practices effective from 1 January 2022 and recommended to the Board for approval;
- reviewed the nomination of directors policy and procedures of the Company;
- assessed the independence of the Independent Non-executive Directors;
- recommended to the Board on the re-election of retiring Directors; and
- identified an individual (being Mr. Choi Cheung Tai Raymond) suitably qualified as potential Executive Director and the CEO and made recommendations to the Board on the selection of Mr. Choi Cheung Tai Raymond nominated for directorship.

8.2 Nomination Process

The nomination process has been, and will continue to be, conducted in accordance with the Director Nomination Policy and the Board Diversity Policy, which are available on the Company's website. The Nomination Committee, together with the Board, will review these policies, as appropriate (not less than an annual basis), to ensure its implementation and effectiveness.

Director Nomination Policy and procedures of the Company set out the procedures, process and criteria for identifying and recommending candidates for election to the Board as follows:

(i) In undertaking its annual review of the Board, the Nomination Committee or the Board as the case may be will determine if a Director should be appointed to the Board either as an additional Director or to fill a vacancy.

(ii) The sufficient biographical details of a candidate (including but not limited to, qualifications and working experience) will be provided to the Nomination Committee for assessing his/her suitability which will be measured against the suitability criteria as set out in this policy which include but are not limited to:

- the extent to which the candidate meets the competencies for a Director outlined in this policy;

- the time commitment required to effectively discharge the duties to the Company balanced with the number of existing directorships and other commitments that may demand the attention of the candidate;

- any actual or perceived conflicts of interest; and

- diversity in the aspects, amongst others, of gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service in the Company as set out in the Board Diversity Policy of the Company.

(iii) A candidate selected by the Nomination Committee will be approached by the Chairman or the CEO to determine his/her interest in joining the Board.

(iv) A candidate will be given information about the role, responsibility, contribution and time commitment the appointment will involve and the remuneration, terms and conditions of the appointment.

(v) A candidate for appointment as a Non-executive Director (including an Independent Non-executive Director) must indicate that they have sufficient time to devote to the tasks the appointment will involve.

(vi) If the nominated candidate accepts an appointment, the Nomination Committee and the Remuneration Committee will consider the appointment and remuneration package, and recommend to the Board for approval.

During the Year, Mr. Choi Cheung Tai Raymond was nominated for the appointment as an Executive Director and the CEO effective 1 January 2023 following the resignation of Mr. To Ki Cheung. Saved for the above, no other candidate was nominated for directorship during the Year under review.

9. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

9.1 Remuneration Committee

The Company established the Remuneration Committee with its written terms of reference in compliance with the Listing Rules which are available on the websites of the Stock Exchange and the Company. The Remuneration Committee is currently chaired by Mr. Mok Kwok Cheung Rupert with Mr. Choi Man Shing and Prof. Yung Kai Leung. Its composition meets the requirements of chairmanship and independence under the Listing Rules.

The functions of the Remuneration Committee include but are not limited to assist the Board in (i) determining the policy and structure of the remuneration packages of the Directors and the senior management; (ii) reviewing incentive schemes and Directors' service contracts; and (iii) fixing the remuneration packages for the Directors and the senior management.

During the Year, the Remuneration Committee had performed the following works:

- reviewed the revised remuneration policy of all directors and senior management of the Company and recommended to the Board for adoption;
- discussed and recommended the remuneration packages of the Directors and senior management for the Board's approval;
- authorised by the Board to approve the allotment and issue of Shares upon exercise of share options under the Pre-IPO Share Option Scheme; and
- considered the grant of share options under the Share Option Scheme and recommended to the Board for approval.

During the Year, the Company conditionally granted shares options under the Share Option Scheme to, among others, certain Directors and senior management of the Group, further details of which are set out in "Share Option Schemes – Share Option Scheme adopted on 24 June 2016" of the Directors' Report in the Annual Report. The Remuneration Committee took into account the purpose of the abovementioned grant of share options made to the Directors and the senior management, which was to recognise and reward them for their past contribution to the Group. After considering the performance of and contribution made by each grantee under the aforementioned grant, the Remuneration Committee was of the view that it was appropriate for the Company to make such grant without any performance target or clawback mechanism, which aligns with the purpose of the Share Option Scheme to recognise and acknowledge the contributions made by eligible participants of the Share Option Scheme, and also to motivate the Group's management to further achieve and contribute to the growth and development of the Group, which also aligns the interests of the grantees with those of the Company and the Shareholders.

9.2 Remuneration Policy

The fees of the Directors and the emolument of the senior management are determined with reference to their respective duties and responsibilities, expertise and experience in the industry, the performance and profitability of the Group as well as remuneration benchmarks from other companies and prevailing market conditions. Whilst the Board retains its power to determine the remuneration of Non-executive Directors, the responsibility for reviewing and determining the remuneration packages of individual Executive Directors and senior management of the Company is delegated to the Remuneration Committee.

The remuneration paid to the members of senior management (including Mr. Choi Cheung Tai Raymond (Deputy Chief Executive Officer of the Group as at 31 December 2022), and excluding the Directors) by bands for the Year is set out below:

Emolument Band	Number of individuals
Nil to HK$1,000,000	2
HK$1,000,001 to HK$1,500,000	6
HK$1,500,001 to HK$2,000,000	1

The details of the fees and other emoluments paid or payable to the Directors are set out in details in Note 15(a) to the consolidated financial statements set out in the Annual Report.

10. CORPORATE GOVERNANCE FUNCTIONS

The Board recognises that the Directors should be collectively responsible for the corporate governance duties. Such duties include but are not limited to:

(i) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(ii) to review and monitor the training and continuous professional development of Directors and senior management;

(iii) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;

(iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

(v) to review the Company's compliance with the CG Code and disclosure in this report.

During the Year and up to the date of the Annual Report, the Board has reviewed and performed the aforesaid corporate governance functions.

11. ESG RESPONSIBILITY

11.1 ESG Efforts

The Group is committed to the long-term sustainability of its businesses and the communities in which it conducts business, and attaches great importance to reducing energy consumption. The Group is also continually improving its business practices and employee training in such best practices. It has adopted a proactive approach to ESG responsibility and has established a working group chaired by an Executive Director and comprising representatives from key departments of the Company to spearhead the ESG initiatives and activities of the Group and to enhance the Group's ESG efforts.

11.2 ESG Committee

The Company established the ESG Committee with its written terms of reference. The functions of the ESG Committee include but are not limited to, advise and assist the Board in managing matters relating to ESG of the Group, such as governance, policies, initiatives, performance and reporting.

During the Year, the ESG Committee held four meetings and the individual attendance records of each member of the ESG Committee are listed below:

Name of members	Meeting Attendance/ Eligible to Attend
Mr. Fu Kwok Fu *(Executive Director)*	4/4
Mr. Lai Hoi Ming *(Chief Financial Officer)*	4/4
Ms. Tsui Lai Ki Vicki *(Company Secretary)*	4/4

During the Year, the ESG Committee had performed the following works:

- reviewed the ESG report as contained in the 2021 annual report and approved for submission for the Board's approval;
- performed periodic monitoring of the implementation of the major visions and strategy, including but not limited to, green environment, supply control, anti-corruption and employee affairs;
- analysed the data collected by the working group and formulated the ESG working report for the presentation to the Board on a quarterly basis; and
- reviewed the revision on the Anti-corruption Policy in alignment with the amendments to CG Code and related Listing Rules and approved for submission to the Board for adoption.

12. INVESTOR RELATIONS

12.1 Shareholders' Communication Policy

To uphold high standards of corporate governance, the Company maintains effective communications with the Shareholders and other stakeholders by disseminating information in a timely and accurate manner. The Board has established the Shareholders' Communication Policy which aims to promote effective communication between the Company and the Shareholders and other stakeholders and to enable the Shareholders to exercise their rights effectively in an informed manner. The Shareholders' Communication Policy has been put on the Company's website and will be reviewed by the Board on a regular (not less than an annual) basis to ensure its implementation and effectiveness. The Board considers that the Shareholders' Communication Policy has been effectively implemented during the Year.

The Company has established several channels to communicate with the Shareholders as follows:

(i) Corporate communications such as annual reports, interim reports and circulars are issued in printed form and are available on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.vincentmedical.com;

(ii) Periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

(iii) Corporate information is made available on the Company's website;

(iv) Annual and extraordinary general meetings provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management; and

(v) The Company's branch share registrar and transfer office in Hong Kong serves the Shareholders in respect of share registration, dividend payment and related matters.

Senior management maintains regular dialogue with institutional investors through one-on-one meetings and conference calls. The Company is committed to complying with disclosure rules and regulations stipulated by the relevant regulatory bodies, and to communicating the Company's business strategies, development and goals to investors.

12.2 Shareholders Meetings

The general meetings of the Company provide one of the primary forums for communication with the Shareholders and for their participation. Such meetings provide Shareholders with the opportunity to share their views and to meet the Board and certain members of senior management. Question and answer sessions at general meetings foster constructive dialogues between Shareholders, Board members and management.

Shareholders are encouraged to participate in general meetings of the Company physically, or by proxy if they are unable to attend in person. The Company encourages participation of the Shareholders in annual general meetings and other general meetings. The Company sends notice to the Shareholders for annual general meetings not less than 21 clear days before the meeting and not less than 14 clear days for all other general meetings. Separate resolutions are proposed at general meetings for each substantial issue, including the re-election of individual Directors. The detailed procedures of conducting a poll are explained to the Shareholders at the general meeting, to ensure that the Shareholders are familiar with such procedures.

The Company's last general meeting was held on Tuesday, 24 May 2022 at 10:00 a.m. at 17th Floor, Leighton, 77 Leighton Road, Causeway Bay, Hong Kong (the "**2022 AGM**").

The 2023 AGM will be held at 17th Floor, Leighton, 77 Leighton Road, Causeway Bay, Hong Kong on Thursday, 18 May 2023 at 10:00 a.m..

12.3 Articles of Association

During the Year, the Company has made the amendments to its Articles of Association to be in line with the latest legal and regulatory requirements, including the amendments made to Appendix 3 to the Listing Rules which took effect on 1 January 2022. The amendments and the adoption of the new Articles of Association were duly approved by the Shareholders by way of a special resolution at the 2022 AGM.

An up-to-date version of the Articles of Association is available on the website of the Company and the Stock Exchange, respectively.

13. SHAREHOLDERS' RIGHTS

13.1 Convening an Extraordinary General Meeting by the Shareholders

In accordance with Article 58 of the Articles of Association, an extraordinary general meeting can be convened on the requisition of any one or more Shareholders 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 Company Secretary, 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.

13.2 Procedures for Making Proposals at General Meetings and Putting forward Enquiries to the Board

There are no provisions in the Articles of Association or the Cayman Companies Act for the Shareholders to move new resolutions at general meetings. The Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph.

Apart from participating in the Company's general meetings, the Shareholders may send their specific enquiries requiring the Board's attention to the Company Secretary. Other general enquiries can be directed through the Company's Investor Relations contacts.

Address:	Vincent Medical Holdings Limited Units 1604-07A, 16/F., Two Harbourfront, 22 Tak Fung Street, Hung Hom, Kowloon, Hong Kong. (For the attention to the Company Secretary)
Telephone:	(852) 2155 2998
Fax:	(852) 2155 8298
Email:	investors@vincentmedical.com

For the avoidance of doubt, the Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

By Order of the Board

Choi Man Shing
Chairman and Executive Director

Hong Kong, 22 March 2023

ABOUT THIS REPORT

The Group adheres determinedly to the fundamental values of providing innovative, quality and reliable medical devices. The Group longs for the pursuit of sustainability, continuously incorporating environmental and social initiatives in our business. In view of the importance of corporate environmental and social responsibilities, the Board is pleased to launch its seventh ESG Report. This report aims to disclose our commitments, practices and performance in all ESG aspects, and takes response to stakeholders' expectations in regards to sustainable development of the Group.

Reporting Period

This report illustrates the overall performance of the Group regarding the ESG aspects from 1 January 2022 to 31 December 2022.

Reporting Scope and Boundary

The relevant environmental key performance indicators ("**KPI(s)**") mainly cover the manufacture of medical devices in office and operating sites in the PRC (located at Dongguan and Shenzhen) and Japan, and the head office in Hong Kong, on the ground that these areas are financially significant and operationally important to the Group and its stakeholders. The reporting scope has covered the Group revenue of 100% during the Reporting Period. There was no material change compared with the reporting scope in 2021. If the scopes and boundaries of specific contents vary, they are noted in the relevant section of this report.

Reporting Basis and Principle

This report complies with the requirements as set out in the "Environmental, Social and Governance Reporting Guide" (the "**Guide**") in Appendix 27 of the Listing Rules issued by the Stock Exchange. The Company has complied with all "comply or explain" provisions as set out in the Guide and followed the below reporting principles in the preparation of this report: materiality, quantitative, balance and consistency.

- ***"Materiality" Principle:***
  The Group determines material ESG issues by stakeholders engagement and materiality assessment. Details are explained in the section headed "Materiality Assessment" in this report.

- ***"Quantitative" Principle:***
  Information is presented with quantitative measure, whenever feasible, including information on the standards, methodologies, assumptions used and provision of comparative data.

- ***"Balance" Principle:***
  This report identifies the achievements and challenges faced by the Group.

- ***"Consistency" Principle:***
  Methodologies adopted for preparing this report are consistent with last year, unless otherwise stated.

This report has complied with all "comply or explain" provisions and reported on selected recommended disclosures required in the Guide.

The information contained herein is sourced from internal documents and statistics of the Group, as well as the combined control, management and operations information provided by the subsidiaries in accordance with the Group's internal management systems. A complete ESG reporting content index is appended to the last section hereof for quick reference. This report is prepared and published in both English and Chinese. In the event of contradiction or inconsistency between the English version and the Chinese version, the English version shall prevail.

Review and Approval

This report was approved by the Board on 22 March 2023, after review by the ESG Committee. An electronic version of this report is available on the Company's website (www.vincentmedical.com) and the Stock Exchange's website (www.hkexnews.hk).

Feedback

The Group values the opinions and suggestions of stakeholders on this report. We welcome you to share your feedback with the Group by sending email: investors@vincentmedical.com, fax: (852) 2155 8298, or mail: Units 1604-07A, 16/F, Two Harbourfront, 22 Tak Fung Street, Hung Hom, Kowloon, Hong Kong (for the attention to the Company Secretary).

BOARD STATEMENT

On behalf of the Group, the Board is pleased to present the 2022 ESG Report to all of our stakeholders and the general community. Primarily engaging in the development, manufacturing and sales of medical devices to our customers around the globe, we became a trusted partner of some of the world's leading medical and healthcare technology companies. Throughout this journey, the Group has also transformed from a humble medical devices manufacturer, to one of the leading providers of respiratory care solutions with extensive know-how and proprietary technologies, along with brands and products that enjoyed numerous clinical and commercial success.

During the Reporting Period, we continued to face a fast-changing market landscape. The rising geopolitical risks, along with the resurgence of COVID-19, have put significant pressure on our operation; the macro uncertainties and disruption to supply chains have also created challenges on raw material supply and delays in product registration and hence market penetration.

Despite all the obstacles, we remain committed to operating our business in an environmentally and socially responsible manner, so that we can create values for our stakeholders. Throughout the years, the Group endeavours to undertake more social responsibilities, and incorporates sustainable development into its operations and business planning, while balancing its business and financial performance. To ensure sustainability, we believe an effective governance structure, as well as comprehensive ESG reporting, are fundamental. Therefore, we have established the ESG Committee and working group (the "**Working Group**"), responsible for assisting and advising the Board on ESG matters. We have also integrated climate-related issues and other important ESG elements into our long-term strategic planning. These actions would not only enhance our corporate image, promote sustainable practices, but also improve our market competitiveness.

The theme for celebrating the 25th anniversary of Vincent Medical, "Stronger Together", highlights the Group's belief that collective efforts across all stakeholders will together create a brighter future. Before marching forward hand-in-hand, it is important for us to engage with our stakeholders. Through our ESG materiality assessment exercise, we identify and understand the needs and concerns of our stakeholders. We also conduct regular evaluations on our direction and metrics, so that our actions can be more effective and relevant as market changes.

Through such systematic approach, we have identified social well-being as one of the key concerns from our community, including emission reduction, and the Group will set specific and quantifiable targets on ongoing emission reduction based on governmental and national requirements. Relevant action plans and corresponding strategies are also established, with such details also being openly shared with our business partners to encourage industry participation. We also periodically review our progress and metrics as we continue to evaluate the effectiveness of our approach and measures.

During the COVID-19 pandemic, we continued our dedication to community investment through charity and volunteer services, and we are proud to serve our customers and patients to the best of our effort, by putting "Patient First". Looking ahead, the Group will continue to take our responsibilities towards ESG seriously, to review and monitor its ESG performance and looking at ways to improve the way we operate our business, especially around issues that affect society as a whole, so that we can together, build an inclusive and sustainable society.

ESG GOVERNANCE STRUCTURE

ESG Committee and ESG Working Group

The Board has delegated a comprehensive ESG governance structure by overseeing the ESG responsibility of the implementation to the ESG Committee. The ESG Committee comprises the Executive Director and senior management and the purpose of the ESG Committee is to advise and assist the Board in managing matters relating to ESG matters, governance, policies, initiatives, performance and reporting.

Working under the ESG Committee, the Group has established the Working Group. The Working Group is composed of senior management and core members from different departments of the Group, and responsible for exercising ESG plans and collecting data regularly to review performance. The Working Group reports to the ESG Committee on a timely basis.

The Board regularly reviews the Group's ESG performance, examines and approves the Group's annual ESG report.

STAKEHOLDERS ENGAGEMENT

Stakeholders' opinions are the solid foundation for the Group's sustainable development and success. Stakeholders engagement helps the Group to develop business strategies that meet the needs and expectations of stakeholders, by doing so, it helps us in identifying risks and weaknesses that the Group currently facing. The Group communicates with its stakeholders through various channels on a regular basis, shown as below.

Stakeholder	Communication Channel
Government and regulatory agencies	• Annual reports, interim reports, ESG reports and other public information • Supervision and inspection • Notices and circulars • Newsletters and releases
Shareholders and investors	• Annual general meetings and other general meetings of shareholders • Disclosure of corporate information in the websites of the Company and the Stock Exchange • Press releases/announcements • Regular dialogue with institutional investors • Annual reports, interim reports, ESG reports and other public information
Employees	• Regular trainings • Regular meetings • Internal circulars (notices and intranet) • Performance evaluation • Surveys and opinions collection platforms • Reporting platforms pursuant to the Whistleblowing Policy
Customers	• Emails, faxes, and telephones • Customer satisfaction surveys • Customer service hotlines • Regular meetings • Representative offices • Exhibitions
Suppliers	• Meetings • Onsite visits • Surveys • Annual performance review • Hotlines and Emails
Community	• Participation in community programmes • Annual reports, interim reports, ESG reports and other public information

MATERIALITY ASSESSMENT

The Group emphasises the participation of its stakeholders as they have a substantial impact on the success of its business or activities. The Group believes that stakeholders engagement has a significant level of influence in developing sustainable development strategies and fulfilling social responsibilities which is the basis for the Group's strategy formulation and decision-making. A list of sustainability issues, which were potentially material to the Group, was decomposed in the context of its business and daily operation.

Materiality Assessment Process

In preparing this report, the Group directly engaged with the above certain stakeholders as part of the materiality assessment process to identify and prioritise the issues to be included in this report which the Board believes would have significant impact on the Group's business and its stakeholders.

Stage 1 – Identification
A selection of ESG issues that may reasonably be considered important for the Group and its stakeholders from various sources, including the Listing Rules requirement, industry trends and internal policies. 28 issues were identified and grouped into 4 categories: Environment, Employment and Labour Practices, Operating Practices and Community.

Stage 2 – Prioritisation
Conducted online surveys to rate the importance of each issue from the perspective of a stakeholder and the Group using a scale of 1 to 5.

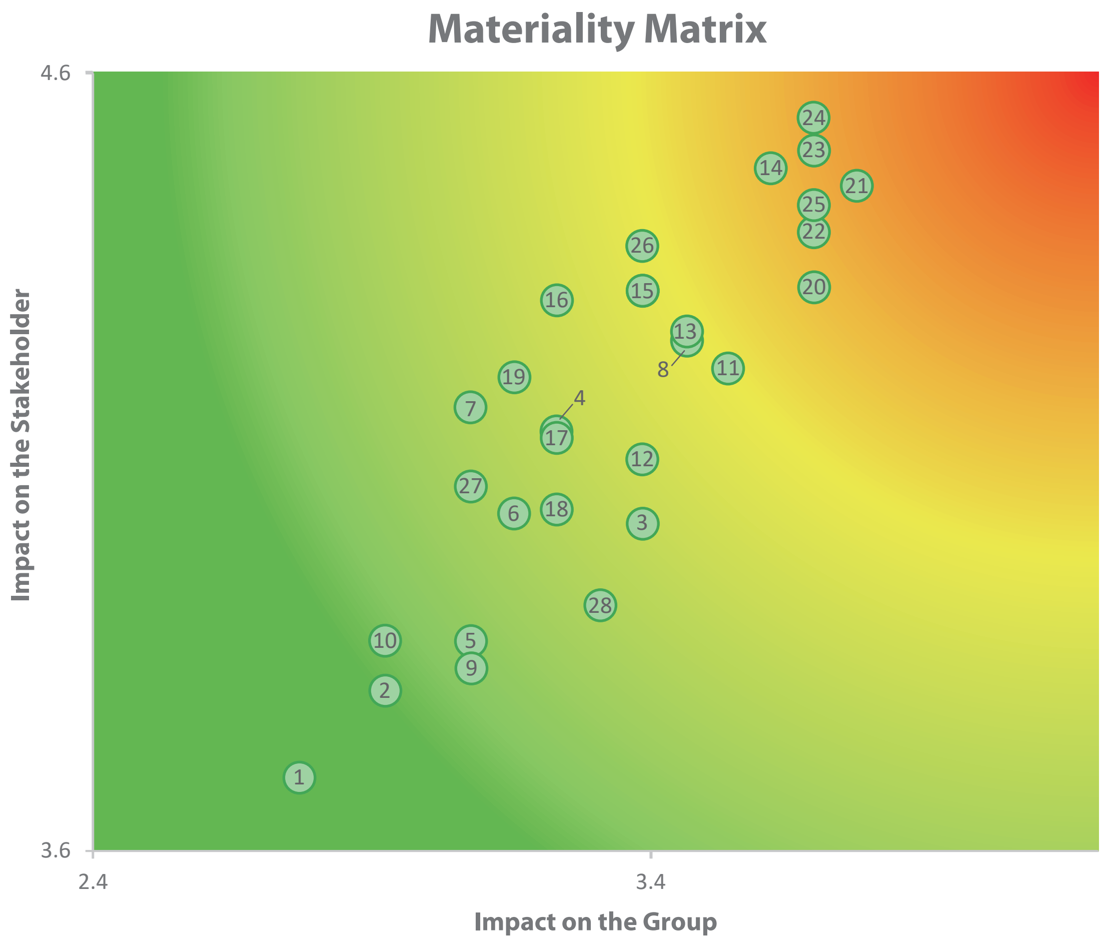
Developed the materiality matrix based on the scores of the surveys, set the threshold for materiality (i.e at a score of average) and prioritised a list of sustainability issues.

Stage 3 – Validation
Management reviewed the materiality matrix and the threshold for materiality. ESG issues with a score of average or above from the perspective of a stakeholder and the Group, were prioritised as the most important sustainability issues for the Group to address and report on.

A materiality assessment matrix was developed from the result of stakeholders engagement exercises conducted with internal stakeholders through an online survey. The materiality assessment and prioritisation took two dimensions into account. It included the importance of issues to stakeholders and the business. The issues that fall within the top right-hand corner have relatively higher significance to both stakeholders and the Group's business.

Based on the materiality matrix, we believe the six most pertinent ESG issues include the following:

- Quality of products;
- Safety of products;
- Occupational health and safety;
- Customer satisfaction;
- Business ethics; and
- Intellectual property.



1	Air Emissions	11	Employment practices	21	Customer satisfaction
2	Greenhouse gas ("**GHG**") Emissions	12	Diversity and equal opportunities	22	Intellectual property
3	Effluents management	13	Anti-discrimination	23	Safety of products
4	Waste management	14	Occupational health and safety	24	Quality of products
5	Energy efficiency	15	Development and training	25	Business ethics
6	Water efficiency	16	Child labour and forced labour	26	Anti-corruption training for management and employees
7	Use of materials	17	Responsible supply chain management	27	Contributions to the society
8	Environmental compliance	18	Environmental friendliness on products or service purchased	28	Communication and connection with local community
9	Land use, pollution and restoration	19	Compliance with regulations on marketing, product and service labelling		
10	Climate change	20	Customers' privacy and confidentiality		

ENVIRONMENTAL ASPECTS

The Group is committed to the long-term sustainability of its businesses and the communities in which it conducts business, and attaches great importance to reducing energy consumption and carbon footprint. With the passion of protecting our planet and conserving its natural resources for future generations, the Group is continually improving its business practices and enhancing employee training as such the best practices.

In terms of environmental, the Group is continuously making positive gains through internal control, innovative technology and alignment with global standards and certifications. The Group is classified as a low emission industry by the Dongguan Tangxia Environmental Protection Department (東莞塘廈環保分局) and has upheld the principle of sustainability in operation. The Group's production plant substantially complied with all applicable local and international environmental regulations, and strictly abides by the related laws and regulations, including the "Environmental Protection Law of the PRC 《中華人民共和國環境保護法》", the "Environmental Impact Assessment Law of the PRC 《中華人民共和國環境影響評價法》" and the "Environmental Protection Tax Law of the PRC 《中華人民共和國環境保護稅法》".

The Group has established an environmental management system and adopted the proactive approach of ESG initiatives and activities to enhance the effort in ESG performance.

The Group strives to follow its environmental objectives:

- Compliance with national environmental laws and regulations;
- Pollution prevention;
- Promotion of clean production; and
- Creation of a harmonious environment for sustainable development.

In line with the national policies on energy conservation and emission reduction, we have established our green targets in short-term and utilised action plan to actively manage our environmental footprint and achieve a low-carbon economy. In terms of the medium-term to long-term goal, the Group will gradually review and revise its policy, adopt renewable energy sources and use low-power products.

The Group strives in its environmental objectives and following the pathway in achieving the target setting. Nonetheless, the Group considered that Hong Kong, Shenzhen and Japan administrative offices are insignificant and non-material, the following disclosures on environmental aspect only include the major operation sites in Dongguan.

Looking ahead, the Group will continuously enhance and review the data collection system and consider in expanding the disclosure coverage in environmental aspects. In addition, the Group will continue in reviewing and revising its policy regularly, maintaining a steady pace of progress, and promoting green development.

Emissions

Air Emissions

Due to the nature of our business, the Group does not emit a significant amount of exhaust gas from its operation. In our daily operations, the main source of exhaust gas emitted are mainly from vehicles fleets. The petrol and diesel oil combustion of vehicle fleet generation pollutant including Nitrogen Oxides, Sulphur Oxides and Particulate Matters. During the Reporting Period, the air emissions[1] were as follows:

		Total Emission		
Air Emission[2]	**Unit**	**2022**	**2021[3]**	**Change**
Nitrogen Oxides (NO_x)	kilograms	**51.30**	86.80	–41%
Sulphur Oxides (SO_x)	kilograms	**2.63**	2.55	+3%
Particulate Matters (PM)	kilograms	**0.36**	0.63	–43%
Total	kilograms	**54.29**	89.98	–40%

For the year ended 31 December 2022, the total air emission accounted for 54.29 kg (2021: 89.98 kg), representing a decrease of approximately 40% over last year. The decrease in the total air pollutant emissions was attributed to the reduction of vehicle fleet usage and consumption of fossil fuels during the Reporting Period. The Group strives to control the emissions, such as conducting proper engine repair and maintenance in regular basis and promoting eco-driving. Looking ahead, the Group will continue in monitoring the air pollutant emissions and implementing mitigation measures.

1 The data covers emissions from the Group's vehicles at the Group's business units in Dongguan only.

2 The inorganic air pollutant emission is estimated by making reference to "First National Survey of Pollution Sources – Industrial Pollutants Emission Factors Handbook《第一次全國污染源普查工業污染源產排污係數手冊》" and "Technical Guidelines for the Compilation of Emission Inventories of Air Pollutants from Road Vehicles (Trial)《道路機動車大氣污染物排放清單編制技術指南(試行)》" by Ministry of Ecology and Environment of the PRC.

3 The inorganic air pollutant emission for 2021 has been restated, estimated by making reference to "First National Survey of Pollution Sources – Industrial Pollutants Emission Factors Handbook《第一次全國污染源普查工業污染源產排污係數手冊》" and "Technical Guidelines for the Compilation of Emission Inventories of Air Pollutants from Road Vehicles (Trial)《道路機動車大氣污染物排放清單編制技術指南(試行)》" by Ministry of Ecology and Environment of the PRC.

GHG Emissions

The Group is aware of potential physical and financial consequences of climate change on the business. These could include higher energy costs and more frequent extreme weather events that disrupt product supply chains. To minimise the contribution of GHG emissions, the Group strives to reduce energy use across the business, and the related energy-saving measures are illustrated in the section headed "Use of Resources" of this report. During the Reporting Period, the Group's GHG emissions were as follows:

		Total GHG Emission		
GHG Emissions[4]	**Unit**	**2022**	**2021**	**Change**
Scope 1[5]	CO_2 e tonnes	**32**	41	–22%
Scope 2[6]	CO_2 e tonnes	**12,265**	12,806	–4%
Scope 3[7]	CO_2 e tonnes	**18**	8	+125%
Total	CO_2 e tonnes	**12,315**	12,855	–4%
Intensity (per building area)[8]	CO_2 e tonnes/m^2	**0.343**	0.358	–4%

For the year ended 31 December 2022, the total GHG emissions were 12,315 tonnes (2021: 12,855 tonnes) and its intensity was 0.343 tonnes CO_2 (2021: 0.358 tonnes CO_2) equivalent per building area, presented a respective decrease of 4% as compared to previous year. Such decrease was mainly attributable to (i) the reduction of Scope 1 emission by 22% due to the lower usage in vehicle fleet and resulted in the decrease in fossil fuel consumption; and (ii) the reduction of Scope 2 emission by 4% due to the lower purchased electricity consumption. In view of the COVID-19 outbreak which is gradually becoming under control, lockdown, travel restriction and social distancing measures are relaxed, and the overseas business travelling including participation of exhibition and customers visit were resumed in 2022. Thus, the increase in business travel has resulted in the increase of Scope 3 emission by 125% to 18 tonnes CO_2 in 2022 (2021: 8 tonnes CO_2).

Looking ahead, the Group will continue in tracing the amount of GHG emissions and implementing relevant measures to mitigate the impacts from its operation activities.

4 The data covers direct and indirect GHG emissions from the Group's business units in Dongguan only. The calculation of the corresponding air emission assessment figures and the emission factors used for the calculation are based on the "How to Prepare ESG Report" and its Annex "Appendix 2: Reporting guidance on Environmental KPIs" issued by the Stock Exchange, "Methodology for Accounting and Reporting of Greenhouse Gas Emissions from Enterprises in Other Industries (Trial)《工業其他行業企業溫室氣體排放核算方法與報告指南(試行)》" jointly issued by National Development and Reform Commission and National Center for Climate Change Strategy and International Cooperation, "Emission Reduction Project China Regional Grid Baseline Emission Factor《減排項目中國區域電網基准線排放因子》" and "IPCC Fifth Assessment Report on Climate Change《IPCC氣候變遷第五次評估報告》" issued by the Ministry of Ecology and Environment of the PRC.

5 Scope 1: The direct emission from the business operations owned or controlled by the Group, including the emission from the Group's vehicle fleet.

6 Scope 2: The indirect energy emissions from the internal purchased electricity consumption by the Group.

7 Scope 3: Other indirect emissions from business travel by the Group.

8 During the Reporting Period and 2021, the Group had a total building area of 35,865.6 m^2.

Wastewater

Although the Group does not contribute and generate significant wastewater from its operation activities, the Group is aware that potential wastewater could be generated during certain operation activities. In this regard, the Group has installed a system to segregate rainwater and sewage. The Group complied with all applicable local and international environmental regulations, and strictly abides by the "Water Pollution Prevention and Control Law of the People's Republic of China《中華人民共和國水污染防治法》". The Group properly treats all wastewater and manages the treatment plant in accordance with the local regulations namely "Guangdong Local Standards – Emission Limits of Water Pollutants DB44/26-2001《廣東省地方標準 – 水污染物排放限值DB44/26-2001》". The Group conducts regular monitoring and inspections to ensure that the concentration of wastewater discharge is within the discharge limits set out by the local authority.

Looking ahead, the Group will enhance data collections system in tracing the amount of wastewater, ensure the transparency of disclosure and implement relevant measures to mitigate the impacts from its operation activities.

Wastes

The operation nature of the Group entails the use of resources in wide range of medical devices in development and manufacturing. The Group complied with all applicable local and international environmental regulations, and strictly abides by "Solid Waste Pollution Prevention and Control Law of the People Republic of China 《中華人民共和國固體廢物污染環境防治法》". Hazardous waste includes clinical waste and office stationery. Non-hazardous waste includes domestic wastes, kitchen waste and household waste. The Group strictly follows the applicable guidelines and regulations to handle, manage and discharge hazardous and non-hazardous wastes. The Group has implemented comprehensive emergency procedure protocol to contain and limit its damage to the environment.

Hazardous wastes are collected and handled by the licensed contractors, which are under the National Hazardous Waste List. To minimise the environmental impacts of hazardous wastes, all bins are covered and must be protected against leakage to prevent pollution to the environment. Non-hazardous wastes are collected daily and disposed to landfill.

During the Reporting Period, the hazardous wastes and non-hazardous wastes produced were as follows:

		Total Hazardous Wastes		
Hazardous Wastes	**Unit**	**2022**	**2021**	**Change**
Clinical Waste[9]	Tonnes	**0.09**	0.08	+13%
Other Hazardous Waste[10]	Tonnes	**1.00**	1.00	–
Total	Tonnes	**1.09**	1.08	+1%
Intensity of Hazardous Wastes (per building area)[11]	Kg/m²	**0.0303**	0.0301	+1%

9 Clinical waste includes the Limulus Amoebocyte Lysate (LAL) and their test kit.

10 Other hazardous waste includes chemicals waste such as acetone, silicone oil, mercury and etc.

11 During the Reporting Period and 2021, the Group had a total building area of 35,865.6 m².

Non-hazardous Wastes	Unit	Total Non-hazardous Wastes 2022	2021	Change
Domestic Wastes[12]	Tonnes	**180**	180	–
Total Non-hazardous Wastes	Tonnes	**180**	180	–
Intensity of Non-Hazardous Wastes (per building area)[13]	Kg/m^2	**5.01**	5.01	–

For the year ended 31 December 2022, the total amount of hazardous wastes was approximately 1.09 tonnes (2021: 1.08 tonnes), representing an increase of approximately 1% compared with last year. The total amount of clinical waste was approximately 0.09 tonnes (2021: 0.08 tonnes), representing an increase of approximately 13% over last year. The increase in total amount of hazardous wastes was mainly due to the efforts taken in the R&D on medical products during the Reporting Period. The total amount of non-hazardous wastes was 180 tonnes, and there was no change over the last year.

Looking ahead, the Group will continuously enhance the R&D development and consider in implementing relevant waste reduction measures to migrate the impacts from its operation activities.

Use of Resources

Energy Consumption

The Group is committed to conserving resources for the purposes of environmental and operating efficiency. To pursue the Group's environmental commitment, it implements multiple measures in enhancing energy efficiency. The Group has formulated energy-saving plan annually and installed energy monitoring system, including:

- Establishment of an energy management centre to analyse and monitor energy usage regularly;
- Installation of a solar-powered water heating system in office and dormitory;
- Replacement of conventional lightings with Light Emitting Diode (LED) lights or T5 fluorescent tube;
- Purchase of two environmental-friendly electric forklifts;
- Limiting unnecessary use of company vehicles;
- Switching off idling engines, including lighting, personal computer, air-conditioners and other electronic equipment;
- Using video conferencing or phone calls for meeting;
- Maintaining indoor room temperature at 24 to 26 degrees Celsius at the office;
- Placing energy-saving reminders at pantry, office and dormitory; and
- Turning off the electricity supply to appliances to reduce their standby power consumption.

12 Non-hazardous waste represents domestic waste generated in office and household.

13 During the Reporting Period and 2021, the Group had a total building area of 35,865.6 m^2.

The Group's energy consumption is from vehicle fuels (direct energy consumption), purchased electricity and solar energy consumption (indirect energy consumption). During the Reporting Period, the energy consumption of the Group was as follows:

		Total Energy Consumption		
Energy Consumption Types[14]	**Units**	**2022**	**2021**	**Change**
Direct energy consumption				
Diesel oil	kWh	**42,919**	40,371[15]	+6%
Unleaded petrol	kWh	**83,804**	123,080[16]	–32%
Total direct energy consumption	kWh	**126,723**	163,451[17]	–22%
Total intensity of direct energy consumption (per building area)[18]	kWh/m^2	**3.533**	4.557	-22%
Indirect energy consumption				
Purchased electricity	kWh	**15,250,839**	15,305,061	–0.4%
Solar energy	kWh	**3,600**	3,600	–
Total indirect energy consumption	kWh	**15,254,439**	15,308,661	–0.4%
Total intensity of indirect energy consumption (per building area)[19]	kWh/m^2	**425.3**	426.8	-0.4%

For the year ended 31 December 2022, the total direct energy consumption was 126,723 kWh (2021: 163,451 kWh), and its intensity was 3.533 kWh (2021: 4.557 kWh) per building area. Compared with the previous year, the decrease of 22% was mainly attributable to the drop in fossil fuel consumption for vehicle fleet during the Reporting Period. The total indirect energy consumption was 15,254,439 kWh (2021: 15,308,661 kWh), and its intensity was 425.3 kWh (2021: 426.8 kWh) per building area, it presented a decrease of 0.4%. As the COVID-19 outbreak was gradually becoming under control during 2022, the Group has recovered from the outbreak which has led to an increase in the use of electricity in operation sites, office, and vehicle usage. Looking ahead, the Group will continue in tracing the Group's energy consumption and implementing relevant energy conversation measures.

Water Consumption

The Group is devoted to reducing the use of water and has established a water consumption reduction pathway with a long-term perspective as a directional target. The Group has formulated water-saving measures, including:

- Installation of water flow controllers and water-efficient taps; and
- Placing water-saving reminders at pantries and toilets.

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14 It includes the business units in Dongguan only.

15 The units of direct energy consumption have been converted from L to kWh, the diesel oil consumption figure of 2021 has been restated.

16 The units of direct energy consumption have been converted from L to kWh, the unleaded petrol consumption figure of 2021 has been restated.

17 The units of direct energy consumption have been converted from L to kWh, the total direct energy consumption figure of 2021 has been restated.

18 During the Reporting Period and 2021, the Group had a total building area of 35,865.6 m^2.

19 During the Reporting Period and 2021, the Group had a total building area of 35,865.6 m^2.

The Group operation activities are mainly in production of medical devices, which do not consume a material amount of water. Water consumption of the Group is mainly from office and household use and the Group had no difficulty in sourcing water. During the Reporting Period, the water consumption was as follows:

Water Consumption	Unit	Total Water Consumption		
		2022	**2021**	**Change**
Total	m^3	**134,002**	162,807	–18%
Intensity (per building area)[20]	m^3/m^2 [21]	**3.74**	4.54	–18%

For the year ended 31 December 2022, the total water consumption was 134,002 m^3 (2021: 162,807 m^3), and its intensity was 3.74 m^3 (2021: 4.54 m^3) per building area. Both total water consumption and intensity have decreased by approximately 18% compared to last year. The reason of the lower water consumption was considered the effective adoption of water-saving measures during the Report Period. Looking ahead, the Group will continue in monitoring water usage, reviewing and implementing further water saving practices.

Paper Consumption

The paper consumption was mainly for offices and administrative use from office in Dongguan. During the Reporting Period, the paper consumption was as follows:

Paper Consumption	Unit	Total Paper Consumption		
		2022	**2021**	**Change**
Office Paper	Tonnes	**7.2**	8	–10%

For the year ended 31 December 2022, the paper consumption was decreased by 10% to 7.2 tonnes (2021: 8 tonnes). The Groups has been implementing policies in reduce paper usage, including:

- Implement 3R policy (i.e. reduce, reuse and recycle);
- Implement Office Automation (OA) System and the SAP system;
- Set up default duplex-printing system; and
- Encourage employee's communication via electronic means.

Looking ahead, the Group will continuous in reducing the paper consumption and increasing the recycling rate to reduce the generation of waste paper.

20 During the Reporting Period and 2021, the Group had a total building area of 35,865.6 m^2.

21 The unit of water consumption intensity has been restated to m^3/m^2.

Packaging Material Management

To ensure the quality of products, the Group has applied packaging material, including carton box, plastic and paper in delivery and transportation process. The Group has optimised the use of packaging materials by reusing all the packaging materials. For the materials cannot be further reused, they are disposed to landfill. During the Reporting Period, the consumption of packaging materials was as follows:

		Total Packaging Materials Consumption		
Packaging Materials Consumption	**Unit**	**2022**	**2021**	**Change**
Carton box	Tonnes	**510**	807	–37%
Plastic	Tonnes	**88**	110	–20%
Total	Tonnes	**598**	917[22]	–35%
Intensity of packaging materials (per production volume in million)[23]	Tonnes/production volume (in million)	**10.14**	12.56[24]	–19%

For the year ended 31 December 2022, the total packaging was 598 tonnes (2021: 917 tonnes), and the intensity of the total packaging material per production volume was 10.14 tonnes (2021: 12.56 tonnes) per production volume in million. The decrease in packaging material consumption is because of the stringent policy in packaging materials inventory control, i.e. keeping 3-day usage and thus resulted in less packaging materials being consumed.

The Environment and Natural Resources

The Group recognised its impacts on the environment, and it evaluates the impact of environmental risks based on the possibilities of the events as well as the degree of severity. The environmental and natural resources are potentially influential to the Group's operations, in this regard, the Group strives to promote sustainable use, management of natural resources and adaptation to climate change.

The Group has established related procedures, referring to the various measures mentioned in the sections "Emission" and "Use of resources" of this report, to mitigate the risks of pollution and commit to reducing the environmental impacts from manufacturing process in daily operation.

Environmental Education

The Group believes employees' dominance is crucial to environmental protection. To reinforce employee's awareness on conserving the environment, the Group provides support to employees, including ESG education and training under regular basis during the Reporting Period. The purpose of environmental education is to enhance employee's knowledge on the environmental standards and encourage them to be proactive and respectful on environmental protection.

During the Reporting Period, there was no incident with significant impacts on the environment and natural resources.

22 The total packaging material consumption for 2021 has restated as office paper are no longer considered as packaging materials.

23 During the Reporting Period, the Group had a total production of 59,000,000 units.

24 The intensity of packaging materials for 2021 has been restated as office paper are no longer considered as packaging materials. For 2021, the Group had a total production of 73,000,000 units.

Environmental Packaging and Material

The Group is proactive in reducing the use of raw materials in terms of product design, modification and presentation, in which it reduces the material waste and saves the cost of material. To control the demand of packaging material, monitoring system on packaging purchases is conducted to minimise the amount of materials consumption. Furthermore, the Group plans to eliminate plastics packaging in phases as plastic materials contributed a detrimental effect on the environment. Looking ahead, the Group will continuously commit to sourcing environmental friendly materials and adopting alternative packaging materials in its business operation.

Climate Change

The Group deeply acknowledged that climate change is a common challenge for all mankind, while PRC, the biggest developing country in the world, attaches great importance to tackling climate change.

The Group would rearrange manpower, take precautionary measures to ensure staff safety in the event of adverse weather conditions such as typhoon, rainstorm and heatwave. In order to avoid any physical damage to property, the Group would also refer to the guidance of local authority and implement corresponding measures. In addition, the Group recognises the potential impact of the building premises. In regards, the Group ensures our insurance covers fire incidents, third party injuries within our building premises, staff injury during the course of business, and transit loss or damage of shipment of finished goods from manufacturers. The mitigation measures will be reviewed timely to prevent major loss.

Another anticipated climate related risk lies on the potential change in governmental policies and regulations due to the increasing global concern on the climate change issues. Our operational teams will regularly review and monitor our business practices and processes to ensure the compliance of related law and regulations. External consultancy service will be pursued when necessary.

Green Targets

The Group supports the global climate action and aligns with the local governments' emission reduction requirements. As the Group has staidly recovered from the COVID-19 pandemic, we started to resume operations as normal. The Group essentially plans to respond to the local government initiatives and follow local governments' emission reduction requirements on or before 2030, as well as to achieve carbon neutrality by 2050 in Hong Kong region and by 2060 in the PRC.

Our ESG Committee acknowledges the imminency of the climate-related action should be applied on the Group's operation. The Group is targeted to continuously reducing GHG emission and improving our use resources, through applying professional knowledge to improve on-site efficiency and maintaining efficient management support. During the Report Period, the Group was proudly presented a significant progress on the overall reduction on air emissions, GHG emissions and use of resources. Considering the effectiveness and comprehensiveness of target setting, the Group will set the clear and specific short-term and long-term sustainable development targets to achieve ongoing emission and resources consumption reduction progress according to the Group's performance after implementing the action plan.

The Group gradually reviews and revises its policy, adopts renewable energy sources and uses low-power products. To this end, we established our green targets and action plan to actively manage our environmental footprint and achieve a low-carbon economy.

Aspects	Our Targets	Actions
Air emissions and GHG emissions	Reduce air emission and GHG emission	• Reasonable travelling. Private use of vehicles is prohibited and encourage reducing unnecessary travel • Minimising long-distance and oversea business travelling by encourage communication via electronic means • Adopting electric vehicles (EVs) as alternative to vehicles fleets
Waste	Reduce waste generation	• Minimising packaging materials required in our products • Sourcing environmental friendly materials and adopting alternative packaging materials • Recycling and reusing carton boxes and office paper
Water	Reduce water consumption	• Using water efficient devices in new plumbing works
Energy	Reduce energy consumption	• Replacing traditional lighting with LED lamps • Utilising renewable energy (e.g. solar energy) instead of electricity generated from fossil fuels • Adopting electric vehicles (EVs) as alternative to fuel vehicles • Reducing unnecessary power consumption of lighting equipment and unoperated equipment • Promoting facilities optimisation with proper maintenance of equipment

SOCIAL ASPECTS

The Group is committed to maintaining a high level of corporate social governance as it is important for the Group in constructing a safe and healthy work environment as well as establishing product quality and social credibility. In the meantime, the Group devotes itself to preserving the sustainable development of its business and community. To promote this business model, the Group exhibits prudence in managing its operations and is cautious in executing decisions made by the management team.

Employment and Labour Practices

Employees are considered as the Group's valuable assets towards continuous success. The Group strives to provide its employees with a decent working environment while providing opportunities for them to develop alongside the Group's growth. The Group has developed a comprehensive human resource management system, 'Employee Handbook' has been introduced as the management approach on compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

The Group is eager to build and maintain a harmonious, fair and safe working environment to employees, and endlessly strives to enhance corporate social responsibility. The Group adopts employment policies that comply with the relevant laws and regulations in the PRC, Hong Kong and Japan, including but not limited to:

- Employment Ordinance (Chapter 57 of the Laws of Hong Kong);
- Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong);
- Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong);
- Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong);
- Labour Contract Law of the PRC《中華人民共和國勞動合同法》;
- Social Insurance Law of the PRC《中華人民共和國社會保險法》;
- Administrative Regulations on Housing Provident Funds《住房公積金管理條例》; and
- Labour Standards Act of Japan.

During the Reporting Period, there was no case of non-compliance regarding compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination, and other benefits and welfare.

Employee Profile and Turnover

As at the end of the Reporting Period, the number of employees figures by gender, age group, employee type, employee category and geographical region are illustrated in the table below.

Employee	2022	2021
By gender		
– Male	**522**	542
– Female	**704**	739
By age group		
– Below 30	**191**	221
– 31 – 40	**394**	471
– 41 – 50	**489**	468
– 51 and above	**152**	121
By employee type		
– Full Time	**1,226**	1,281
– Part Time	**0**	0
By employee category		
– Senior Management	**13**	15
– Middle Management	**38**	34
– Supervisor	**61**	53
– General Staff	**1,114**	1,179
By geographical region		
– Hong Kong	**45**	47
– Dongguan	**1,152**	1,202
– Shenzhen	**20**	25
– Japan	**9**	7
Total	**1,226**	1,281

In the Reporting Period, the employee turnover rate based on gender, age and geographical are illustrated in monthly basis are shown in the table below.

Employee Turnover Rate[25]	2022	2021[26]	Change[27]
By gender			
– Male	**5.0%**	5.9%	↓0.9ppts
– Female	**3.6%**	7.2%	↓3.6ppts
By age group			
– Below 30	**8.6%**	14.5%	↓5.9ppts
– 31 – 40	**5.2%**	6.6%	↓1.4ppts
– 41 – 50	**2.6%**	3.9%	↓1.3ppts
– 51 and above	**1.2%**	1.2%	–
By employee category			
– Senior Management	**1.3%**	0%	↑1.3ppts
– Middle Management	**0.7%**	1.0%	↓0.3ppts
– Supervisor	**0.8%**	1.3%	↓0.5ppts
– General Staff	**4.5%**	6.9%	↓2.4ppts
By geographical region			
– Hong Kong	**1.7%**	0.9%	↑0.8ppts
– Dongguan	**4.4%**	6.8%	↓2.4ppts
– Shenzhen	**1.7%**	1.3%	↑0.4ppts
– Japan	**0%**	1.2%	↓1.2ppts
Overall	**4.2%**	6.5%	↓2.3ppts

As at the end of Reporting Period, the overall turnover rate was 4.2% (2021: 6.5%), which presented a reduce of 2.3 ppts. The Group values employee satisfaction and provides competitive remuneration package in order to remain talents. To understand employees, the Group conducted exit-interview with employees for exploring the reasons of the resignation and took concern to their opinions whenever applicable.

Recruitment and Remuneration

The recruitment process has strictly followed and abided by local laws and regulations, all illegal means such as retention of identity cards or passports, intimidation, coercion and undue pressure are strictly prohibited. To ensure no child labour are recruited, identity check is requisite during the recruitment process and child labour check is performed annually. If child labour is found, employment will be terminated immediately. If necessary, the Group will seek assistance from relevant institutions. The Group's dismissal process complied with all relevant laws and regulations, and forcing an employee to resign by coercion or other illegal means is strictly prohibited.

In the Reporting Period, the Group was in compliance with relevant laws and regulations relating to preventing child and forced labour, and as such no rectification was required.

25 Employee turnover rate = (Total number of employees turnover per year/12 months)/ Total number of employees at the end of Reporting Period.

26 Employee turnover rate for 2021 has been restated, calculated by (total number of employees per year/12 months)/total number of employees at the end of Reporting Period.

27 The employee turnover rate change is presented by the differences in ppts.

Equal opportunities

The Group is committed to providing equal opportunities in the process of recruitment, hiring and employment. The fair and equal employment during recruitment procedures is applied to hire new employees. The Group appreciates the cultural diversity in the workplace, as such our recruitment is based on candidates' experiences, education backgrounds, abilities and business needs, regardless of race, gender, age, marital status, pregnancy, family status, sexual orientation, religion and nationality.

Promotion

All talented employees have the potential to be promoted, and evaluation is based on their capabilities, work performance, job-related training and personal career development. Along with work performance, the continuous education, qualification and professional certificates are given priority during the consideration of promotion. The Group adopts a semi-annual and an annual appraisal to review employees' performance and discussion on employee's needs and expectations. During the appraisal, the Group highlights outstanding performers and offers employee promotion package and retain talents. Existing employees are given priority in the list when filling job vacancies if applicable.

Remuneration and Dismissal

The Group strives to attract and train to retain qualified, enthusiastic and committed employees by offering fair and reasonable remuneration package and benefits. The Group respects the right of employees and provides fair remuneration that are linked to the employee performance. The Group benchmarks the employees' salary against industry standards and offers the competitive remuneration package to recruit talented employees.

For dismissal procedures, the "Termination Policy" specifies the conditions for employee resignation and company dismissal, as well as the procedure for employee dismissal. In order to improve the human resources management system, exit interviews are conducted with employees to understand the reasons for resignation.

Working Hours and Rest Period

The Group agrees and values the importance of work-life balance as it links to employee's productivity and well-being. To avoid employee from working overtime, the Group is operated under meticulous production schedule and arranged reasonable production workflow. A multi-shift system is used in our production line to ensure employees have adequate time to rest. The Group's statutory holidays are implemented in accordance with national regulations, including marriage leave, bereavement leave, maternity leave, paternity leave, lactation leave, work-related injury leave and etc.

Benefits and Welfares

According to the applicable laws, the Group contributes in "Five Social Insurances and One Housing Fund" to employees in the PRC; Mandatory Provident Fund (MPF) scheme is offered to employees in Hong Kong; and the retirement allowance is offered to employees in Japan.

The Group values employees' opinion, and the in-house labour union was formed. Monthly meetings through emails, hotlines and WeChat with the Group's representatives were held as the platform for all employees to join and express opinions.

To cultivate employees' sense of belonging, the Group promotes workplace friendship and cultivates team spirit by organising various recreational activities regularly. During the Reporting Period, sports competitions, staff birthday parties, hiking events and team building activities were held. The Group values employees' well-being, facilities including basketball courts, badminton courts, table tennis and library are provided for all employees.

2022 badminton competition

2022 basketball match

Vincent Medical 2022 'Stronger Together' team building activities

Hiking activities

The Group continued to contribute to the employees' welfare fund during the Reporting Period to help employees who were in need. The fund provides a wide variety of support to all employees who have passed the probationary period. The welfare fund including medical aid, disability assistance, wedding gifts and condolence money. During the Reporting Period, employees were received food and beverages for sharing with their families on a monthly basis.

Mid-Autumn Festival celebration activities

A kick-off ceremony was broadcasted live on 23 May 2022 to mark the launch of the 25th anniversary celebrations and to celebrate this milestone with the Group's employees in Hong Kong, Mainland China, Japan, the US and Europe.

Cake cutting ceremony at Vincent Medical's headquarters in Hong Kong

Training and Development

The Group has been cultivating a continuous professional development culture. To improve the overall quality of employees, the Group encourages employees to replenish their knowledge and acquire new skills to perform jobs and overcome challenges under the modern competitive market environment. The Human Resources Department stipulates training schedules to employees. During the Reporting Period, training topics including but not limited to:

- Technical training;
- Product training;
- Information security training;
- Soft skill development training;
- Occupational health and safety training;
- Environmental protection training; and
- ESG training.

With the aim to increase convenience and flexibility in response to the pandemic, the Group has provided more online trainings to employees. During the Reporting Period, all employees received a total of 19,015 training hours, which has achieved 100% training rate, with an average of 16 training hours per staff.

During the Reporting Period, the percentage of trained employees was presented in gender and employee category were shown below:

Percentage of trained employees[28]	
By gender	
– Male	45%
– Female	55%
By employee category	
– Senior Management	1%
– Middle Management	2%
– Supervisor	4%
– General Staff	93%
Total	100%

[28] Percentage of trained employee = Number of employees (in each category) received training during the Reporting Period / Total number of employees at the end of Reporting Period.

During the Reporting Period, the average of training hours was presented in gender and employee category are shown below:

Average training hours[29]	
By gender	
– Male	14 hours
– Female	17 hours
By employee category	
– Senior Management	19 hours
– Middle Management	9 hours
– Supervisor	11 hours
– General Staff	16 hours
Overall	16 hours

Occupational Health and Safety

The Group strives to create a safe and healthy working environment to employees as the workers' health and safety are one of the Group's core values. The Group has complied with all relevant laws and regulations, including but not limited to, the "Work Safety Law of the PRC《中華人民共和國安全生產法》" and the "Regulations on Work–Related Injury Insurance《工傷保險條列》". In regards to the needs in identifying and mitigating potential hazards and dangers at the workplace, the safety committee and safety managers were established and took responsibility in conducting and monitoring workplace safety strategies and procedures.

The Group provided regular health and body check for employees to ensure they are physically fit were well equipped for work. Special job arrangement is available for workers who are under health concerns. In workplace, warning signs and notices are placed at the prominent area to raise awareness in occupational health and safety. Personal protective equipment (PPE), medical check-up, regular safety checks and fire drills practice, and machinery inspections are provided for workers.

Health and safety education and training are conducted as it is the effective way of preventing accidents. All newcomers must attend the occupational health and safety training, contents including emergency handling, cardiopulmonary resuscitation (CPR) training, and disease prevention trainings. These measures are proposed to ensure all employees take fully awareness on health and safety matters in workplace.

In-house communication platform and an anonymous system, including email and hotline are available for employees to complain and express concerns. By implementing measures as mentioned the Group can fully take up the advices on employee's health and safety concerns.

During the Reporting Period, there were no work-related fatalities in the Group over the past three years.

Number of Work-related Fatality		
2022	2021	2020
0	0	0

29 Average Training Hours = Total training hours during the Reporting Period / Total number of employees at the end of Reporting Period.

During the Reporting Period, the Group had minor injuries occurred in the operating sites, which accounted for a total of 133.5 lost days (2021: 113 lost days). The Group has complied with all relevant laws and regulations, provided prompt and appropriate assistance to the injured employees, and the Group has carried out an intensive investigation to examine the root cause of the accidents. Looking ahead, the Group will continuously enhance the health and safety measures and enforced workers' safety awareness in workplace.

Precautionary measures against COVID-19

To protect our employees from the threat of the COVID-19 pandemic, the Group strictly implemented the anti-infection prevention measures and took the Health Advice on Prevention of COVID-19 in Workplace provided by the Centre for Health Protection. Preventive measures are as follows:

- Perform hand hygiene properly and frequently;
- Maintenance of workplace hygiene;
- Check body temperature regularly;
- All employees are required to wear masks in workplaces;
- Keep appropriate social distance with others in common facilities; and
- Employees are encouraged to complete the vaccination course to help building good body immunity.

To minimise cross-contaminations, the Group has limited personnel movement across areas and enforced social distancing policy. All unnecessary visits and travels were strongly prohibited, and ribonucleic acid (RNA) test was required for employees after visiting high risk regions. Employees must take daily temperature checks and obey with mask-on policy. In addition, work-from-home policy for administrative and managerial employees may come into effect depending on the circumstance. The Group reduced the number of face-to-face meeting and social events with ongoing COVID-19 outbreaks.

The Group encourages employees to make use of video conferencing platform, social media tools and electronic communication tools to maintain efficient communications with internal and external parties. Moreover, frequent cleaning and regular disinfection were in workplace, and additional cleanings and disinfections were arranged upon request. The Group encouraged employees actively perceive COVID-19 vaccination is the self-protection as well as help in preventing transmission of the virus.

Operating Practices

Supply Chain Management

The Group believes its success is largely driven by reliable and honest supply chain, and the source of high-quality medicals material from reputable suppliers are attributed to providing extensive products for customers. The Group has established the supply chain management policy, including the "Evaluation & Approval of Supplier Procedure", "Incoming Inspection Procedure or Monitoring" and "Measuring for Product Procedure" to manage the supply chain. As the quality of the medical products will have significant impact on patients' safety and experience, suppliers are selected in accordance with quality control requirements. In the supplier selection procedures, price, quality, on-time delivery and flexibility are the key performance indicators. Suppliers are required to submit quality management system certificates, and certification documents for qualified products are required for verification when necessary. Priority is given to the suppliers with quality management system certification. The supplier evaluation team from the Quality and Engineering Department conducts an onsite audit to assess the potential suppliers' quality standards.

The Group believes that positive influence throughout the supply chain is also the components in social responsibility. Aligned with the Group's value, the Supplier Corporate Social Responsibility Code of Conduct is established in supplier selection. In terms of social responsibility, all of our suppliers and contractors are governed by the Code of Conducts. In which, it is formed by five primary social responsibilities, including:

- Environmental Protection;
- Health and Safety;
- Intellectual Property;
- Conflict of Interest; and
- Human Rights.

The Group sources materials and services globally, and qualified suppliers are registered in "Approved Vendor List" once approved. To ensure the stability and safeguarding of suppliers, an annual supplier evaluation is conducted to ensure that their performance is consistent in fulfilling tender requirements. For those unqualified in the annual evaluation, they will be removed from the vendor list. As at 31 December 2022, the distribution of suppliers by geographical region was illustrated below:

Region	Number of suppliers
The PRC	516
Hong Kong	22
The US	46
Other countries	139
Total	**723**

Product Responsibility

The Group has complied with the "Product Quality Law of the PRC 《中華人民共和國產品質量法》" and is committed to emerging and advancing innovative development and manufacturing in medical technology, including ventilator humidification control, high-flow nasal cannula therapy and post-stroke EMG biofeedback rehabilitation. While the rapid developments of COVID-19 continued to test the Group's resilience, Vincent Medical continued with its value proposition of putting "Patients First" by developing and providing its device and disposables to those in need. Our collaborations with global medical technology groups continued to gain steady progress.

The Group focuses on product localisation through revising all aspects of the devices in order to meet the cultural, regulatory and usage standards, which support our products, fulfill the markets needs as well as comply with the standards and requirements.

Looking ahead, the Group will continuously support the production process that provides technological excellence and high-quality of products and solution, and generate sustainable product demand, allowing the Group to capture greater market share through co-developed solutions with our partners.

Customer Health and Safety

Medical devices form an essential part of the treatment procedure for almost all health conditions and it is essential to ensure products are effectiveness and safe to handle. All products are sold under non-defected and complied with specifications. The Group takes comprehensive Quality System Procedure and inspection in each production process to ensure customer health and safety.

Quality Assurance and Management

Quality is highly important in medical products as the defective products obtained may cause irreversible and detrimental consequences to patients. The Group has fully complied with the related laws and regulations, and successfully attained Certifications on ISO 13485:2016 Medical Device Quality Management System. The Group is committed to adopting a proactive and structural approach in quality risk management from the conceptual stage to after-sales services. Production staff and Quality control staff is responsible in performing self-quality checking and aligning with the Group's stringent quality standards.

Quality assurance of the medical devices is required, and the Group was meticulous in raw materials selection, manufacturing, and exporting. Quality System Procedure is adopted to guide employees to properly perform quality assurance.

Products must be manufactured under a high sanitary environment. The Group maintains a standard level of hygiene, and the Production Environmental Control Procedure follows the guide under the National Medical Products Administration of the PRC and ISO 14644 standard requirement. Medical devices, including the heated humidifier and heated humidifier respiratory unit were granted an Emergency Use Authorisation from the FDA of the US. Following the new European Union regulation on the medical device industry (EU MDR), the Group is committed and completed the transition of the class I products in the MDR. For the class IIa and class IIb products, completion in the MDR transition is working in progress.

Product Recall and Complaint Handling

The Group strives to provide quality products and exceptional customer service and has stipulated a procedure to standardise the handling of customer complaint. During the Reporting Period, the Group manufactured more than 59 million units of products. The Group is pleased to note that there was no significant product recalls and reportable events on safety or malfunction of devices issues during the Reporting Period.

Feedbacks from the customers on the products supplied by the Group help us improve the services and product quality. The Group has established provide guidelines on handling customer complaints and opinions with care. During the Reporting Period, there were 132 complaints, among those, 123 of complaints have already been addressed according to internal complaint handling procedures. The remaining 9 cases is about the electricity connections' issues of the medical machinery. Looking ahead, the Group will take efforts continuously in improving its products, as well as service, in order to provide satisfactory medical device and customers service.

Advertising and Product Labelling

To maintain ethical standards in product labelling, the Group has established Products Labelling Policy. Warning or caution and information of medical devices products are affixed to Vincent Medicals' products or packaging.

Intellectual Property Rights

The Group is innovative in developing and manufacturing wide range of electronic medical devices, therefore, intellectual properties are important to the Group's business expansion and commercial success. As at 31 December 2022, the Group owned 102 intellectual property rights, and registered 105 trademarks. We have established an "Intellectual Property Management System" to ensure that the interests of the Group and its customers are protected. The Group strives to protect its intellectual property rights and respect third party intellectual property rights, and has strictly abided by relevant laws and regulations, including the Patent Law, the Copyright Law, the Trademark Law and the Anti-Unfair Competition Law. We engaged intellectual property counsels and consultants to review on timely basis to ensure new and existing rights are adequately preserved.

Customer Data Protection and Privacy

The Group attaches significance and importance to the confidential information of the customers. Employees are required to signed the "Non-Competition Restriction Agreement", which stipulates that the trade secrets and technologies obtained by the employees shall not be disclosed to the third party and must not be used to make profits for themselves or others.

For cybersecurity, IT department encrypts the data under regular basis, and has adopted the updated and authorised software system to prevent leakage of customers and personal information. To enhance employees' privacy awareness, the Information Security Training and Cybersecurity Training was provided on a timely basis.

In order to protect the interests of customers and the Group and to satisfy with the customers' requirements, without customers' consent, it is strictly prohibited to disclosure any personal data and confidential information to the third parties and public.

Anti-corruption Policy

The Group is committed to maintaining the highest ethical standards and vigorously enforces the integrity of its business practices. We adopted a zero-tolerance approach to bribery and formulated the Anti-Corruption Policy. The Group strictly abides by the local laws and regulations, including but not limited to the "Criminal Law of the PRC 《中華人民共和國刑法》", the "Anti-Money Laundering Law of the PRC 《中華人民共和國反洗錢法》", the Prevention of Bribery Ordinance (Cap. 201) in Hong Kong and the Unfair Competition Prevention Action in Japan. Any form of bribery, extortion, fraud, and money laundering are prohibited, and anti-corruption policies are applicable to all employees with no exception.

Under the Anti-Corruption Policy, the Group and its employees are:

- Prohibited from commercial offering, soliciting, accepting or receiving a bribe of any kind, including kickbacks, directly or indirectly;
- Prohibited from taking advantage and seeking personal advantages from personal conflict of interest;
- Prohibited from unauthorised or illegal use or occupation of company resources for improper benefit;
- Prohibited from making facilitation payments, records and statements; and
- Prohibited from fraud and causing damage to the interests of the Group and Shareholders.

The Group has arranged anti-corruption training for directors and employees to remind them to maintain a high level of ethical conduct and enhance their business integrity. During the Reporting Period, 92 anti-corruption training hours, including Anti-Fraud training on laws, regulations and ethics of integrity. The Group continuously organises anti-corruption trainings to all levels of staff in order to raise their awareness.

Anti-corruption training

During the Reporting Period, the Group was not involved in any significant non-compliance cases or concluded legal cases regarding bribery and corruption practices brought against the Group or our employees.

Whistleblowing Policy

During the Reporting Period, the Group has established the "Whistleblowing Policy" to ensure that all cases of suspected wrongdoing are reported and managed in a timely and appropriate manner. The Whistleblowing Policy outlines the reporting process for employees to report any concerns including but not limited to criminal offence, fraud, breach of local laws and regulations or the Group's policies and any other improper, unethical or inappropriate behaviour. Employees can raise their concerns on an anonymous basis by email. Once reported, investigation will be conducted by the CEO or an appropriate senior manager as nominated by the CEO as the alternative investigating officer (as the case may be) in accordance with all relevant laws and regulations. The Whistleblowing Policy ensures the whistleblowers are reported in good faith and would be protected from being victimised or subjected to any detriment, all matters will be kept in high confidentiality and sensitivity manner.

To ensure the effectiveness of the Whistleblowing Policy, the Board will review it from time to time (not less than once per year).

Community Investment

The Group believes that community contribution is important for sustainable development as it helps to establish a harmonious society. The Group strives to make contributions to various non-governmental organisations and encourage its employees to participate in volunteering services organised by local charities. During the Reporting Period, the Group's corporate volunteer team contributed 152 volunteer hours in delivering volunteer services to the local communities. Furthermore, the Group also encouraged employees to participate in blood donation campaign.

Employees participate in blood donation campaign

The Group continuously contributed in supporting the underprivileged communities. During the COVID-19 pandemic, the Group has provided urgent support to elderly and people in need and donated 20,000 pieces of COVID-19 self-testing kits (approximately HK$200,000 in value).

COVID-19 self test kits donation

The Group are most proud of the continuous achievement to our core value of 'Patient First' and following the contribution to the society through quality healthcare, especially during the 2003 SARS outbreak and the recent COVID-19 pandemic.

中华人民共和国工业和信息化部

慰问信

东莞永胜宏基医疗器械有限公司：

律回春晖渐，万象始更新。值此癸卯兔年来临之际，工业和信息化部向贵公司为医疗物资保供作出的贡献表示衷心的感谢，向奋战在医疗物资生产供应一线的公司员工致以诚挚的慰问！

2022 年 12 月中旬以来，部分重点医疗物资出现供应紧张。贵公司闻令而动，迎难而上，克服物料短缺、用工紧张等困难，迅速稳产达产，努力增产扩产，大家加班加点，不辞辛劳，全力做好湿化器、水罐、鼻导管生产供应，有力保障防控需求，彰显责任担当。新的一年，希望贵公司慎终如始，再接再厉，继续做好湿化器、水罐、鼻导管生产供应工作，让我们共同努力，为打赢医疗物资保供攻坚战作出更大贡献。

衷心祝贵公司全体员工新春快乐，身体健康，阖家幸福，万事如意！

工业和信息化部运行监测协调局

2023 年 1 月 19 日

抄送：广东省工业和信息化厅

Letter of appreciation from the Ministry of Industry and
Information Technology for the Group's contributions to COVID-19 fight

The Group had donated RMB10,000 to Tangxia Charity Fund and RMB100,000 to Sichuan government to help earthquake victims in Luding.

The Group believes that supporting today's aspirational young leaders is a great investment in the future. In the academic year 2022-23, "Vincent Medical Enrichment Scholarship for Medical Student" granted the scholarship to an MBBS Year 3 student of the University of Hong Kong for her research at Royal Brompton Hospital of the National Heart and Lung Institute in London, the United Kingdom. Looking ahead, the Group aims to develop long-term relations with stakeholders based on mutual trust, respect and integrity, and hence to make continuous contribution to the community.

ESG REPORTING GUIDE CONTENT INDEX

Subject Areas, Aspects, General Disclosures and KPIs		Reference Section
A: Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions
KPI A1.1	The types of emissions and respective emissions data.	Emissions
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Emissions
Aspect A2: Use of Resources		
General Disclosure	Policies on efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Use of Resources
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of Resources
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Use of Resources
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of Resources
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources

Subject Areas, Aspects, General Disclosures and KPIs		Reference Section
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change
B: Social		
Employment and Labour Practices		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment ad Labour Practices
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Employment ad Labour Practices
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment and Labour Practices
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Occupational Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Occupational Health and Safety
KPI B2.2	Lost days due to work injury.	Occupational Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Occupational Health and Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Training and Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Training and Development
KPI B3.2	The average training hours completed per employee by gender and employee category.	Training and Development

Subject Areas, Aspects, General Disclosures and KPIs		Reference Section
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Employment ad Labour Practices
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Employment ad Labour Practices
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Employment ad Labour Practices
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility

Subject Areas, Aspects, General Disclosures and KPIs		Reference Section
Aspect B7: Anti-corruption		
General Disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption Policy
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption Policy
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption Policy
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption Policy
Community		
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment

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TO THE SHAREHOLDERS OF VINCENT MEDICAL HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Vincent Medical Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 115 to 199, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for inventories	
Refer to Note 5(e) (critical judgements and key estimates) and Note 24 (inventories) to the consolidated financial statements for the related disclosures. As at 31 December 2022, inventories of the Group amounted to approximately HK$174,032,000. As disclosed in Note 4(i) to the consolidated financial statements, inventories are stated at the lower of cost and net realisable value ("**NRV**"). The management determines the allowance for inventories with reference to the aging analysis and the estimated NRV for obsolete inventory items that are no longer suitable for use in operations and/or slow-moving inventory items at the end of each reporting period. During the year, provision for impairment of inventories of approximately HK$34,913,000 was made to write down the carrying amount of certain inventories to their estimated NRV as at 31 December 2022. We identified the estimated allowance for inventories as a key audit matter due to the significance of the balances and the judgment exercised by management in determining the NRV of the inventories.	Our procedures in relation to estimated allowance for inventories included: – Understood and evaluated management's internal control and assessment process of estimating the NRV of the inventories and conducting periodic review on inventory obsolescence; and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as subjectivity and susceptibility to management bias or fraud; – Examined the basis of the methodology with respect to inventory provisions and evaluated amongst others, the outcome of management's estimations in prior year, and analysis and assessment made by management with respect to slow moving and obsolete inventories; – Observed client's inventory counts to identify where there was any damaged or obsolete inventories; – Tested, on a sample basis, the accuracy of the ageing profile of individual inventory items by checking to the underlying procurement correspondence and invoices; and – Tested, on a sample basis, the NRV of selected inventory items, by comparing the latest selling price against the carrying values of these individual inventory items.

OTHER INFORMATION

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND 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 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 assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion 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.

AUDITOR'S 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause 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 Audit Committee, 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ms. Liu Fung Yi.

RSM Hong Kong
Certified Public Accountants

22 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Note	**2022 HK$'000**	2021 HK$'000
Revenue	8	**629,242**	777,720
Cost of sales		**(463,889)**	(518,616)
Gross profit		**165,353**	259,104
Other income, other gains and losses	9	**(6,020)**	(19,954)
Selling and distribution expenses		**(31,973)**	(37,679)
Administrative expenses		**(101,678)**	(87,739)
Research and development expenses		**(36,682)**	(39,245)
(Loss)/profit from operations		**(11,000)**	74,487
Finance costs	11	**(2,852)**	(2,428)
Share of losses of associates		**(1,414)**	(4,827)
Share of losses of joint ventures		**(250)**	(1,052)
(Loss)/profit before tax		**(15,516)**	66,180
Income tax expense	12	**(2,874)**	(6,110)
(Loss)/profit for the year	13	**(18,390)**	60,070
Attributable to:			
Owners of the Company		**(17,398)**	60,695
Non-controlling interests		**(992)**	(625)
		(18,390)	60,070
(Loss)/earnings per share	17		
Basic		**(HK2.66 cents)**	HK9.28 cents
Diluted		**n/a**	HK9.18 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 HK$'000	2021 HK$'000
(Loss)/profit for the year	**(18,390)**	60,070
Other comprehensive income:		
Item that will not be reclassified to profit or loss:		
Fair value changes of equity investments at fair value through other comprehensive income ("**FVTOCI**")	**(19,157)**	(2,150)
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(32,090)**	8,867
Exchange differences reclassified to profit or loss on disposal of a subsidiary	**–**	343
	(32,090)	9,210
Other comprehensive income for the year, net of tax	**(51,247)**	7,060
Total comprehensive income for the year	**(69,637)**	67,130
Attributable to:		
Owners of the Company	**(68,167)**	67,950
Non-controlling interests	**(1,470)**	(820)
	(69,637)	67,130

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	18	**100,825**	115,616
Right-of-use assets	19	**21,283**	7,464
Other intangible assets	20	**7,712**	11,954
Investments in associates	21	**–**	1,404
Investments in joint ventures	22	**5,718**	10,424
Equity investments at FVTOCI	23	**24,475**	43,632
Non-current deposits	26	**16,086**	14,906
Deferred tax assets	33	**1,342**	–
Total non-current assets		**177,441**	205,400
Current assets			
Inventories	24	**174,032**	243,161
Trade receivables	25	**159,304**	167,229
Contract assets	8	**16,438**	16,519
Prepayments, deposits and other receivables	26	**40,143**	40,679
Bank and cash balances	27	**159,341**	173,167
Total current assets		**549,258**	640,755
TOTAL ASSETS		**726,699**	846,155
EQUITY AND LIABILITIES			
Share capital	28	**6,533**	6,550
Reserves	30(a)	**491,478**	591,811
Equity attributable to owners of the Company		**498,011**	598,361
Non-controlling interests		**602**	2,072
Total equity		**498,613**	600,433
Non-current liabilities			
Lease liabilities	32	**5,100**	4,893
Deferred tax liabilities	33	**6,415**	8,021
Total non-current liabilities		**11,515**	12,914
Current liabilities			
Trade payables	34	**42,491**	65,266
Other payables and accruals	35	**97,244**	89,529
Lease liabilities	32	**16,792**	2,814
Borrowings	36	**38,500**	55,251
Current tax liabilities		**21,544**	19,948
Total current liabilities		**216,571**	232,808
TOTAL EQUITY AND LIABILITIES		**726,699**	846,155
Net current assets		**332,687**	407,947
Total assets less current liabilities		**510,128**	613,347

Approved by the Board of Directors on 22 March 2023 and are signed on its behalf by:

Mr. CHOI Man Shing **Mr. CHOI Cheung Tai, Raymond**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium account HK$'000	Treasury shares HK$'000	Share-based payments reserve HK$'000	Merger reserve HK$'000	Foreign currency translation reserve HK$'000	FVTOCI reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2021	6,506	157,813	–	5,719	12,094	7,481	(1,402)	423,346	611,557	(6,378)	605,179
Total comprehensive income for the year	–	–	–	–	–	9,405	(2,150)	60,695	67,950	(820)	67,130
Shares issued under share option schemes	58	6,691	–	(2,099)	–	–	–	–	4,650	–	4,650
Repurchase of shares	–	–	(1,620)	–	–	–	–	–	(1,620)	–	(1,620)
Cancellation of shares	(14)	(1,409)	1,423	–	–	–	–	–	–	–	–
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	209	209
Share-based payments	–	–	–	1,072	–	–	–	–	1,072	–	1,072
Dividend paid	–	–	–	–	–	–	–	(85,248)	(85,248)	–	(85,248)
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	9,061	9,061
Changes in equity for the year	44	5,282	(197)	(1,027)	–	9,405	(2,150)	(24,553)	(13,196)	8,450	(4,746)
At 31 December 2021	6,550	163,095	(197)	4,692	12,094	16,886	(3,552)	398,793	598,361	2,072	600,433

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium account HK$'000	Treasury shares HK$'000	Shares held for share award scheme HK$'000	Share-based payments reserve HK$'000	Merger reserve HK$'000	Foreign currency translation reserve HK$'000	FVTOCI reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2022	6,550	163,095	(197)	-	4,692	12,094	16,886	(3,552)	398,793	598,361	2,072	600,433
Total comprehensive income for the year	-	-	-	-	-	-	(31,612)	(19,157)	(17,398)	(68,167)	(1,470)	(69,637)
Shares issued under share option scheme *(Note 28)*	2	354	-	-	(145)	-	-	-	-	211	-	211
Repurchase of shares *(Note 28)*	-	-	(1,562)	-	-	-	-	-	-	(1,562)	-	(1,562)
Cancellation of shares *(Note 28)*	(19)	(1,740)	1,759	-	-	-	-	-	-	-	-	-
Purchase of shares for share award scheme *(Note 31(b))*	-	-	-	(1,085)	-	-	-	-	-	(1,085)	-	(1,085)
Share-based payments	-	-	-	-	2,939	-	-	-	-	2,939	-	2,939
Dividend paid *(Note 16)*	-	-	-	-	-	-	-	-	(32,686)	(32,686)	-	(32,686)
Changes in equity for the year	(17)	(1,386)	197	(1,085)	2,794	-	(31,612)	(19,157)	(50,084)	(100,350)	(1,470)	(101,820)
At 31 December 2022	6,533	161,709	-	(1,085)	7,486	12,094	(14,726)	(22,709)	348,709	498,011	602	498,613

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(15,516)**	66,180
Adjustments for:			
Allowance for inventories	13	**34,913**	4,964
Amortisation	13	**3,312**	5,316
Depreciation of property, plant and equipment	13	**20,629**	20,403
Depreciation of right-of-use assets	13	**17,011**	14,344
Finance costs	11	**2,852**	2,428
Gain on disposal of other intangible assets	9	**(621)**	–
Gain on disposal of property, plant and equipment	9	**–**	(10)
Interest income	9	**(510)**	(382)
Impairment of investment in an associate	9	**–**	10,729
Impairment of investment in a joint venture	9	**3,820**	–
Impairment of trade receivables	9	**–**	3,287
Loss on disposal of a subsidiary	9	**–**	2,268
Provision for warranties	35	**321**	685
Share of losses of associates		**1,414**	4,827
Share of losses of joint ventures		**250**	1,052
Share-based payments		**2,939**	1,072
Write off of deposits	9	**2,524**	11,697
Write off of other intangible assets	9	**–**	590
Write off of property, plant and equipment	9	**1,005**	325
Operating profit before working capital changes		**74,343**	149,775
Decrease in inventories		**14,044**	6,314
Decrease/(increase) in trade receivables		**7,925**	(10,026)
Decrease in contract assets		**81**	3,650
(Increase)/decrease in prepayments, deposits and other receivables		**(832)**	25,308
Decrease in trade payables		**(22,775)**	(21,095)
Increase/(decrease) in other payables and accruals		**9,045**	(22,933)
Cash generated from operations		**81,831**	130,933
Income tax paid		**(3,216)**	(9,454)
Interest paid		**(1,564)**	(1,842)
Interest on lease liabilities		**(1,288)**	(586)
Net cash generated from operating activities		**75,763**	119,051

	2022 HK$'000	2021 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**510**	382
Payment for purchases of property, plant and equipment	**(18,599)**	(24,955)
Sale proceeds from disposal of property, plant and equipment	**–**	23
Addition to investment in an associate	**(10)**	(7,754)
Disposal of a subsidiary	**–**	11,784
Net cash used in investing activities	**(18,099)**	(20,520)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of shares	**211**	4,650
Repurchase of shares	**(1,562)**	(1,620)
Purchase of shares for share award scheme	**(1,085)**	–
Borrowings raised	**26,500**	42,461
Repayment of borrowings	**(42,606)**	(46,431)
Principal elements of lease payment	**(16,608)**	(14,972)
Capital contribution from non-controlling shareholders	**–**	209
Dividend paid	**(32,686)**	(85,248)
Net cash used in financing activities	**(67,836)**	(100,951)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(10,172)**	(2,420)
Effect of foreign exchange rate changes	**(3,654)**	6,519
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**173,167**	169,068
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**159,341**	173,167
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**159,341**	173,167

1. GENERAL INFORMATION

Vincent Medical Holdings Limited (the "**Company**") was incorporated as an exempted company in the Cayman Islands with limited liability on 19 November 2015. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, the Cayman Islands. The address of its principal place of business in Hong Kong is Units 1604-07A, 16/F., Two Harbourfront, 22 Tak Fung Street, Hung Hom, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 42 to the consolidated financial statements.

Vincent Raya International Limited, a company incorporated in the British Virgin Islands (the "**BVI**"), is the ultimate parent of the Company. Mr. Choi Man Shing ("**Mr. Choi**") and Ms. Liu Pui Ching are the ultimate controlling parties of the Company.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and with the disclosure requirements of the Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 below provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

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 HKFRS 3	Reference to the Conceptual Framework
Annual Improvements Project	Annual Improvements to HKFRS Standards 2018-2020
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations

None of the application of these amendments to HKFRSs in the current year had 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.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

(b) New and revised HKFRSs in issue but not yet effective

The Group has not applied any amendments to standards and interpretation that have been issued but are not yet effective for the financial year beginning 1 January 2022. These amendments to standards and interpretation include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 – Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 – Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to HKFRS 16 – Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

The Group is in the process of making an assessment of what the impact of these amendments to standards and interpretation is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. certain financial instruments that are measured at fair value).

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any related accumulated foreign currency translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (continued)

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale). Cost includes direct attributable costs of investments. The results of subsidiaries are accounted for by the Company on the basis of dividend received or receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are, with limited exceptions, measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Business combination and goodwill (continued)

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("**CGUs**") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

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

The Group's share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in consolidated profit or loss and other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which include any long-term interests that in substance, from part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Associates (continued)

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's entire carrying amount of that associate (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Group has assessed the type of each of its joint arrangements and determined them to all be joint ventures.

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is recorded as goodwill, which is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Joint arrangements (continued)

The Group's share of a joint venture's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of a joint venture that results in a loss of joint control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that joint venture and (ii) the Group's entire carrying amount of that joint venture (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

(e) Foreign currency translation

(i) 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 ("**HKD**"), which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities. Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Foreign currency translation (continued)

(iii) Translation on consolidation

The results and financial position of all foreign operations (none of which has the currency of hyperinflationary economy) that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates for the period (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 exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified in the consolidated profit or loss as part of the gain or loss on disposal.

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.

(f) Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Furniture and fixtures	20% – 33%
Plant and machinery	10% – 20%
Leasehold improvements	20% – 33%
Moulds	20% – 33%
Motor vehicles	20%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment (continued)

Construction in progress represents leasehold improvements under construction and plant and equipment pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(g) Leases

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

The Group as a lessee

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

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

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. Lease payments to be made under reasonably certain extension options are also included in the measurement of the lease liability. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk, and

- makes adjustments specific to the lease, eg term, country, currency and security.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leases (continued)

The Group as a lessee (continued)

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

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 are 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.

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.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Other intangible assets

Use right

Use right is stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives.

Patents and trademarks

Patents and trademarks are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives.

License right

License right is stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the license period.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset is only recognised if all of the following conditions are met:

– The technical feasibility of completing the intangible asset so that it will be available for use or sale;

– Management intends to complete the intangible asset and use or sell it;

– There is ability to use or sell the intangible asset;

– It can be demonstrated how the intangible asset will generate probable future economic benefits;

– Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and

– The expenditure attributable to the intangible asset during its development can be reliably measured.

Internally generated intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. The costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Contract assets and contract liabilities

Contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses ("**ECL**") in accordance with the policy set out in Note 4(aa) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

(k) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and 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 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.

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, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade 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 marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Equity investments

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

(m) Trade and other receivables

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

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method less allowance for credit losses.

(n) Cash and cash equivalents

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

(o) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(q) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Equity instruments

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

Shares held for share award scheme are deducted from equity.

(s) Revenue and other income

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

OEM products that have no alternative use to the Group and when the Group has an enforceable right to payment from the customers for performance completed to date, the Group recognises revenue as the performance obligation is satisfied over time in accordance with the input method, by reference to the costs incurred to date over the total expected costs. Otherwise, sales are recognised when control of the products has transferred, being when the products are delivered to the customer. Delivery occurs when the products have been delivered to the designated location prescribed by the customer.

Revenue from the sales of OBM products are recognised when control of the products has transferred, being when the products are delivered to the customer. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVTOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service 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.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

(u) Share-based payments

(i) Share option scheme

The Group issues equity-settled share-based payments to certain directors, employees and consultants.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or, if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

(ii) Share award scheme

Under the share award scheme, shares are issued to directors and employees for no cash consideration. The fair value of the employee services received in exchange for the award of the shares is recognised as an expense with a corresponding adjustment to equity. The total amount to be expensed is determined by reference to the market value of the shares awarded at the grant date. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Borrowing costs

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 capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

(w) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(x) Provision for warranties

Provision for warranties is recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

The Group recognises the estimated liability to repair or replace products still under warranty at the end of the reporting period. This provision is calculated based on historical experience of the level of repairs and replacements.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Taxation (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends either to settle its current tax assets and liabilities on a net basis, or to realise the asset and settle the liability simultaneously.

(z) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the CGU.

Value in use is the present value of the estimated future cash flows of the asset/CGU. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/CGU whose impairment is being measured.

Impairment losses for CGUs are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the CGU. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(aa) Impairment of financial assets and contracts assets

The Group recognises a loss allowance for ECL on trade receivables, deposits, other receivables, contract assets and bank balances. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Impairment of financial assets and contracts assets (continued)

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument 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. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

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

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

– significant deterioration in external market indicators of credit risk for a particular financial instrument;

– 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;

– significant increases in credit risk on other financial instruments of the same 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Impairment of financial assets and contracts assets (continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset 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.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) the financial instrument has a low risk of default,

(ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

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

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

– when there is a breach of financial covenants by the counterparty; or

– information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Impairment of financial assets and contracts assets (continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events 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:

– significant financial difficulty of the issuer or the counterparty;

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

– the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;

– it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or

– 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 debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made 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 as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ab) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

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

(ac) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

In applying the Group's accounting policies, which are described in Note 4, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

(a) Significant influence with less than 20% equity interest

Although the Group holds less than 20% of the voting power of Celsius Medical, S.L. ("**Celsius**"), the directors considered that the Group has significant influence over Celsius because the Group is entitled to appoint one director out of the five directors of Celsius.

(b) Joint control assessment

*Guangzhou 100ecare Technology Co. Limited ("**100ecare**")*

The Group entered into a share subscription agreement with 100ecare and its existing shareholders, pursuant to which, the Group has agreed to subscribe for 10% of the registered capital of 100ecare at a consideration of RMB8.0 million.

The board of directors of 100ecare is composed of five directors, three of them are appointed by the founders, and the remaining two directors are appointed by the Group and another investor respectively. In accordance with the shareholders' agreement, directors' resolution in relation to the relevant activities of 100ecare could not be passed without the agreement of the director appointed by the Group. Therefore, the Group considers to have joint control together with the founders over 100ecare and the Group classified 100ecare as a joint venture.

*Avalon Photonics Holdings Limited ("**Avalon**")*

The Group entered into a share subscription agreement with Avalon and its existing shareholders, pursuant to which, the Group has agreed to subscribe for 20% of the registered capital of Avalon at a consideration of USD1.7 million.

The board of directors of Avalon is composed of five directors, four of them are appointed by the founders, and the remaining director is appointed by the Group. In accordance with the shareholders' agreement, directors' resolution in relation to the relevant activities of Avalon could not be passed without the agreement of the director appointed by the Group. Therefore, the Group considers to have joint control together with the founders over Avalon and the Group classified Avalon as a joint venture.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Key sources of estimation uncertainty

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

(a) Impairment and depreciation of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the CGU to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

Further, the cash flows projections, growth rate and discount rate are subject to greater uncertainties in the current year due to uncertainty on how the COVID-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions in the Group's operation.

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

The carrying amount of property, plant and equipment as at 31 December 2022 was approximately HK$100,825,000 (2021: HK$115,616,000).

The carrying amount of right-of-use assets as at 31 December 2022 was approximately HK$21,283,000 (2021: HK$7,464,000).

(b) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. 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 such determination is made. During the year, income tax of approximately HK$2,874,000 (2021: HK$6,110,000) was charged to profit or loss based on the estimated profit.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Key sources of estimation uncertainty (continued)

(c) Impairment of other intangible assets

Determining whether other intangible assets are impaired requires an estimation of the value in use of the CGU to which other intangible assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value.

Furthermore, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainties in the current year due to uncertainty on how the COVID-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions of the Group's operations.

The carrying amount of other intangible assets as at 31 December 2022 was approximately HK$7,712,000 (2021: HK11,954,000) (net of accumulated impairment losses of approximately HK$3,400,000 (2021: HK$3,400,000)).

(d) Impairment of trade receivables and contract assets

The management of the Group estimates the amount of impairment loss for ECL on trade receivables and contract assets based on the credit risk of trade receivables and contract assets. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 December 2022, the carrying amount of trade receivables and contract assets was approximately HK$175,742,000 (2021: HK$183,748,000) (net of allowance for doubtful debts of approximately HK$55,000 (2021: HK$3,481,000)).

(e) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed. During the year, allowance for slow-moving inventories of approximately HK$34,913,000 was made (2021: HK$4,964,000).

(f) Fair value measurement of investments in unlisted equity securities

In the absence of quoted market prices in an active market, the Group appointed independent professional valuer to assess the fair value of the unlisted equity securities. In determining the fair value, the valuer has utilised a method of valuation which involves certain estimates made by the Group.

Whilst the Group considers theses valuations are the best estimates, the ongoing COVID-19 pandemic has resulted in greater market volatility and may cause further disruptions to the investees' business, which have led to higher degree of uncertainties in respect of the valuations in the current year.

As at 31 December 2022, the carrying amount of these equity investments was approximately HK$24,475,000 (2021: HK$43,632,000).

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Key sources of estimation uncertainty (continued)

(g) Impairment of investments in associates and joint ventures

Determining whether investments in associates and joint ventures are impaired requires an estimation of the recoverable amount of the investments in associates and joint ventures, when indicators of potential impairment are identified.

As at 31 December 2022, the carrying amounts of the investments in associates and joint ventures were approximately HK$Nil (2021: HK$1,404,000) (net of accumulated impairment losses of approximately HK$7,455,000 (2021: HK$18,184,000)) and HK$5,718,000 (2021: HK$10,424,000) (net of accumulated impairment losses of approximately HK$11,310,000 (2021: HK$7,490,000)), respectively.

(h) Provision for warranties

The Group gives 12-24 months warranties on certain electronic devices and undertakes to repair or replace items that fail to perform satisfactorily. A provision is recognised at the end of the reporting period for expected warranty claims based on past experience of the level of repairs and returns. As at 31 December 2022, provision for warranties of approximately HK$2,141,000 (2021: HK$2,285,000) was made.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and 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 financial performance.

(a) Foreign currency risk

The Company's functional currency is the HKD and the functional currencies of majority of the subsidiaries are the HKD, Renminbi ("**RMB**") and Japanese Yen ("**JPY**"). The Group's transactions, trade receivables and trade payables are mainly denominated in these currencies and United States dollars ("**USD**"). As the exchange rate of the USD and HKD is pegged, management considers the foreign exchange risk in this respect is not significant.

The Group periodically reviews monetary assets and liabilities held in currencies other than the USD and HKD in particular RMB to ensure that net exposure is kept at an acceptable level, and will consider hedging significant foreign currency exposure should the need arise. The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in RMB exchange rate, with all other variables held constant, of the Group's (loss)/profit after tax due to changes in the fair value of monetary assets and liabilities.

		2022	2021
	Increase/ (decrease) in foreign currency rate %	(Decrease)/ increase in loss after tax HK$'000	Increase/ (decrease) in profit after tax HK$'000
If HKD strengthens against RMB	10	(3,408)	119
If HKD weakens against RMB	(10)	3,408	(119)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk in relation to its trade and other receivables, contract assets and cash and bank balances.

The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. In order to minimise credit risk, the directors have delegated a team to be responsible for the determination of credit limits and credit approvals. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Group's credit risk is significant reduced.

As at 31 December 2022, there were 2 (2021: 3) customers which individually contributed over 10% of the Group's trade receivables and contract assets. The aggregate amounts of trade receivables and contract assets from these customers amounted to 59% (2021: 63%) of the Group's total trade receivables and contract assets as at 31 December 2022.

The credit risk on cash and bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations
- actual or expected significant changes in the operating results of the counterparty
- significant expected changes in the performance and behaviour of the counterparty, including changes in the payment status of counterparties in the group and changes in the operating results of the counterparty

A default on a financial asset is when the counterparty fails to make contractual payments when they fall due.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Financial assets are written off when there is no reasonable expectation of recovery.

(i) *Trade receivables and contract assets*

The Group applies the simplified approach to providing for ECL prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets. The expected loss rate of current trade receivables and contract assets are assessed to be nearly 0%. As at 31 December 2022 and 2021, the loss allowance provision for these balances was not material.

Movement in the loss allowance account in respect of trade receivables and contract assets during the year is as follows:

	2022 **HK$'000**	2021 HK$'000
At 1 January	**3,481**	194
Impairment losses recognised for the year	**–**	3,287
Amounts written off during the year	**(3,426)**	–
At 31 December	**55**	3,481

(ii) *Other receivables*

The Group has assessed that the ECL for other receivables are not material under the 12-month expected losses method. No loss allowance provision was recognised during the year (2021: HK$Nil).

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follow:

	On demand or within 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total HK$'000
At 31 December 2022				
Trade payables	**42,491**	**–**	**–**	**42,491**
Other payables and accruals	**60,203**	**–**	**–**	**60,203**
Borrowings	**38,500**	**–**	**–**	**38,500**
Lease liabilities	**17,303**	**3,675**	**1,489**	**22,467**
At 31 December 2021				
Trade payables	65,266	–	–	65,266
Other payables and accruals	60,426	–	–	60,426
Borrowings	55,251	–	–	55,251
Lease liabilities	2,909	1,876	3,114	7,899

For bank loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the above maturity analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lender was to invoke its unconditional rights to call the loans with immediate effect.

Taking into account the Group's financial position, the directors do not consider that it is probable that the banks will exercise its discretion to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

The maturity analysis of the bank loans with a repayment on demand clause based on agreed scheduled repayment set out in the loan agreements is as follows:

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 31 December 2022	**38,711**	**–**	**–**	**–**	**38,711**
At 31 December 2021	29,197	2,538	652	–	32,387

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Interest rate risk

The Group's exposure to interest-rate risk mainly arises from its bank deposits and bank loans. Bank deposits and bank loans bear interests at variable rates varied with the then prevailing market condition.

The effect of changes in interest rates is not significant to the consolidated financial statements. Except as stated above, the Group has no other significant interest-bearing assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

(e) Categories of financial instruments at 31 December 2022

	2022 HK$'000	2021 HK$'000
Financial assets:		
Financial assets measured at amortised cost	**367,975**	379,447
Financial assets measured at FVTOCI – equity instruments	**24,475**	43,632
Financial liabilities:		
Financial liabilities at amortised cost	**141,194**	180,943
Lease liabilities	**21,892**	7,707

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. FAIR VALUE MEASUREMENT

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. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the input to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or a liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

Disclosures of level in fair value hierarchy at 31 December 2022:

Description	**Fair value measurement using: Level 1 HK$'000**	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total 2022 HK$'000**
Recurring fair value measurement:				
Financial assets at FVTOCI				
– Unlisted equity securities	**–**	**–**	**24,475**	**24,475**

Description	Fair value measurement using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total 2021 HK$'000
Recurring fair value measurement:				
Financial assets at FVTOCI				
– Unlisted equity securities	–	–	43,632	43,632

7. FAIR VALUE MEASUREMENT (CONTINUED)

Reconciliation of assets measured at fair value based on Level 3:

	2022 HK$'000	2021 HK$'000
At 1 January	**43,632**	45,782
Total gains or losses recognised in other comprehensive income	**(19,157)**	(2,150)
At 31 December	**24,475**	43,632

The total gains or losses recognised in other comprehensive income are presented in fair value changes of equity investments at FVTOCI in the consolidated statement of profit or loss and other comprehensive income.

Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2022:

The Group's chief financial officer is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including Level 3 fair value measurements. The chief financial officer reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the chief financial officer and the Board of Directors at least twice a year.

For Level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2022 HK$'000	Fair value 2021 HK$'000
Unlisted equity securities classified as financial assets at FVTOCI	Discounted cash flows	Weighted average cost of capital	**35%** (2021: 40% – 50%)	Decrease	**24,475**	43,632
		Discount for lack of marketability	**25%** (2021: 20% – 25%)	Decrease		
		Long-term growth rate	**2%** (2021: 2%)	Increase		
Unlisted equity securities classified as financial assets at FVTOCI	Asset approach	Liquidation recovery rate of assets	**26% – 100%** (2021: n/a)	Increase	**–**	n/a

During the year, there were no changes in the valuation techniques used, except for an equity investment at FVTOCI for which an asset approach (2021: discounted cash flows) has been used for the valuation due to the material uncertainties in relation to the investee's ability to continue as a going concern.

8. REVENUE

The Group's revenue is derived from contracts with customers.

In the following table, revenue is disaggregated by product category, geographical market and timing of revenue recognition.

	OEM		OBM		Total	
	2022 HK$'000	2021 HK$'000	**2022 HK$'000**	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
By product category						
Respiratory products	**66,992**	89,952	**183,810**	337,905	**250,802**	427,857
Imaging disposable products	**238,021**	213,790	**–**	–	**238,021**	213,790
Orthopaedic and rehabilitation products	**59,234**	66,952	**9,830**	12,095	**69,064**	79,047
Other products	**71,355**	57,026	**–**	–	**71,355**	57,026
	435,602	427,720	**193,640**	350,000	**629,242**	777,720
By geographical market						
The United States (the "**US**")	**350,320**	361,273	**4,245**	6,606	**354,565**	367,879
The People's Republic of China (the "**PRC**")	**120**	–	**89,482**	110,461	**89,602**	110,461
Japan	**11,418**	10,820	**39,022**	28,644	**50,440**	39,464
Costa Rica	**31,443**	12,577	**–**	–	**31,443**	12,577
The Netherlands	**16,134**	24,952	**1,067**	1,769	**17,201**	26,721
Spain	**7,044**	2,366	**1,131**	1,775	**8,175**	4,141
Germany	**4,508**	3,500	**2,423**	2,023	**6,931**	5,523
Hong Kong	**1,145**	2,317	**4,697**	6,504	**5,842**	8,821
Turkey	**–**	–	**5,802**	22,576	**5,802**	22,576
Canada	**1,299**	927	**4,248**	4,067	**5,547**	4,994
India	**–**	–	**4,059**	29,507	**4,059**	29,507
Thailand	**–**	–	**381**	26,380	**381**	26,380
Vietnam	**–**	–	**353**	36,853	**353**	36,853
Others	**12,171**	8,988	**36,730**	72,835	**48,901**	81,823
	435,602	427,720	**193,640**	350,000	**629,242**	777,720
By timing of revenue recognition						
Products transferred at a point in time	**197,581**	213,930	**193,640**	350,000	**391,221**	563,930
Products transferred over time	**238,021**	213,790	**–**	–	**238,021**	213,790
	435,602	427,720	**193,640**	350,000	**629,242**	777,720

8. REVENUE (CONTINUED)

The following table provides information about receivables and contract assets from contracts with customers:

	2022 HK$'000	2021 HK$'000
Receivables, which are included in "trade receivables"	**159,304**	167,229
Contract assets	**16,438**	16,519

Contract assets primarily consist of unbilled amount resulting from sales of OEM products transferred over time. Contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

There were no significant changes in the contract assets balances during the reporting period.

9. OTHER INCOME, OTHER GAINS AND LOSSES

	2022 HK$'000	2021 HK$'000
Other income		
Government subsidies	**2,895**	3,742
Interest income	**510**	382
Sundry income	**3,070**	4,003
	6,475	8,127
Other gains and losses		
Exchange (losses)/gains, net	**(5,767)**	805
Gain on disposal of other intangible assets	**621**	–
Gain on disposal of property, plant and equipment	**–**	10
Impairment of investment in an associate	**–**	(10,729)
Impairment of investment in a joint venture	**(3,820)**	–
Impairment of trade receivables	**–**	(3,287)
Loss on disposal of a subsidiary	**–**	(2,268)
Write off of deposits	**(2,524)**	(11,697)
Write off of other intangible assets	**–**	(590)
Write off of property, plant and equipment	**(1,005)**	(325)
	(12,495)	(28,081)
Total	**(6,020)**	(19,954)

10. SEGMENT INFORMATION

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 directors of the Group that make strategic and operating decisions.

Directors of the Group review the internal reporting of the Group in order to assess performance and allocate resources. From business model perspective, management assesses the performance of two operating segments, which are OEM and OBM.

- OEM represents "original equipment manufacturing", whereby products are manufactured in accordance with the customer's specification for sale under the customer's or third party's brand.

- OBM represents "original brand manufacturing", comprising research, development, manufacturing, marketing and sales of medical devices under "Inspired Medical", "inspired™" and "Hand of Hope" brands.

The accounting policies of the operating segments are the same as those described in Note 4 to the consolidated financial statements. Segment profits or losses do not include interest income, interest expenses, exchange gains/losses, share-based payments, share of losses of associates, share of losses of joint ventures, impairment of investment in an associate, impairment of investment in a joint venture, corporate income and corporate expenses.

Segment assets and liabilities of the Group are not reported to the directors of the Group regularly. As a result, reportable segment assets and liabilities have not been presented in the consolidated financial statements.

10. SEGMENT INFORMATION (CONTINUED)

Information about reportable segment profit or loss:

	OEM HK$'000	OBM HK$'000	Total HK$'000
Year ended 31 December 2022			
Revenue from external customers	**435,602**	**193,640**	**629,242**
Segment profit/(loss)	**62,292**	**(48,496)**	**13,796**
Depreciation and amortisation	**23,837**	**17,115**	**40,952**
Allowance for inventories	**10,912**	**24,001**	**34,913**
Gain on disposal of other intangible assets	**–**	**621**	**621**
Provision of warranties	**–**	**321**	**321**
Write off of deposits	**–**	**2,524**	**2,524**
Write off of property, plant and equipment	**714**	**291**	**1,005**
Year ended 31 December 2021			
Revenue from external customers	427,720	350,000	777,720
Segment profit	55,830	33,113	88,943
Depreciation and amortisation	16,104	23,959	40,063
Allowance for inventories	427	4,537	4,964
Impairment of trade receivables	–	3,287	3,287
Loss on disposal of a subsidiary	–	2,268	2,268
Provision for warranties	–	685	685
Write off of deposits	–	11,697	11,697
Write off of other intangible assets	–	590	590
Write off of property, plant and equipment	178	147	325

10. SEGMENT INFORMATION (CONTINUED)

Reconciliation of reportable segment revenue and profit or loss:

	2022 HK$'000	2021 HK$'000
Revenue		
Total revenue of reportable segments	**629,242**	777,720
Profit or loss		
Total profit or loss of reportable segments	**13,796**	88,943
Interest income	**510**	382
Interest expenses	**(2,852)**	(2,428)
Exchange (losses)/gains, net	**(5,767)**	805
Share-based payments	**(2,939)**	(1,072)
Share of losses of associates	**(1,414)**	(4,827)
Share of losses of joint ventures	**(250)**	(1,052)
Impairment of investment in an associate	**–**	(10,729)
Impairment of investment in a joint venture	**(3,820)**	–
Corporate income	**4,491**	4,876
Corporate expenses	**(17,271)**	(8,718)
Consolidated (loss)/profit before tax	**(15,516)**	66,180

10. SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group's revenue from external customers by location of operations and information about its non-current assets (excluding equity investments at FVTOCI and deferred tax assets) by location of assets are detailed below:

	Revenue	
	2022	2021
	HK$'000	HK$'000
The US	**354,565**	367,879
The PRC	**89,602**	110,461
Japan	**50,440**	39,464
Costa Rica	**31,443**	12,577
The Netherlands	**17,201**	26,721
Spain	**8,175**	4,141
Germany	**6,931**	5,523
Hong Kong	**5,842**	8,821
Turkey	**5,802**	22,576
Canada	**5,547**	4,994
India	**4,059**	29,507
Thailand	**381**	26,380
Vietnam	**353**	36,853
Others	**48,901**	81,823
	629,242	777,720

	Non-current assets	
	2022	2021
	HK$'000	HK$'000
Hong Kong	**17,045**	19,857
The PRC	**133,232**	137,420
Spain	**–**	904
Japan	**1,347**	3,587
	151,624	161,768

Revenue from major customers:

	2022	2021
	HK$'000	HK$'000
OEM segment		
Customer A	**251,368**	228,122
Customer B	**69,275**	80,036

11. FINANCE COSTS

	2022 HK$'000	2021 HK$'000
Interest expenses on lease liabilities *(Note 19)*	**1,288**	586
Interest on borrowings	**1,564**	1,842
	2,852	2,428

12. INCOME TAX EXPENSE

	2022 HK$'000	2021 HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**1,676**	8,798
Over-provision in prior years	**(58)**	(1,121)
	1,618	7,677
Current tax – the PRC		
Provision for the year	**1,000**	866
Over-provision in prior years	**(85)**	(3,771)
	915	(2,905)
Current tax – Others		
Provision for the year	**1,856**	1,822
Under-provision in prior years	**901**	–
	2,757	1,822
Deferred tax *(Note 33)*	**(2,416)**	(484)
Income tax expense	**2,874**	6,110

Under the two-tiered profits tax regime, the first HK$2.0 million of profits of the qualifying group entity established in Hong Kong will be taxed at 8.25%, and profits above that amount will be subject to the tax rate of 16.5%. The profits of the group entities not qualifying for the two-tiered profits tax rate regime will continue to be taxed at a rate of 16.5%.

12. INCOME TAX EXPENSE (CONTINUED)

Under the Corporate Income Tax Law of the PRC which became effective from 1 January 2008, the standard corporate income tax rate is 25% except for Vincent Medical (Dongguan) Mfg. Co. Ltd. (東莞永勝醫療製品有限公司) ("**VMDG**") and Vincent Medical (Dongguan) Technology Company Limited (東莞永昇醫療科技有限公司) ("**VMGD**") which are qualified as High and New Tech Enterprise and would be entitled to a reduced corporate income tax rate of 15%. The relevant tax rates of the Company's PRC subsidiaries range from 15% to 25%.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The reconciliation between the income tax expense and the product of (loss)/profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2022 **HK$'000**	2021 HK$'000
(Loss)/profit before tax	**(15,516)**	66,180
Tax at Hong Kong Profits Tax rate of 16.5% (2021: 16.5%)	**(2,560)**	10,920
Tax effect of share of losses of associates	**233**	796
Tax effect of share of losses of joint ventures	**41**	174
Tax effect of income that is not taxable	**(27,171)**	(35,138)
Tax effect of expenses that are not deductible	**34,040**	38,259
Tax effect of temporary difference not recognised	**(1,070)**	63
Tax effect of tax losses not recognised	**3,809**	1,564
Tax effect of utilisation of tax losses not previously recognised	**(38)**	(2,077)
Tax effect of change of tax rate	**(1,225)**	(1,406)
Effect of different tax rates of subsidiaries	**(522)**	1,749
Tax concession	**(3,370)**	(4,334)
Others	**(51)**	432
Under/(over)-provision in prior years	**758**	(4,892)
Income tax expense	**2,874**	6,110

13. (LOSS)/PROFIT FOR THE YEAR

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

	2022 HK$'000	2021 HK$'000
Allowance for inventories (included in cost of inventories sold) *(Note (i))*	**34,913**	4,964
Amortisation	**3,312**	5,316
Auditor's remuneration	**2,100**	2,029
Cost of inventories sold *(Note (ii))*	**463,889**	518,616
Depreciation of property, plant and equipment	**20,629**	20,403
Depreciation of right-of-use assets	**17,011**	14,344
Equity-settled share-based payments	**2,939**	1,072
Gain on disposal of other intangible assets (included in other gains and losses)	**(621)**	–
Gain on disposal of property, plant and equipment (included in other gains and losses)	**–**	(10)
Impairment of investment in an associate (included in other gains and losses)	**–**	10,729
Impairment of investment in a joint venture (included in other gains and losses)	**3,820**	–
Impairment of trade receivables (included in other gains and losses)	**–**	3,287
Loss on disposal of a subsidiary (included in other gains and losses)	**–**	2,268
Provision for warranties (included in cost of inventories sold) *(Note 35)*	**321**	685
Write off of deposits (included in other gains and losses)	**2,524**	11,697
Write off of other intangible assets (included in other gains and losses)	**–**	590
Write off of property, plant and equipment (included in other gains and losses)	**1,005**	325

Notes:

(i) During the year, the performance of the Group's respiratory products segment fell short of the Group's earlier forecasts and thus the relevant inventories had been moving much slower than the Group expected. Taking into account the market uncertainties, the residual value of the inventories and the expected performance of the Group's respiratory products segment, an allowance for slow-moving and/or obsolete inventories of approximately HK$34,913,000 was made during the year.

(ii) Cost of inventories sold include staff costs of approximately HK$108,588,000 (2021: HK$135,227,000), depreciation of property, plant and equipment of approximately HK$13,887,000 (2021: HK$14,676,000), depreciation of right-of-use assets of approximately HK$9,543,000 (2021: HK$8,437,000), and amortisation of approximately HK$Nil (2021: HK$1,679,000), which are included in the amounts disclosed separately.

14. EMPLOYEE BENEFITS EXPENSE

	2022 **HK$'000**	2021 HK$'000
Salaries, bonuses and allowances	**164,649**	184,220
Retirement benefits scheme contributions	**14,574**	16,021
Other benefits	**10,516**	10,730
Equity-settled share-based payments *(Note)*	**2,939**	1,072
	192,678	212,043

Note:

Equity-settled share-based payments represent amortisation to the profit or loss of the fair value of the share options measured at the respective grant date, regardless the share options could be exercised or not.

(a) Pensions – defined contribution plans

The Group contributes to defined contribution retirement plans which are available for eligible employees in the PRC and Hong Kong.

Pursuant to the relevant laws and regulations in the PRC, the Group has joined defined contribution retirement schemes for the employees arranged by local government labour and security authorities (the "**PRC Retirement Schemes**"). The Group makes contributions to the PRC Retirement Schemes at the applicable rates based on the amounts stipulated by the local government organisations. Upon retirement, the local government labour and security authorities are responsible for the payment of the retirement benefits to the retired employees.

The Group operates a Mandatory Provident Fund scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the laws of Hong Kong) for employees employed under the jurisdiction of Hong Kong Employment Ordinance (Chapter 57 of the laws of Hong Kong). The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and the employees are each required to make contributions to the plan at 5% of the employees' relevant income.

During the years ended 31 December 2022 and 2021, the Group had no forfeited contributions under the PRC Retirement Schemes and which may be used by the Group to reduce the existing level of contributions. There were also no forfeited contributions available at 31 December 2022 and 2021 under the PRC Retirement Schemes which may be used by the Group to reduce the contribution payable in future years.

Contributions of approximately HK$Nil (2021: HK$Nil) were payable to the Mandatory Provident Fund ("**MPF**") at the year-end. The amount of forfeited contributions utilised under the MPF Scheme for the year ended 31 December 2022 was HK$14,000 (2021: HK$98,000). At 31 December 2022 and 2021, no forfeited MPF contribution for use by the Group to reduce existing level of contribution.

14. EMPLOYEE BENEFITS EXPENSE (CONTINUED)

(b) Five highest paid individuals

The five highest paid individuals in the Group during the year included three (2021: three) directors whose emoluments are reflected in the analysis presented in Note 15(a) to the consolidated financial statements.

The emoluments of the remaining two (2021: two) individuals during the year was as follows:

	2022 HK$'000	2021 HK$'000
Salaries and allowances	**2,833**	3,420
Bonuses	**–**	–
Retirement benefits scheme contributions	**64**	64
Equity-settled share-based payments *(Note)*	**274**	38
	3,171	3,522

Note:

Equity-settled share-based payments represent amortisation to the profit or loss of the fair value of the share options measured at the respective grant date, regardless the share options could be exercised or not.

The emoluments fell within the following band:

	2022	2021
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**1**	2

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

15. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director is set as below.

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking							Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	
	Fees HK$'000	Salaries HK$'000	Discretionary bonus HK$'000	*(Note (i))* Estimated money value of other benefits HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Remunerations paid or receivable in respect of accepting office as director HK$'000	Housing allowance HK$'000		Total HK$'000
Name of director									
Mr. Choi	-	1,328	-	-	120	-	-	-	1,448
Mr. To Ki Cheung *(Note (ii))*	-	1,975	-	15	65	-	-	-	2,055
Mr. Koh Ming Fai	-	1,287	-	49	58	-	-	-	1,394
Mr. Fu Kwok Fu	-	1,235	-	49	56	-	-	-	1,340
Mr. Mok Kwok Cheung Rupert	276	-	-	-	-	-	-	-	276
Mr. Au Yu Chiu Steven	240	-	-	-	-	-	-	-	240
Mr. Guo Pengcheng	228	-	-	-	-	-	-	-	228
Prof. Yung Kai Leung	264	-	-	-	-	-	-	-	264
Total for 2022	**1,008**	**5,825**	**-**	**113**	**299**	**-**	**-**	**-**	**7,245**
Name of director									
Mr. Choi	-	1,257	100	-	117	-	-	-	1,474
Mr. To Ki Cheung	-	1,484	115	30	69	-	-	-	1,698
Mr. Koh Ming Fai	-	1,241	97	22	57	-	-	-	1,417
Mr. Fu Kwok Fu	-	1,181	93	22	55	-	-	-	1,351
Mr. Mok Kwok Cheung Rupert	261	-	-	-	-	-	-	-	261
Mr. Au Yu Chiu Steven	234	-	-	-	-	-	-	-	234
Mr. Guo Pengcheng	225	-	-	-	-	-	-	-	225
Prof. Yung Kai Leung	252	-	-	-	-	-	-	-	252
Total for 2021	972	5,163	405	74	298	-	-	-	6,912

15. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (continued)

Notes:

(i) Estimated money values of other benefits include rent paid, share options, insurance premium, etc.

(ii) Resigned on 1 January 2023.

Neither the chief executive nor any of the directors waived any emoluments during the year (2021: Nil).

During the year, 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.

(b) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate and connected entities with such directors

During the year ended 31 December 2022, there were no loans, quasi-loans and other dealings entered into by the Company or subsidiaries undertaking of the Company, where applicable, in favor of directors (2021: Nil).

(c) Directors' material interests in transactions, arrangement or contracts

During the year, the Group entered into the following transactions:

Name of parties contracted with	Nature of transactions	Amount HK$'000	Interested directors
Vincent Raya Co., Limited	Purchases of goods	358	Mr. Choi has beneficial interest in the contracting party
Vincent Raya (Dongguan) Electronics Co. Ltd. 永勝（東莞）電子有限公司	Purchases of goods	2,055	Mr. Choi has beneficial interest in the contracting party
	Purchases of medial trolley	2,460	
	Catering service fee	1,677	
	Rental expenses	13,124	
	Metal supplies and processing service fee	7,742	
Vincent Raya Development Limited	Rental expenses	528	Mr. Choi has beneficial interest in the contracting party

Save for contracts amongst group companies and the aforementioned transactions, no other significant transactions, arrangements and contracts to which the Company was a party and in which a director of the Company and other director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

16. DIVIDEND

	2022 HK$'000	2021 HK$'000
Special dividend of HK2.5 cents per ordinary share *(Note)*	**16,333**	–
2022 interim dividend of HK Nil cent (2021: HK2.0 cents) per ordinary share	**–**	13,128
2021 final dividend of HK2.5 cents (2021: 2020 final dividend of HK11.00 cents) per ordinary share	**16,353**	72,120
	32,686	85,248

Note:

In celebration of the Company's 25th anniversary, the board of directors has resolved to declare a special dividend of HK2.5 cents per share.

17. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share attributable to owners of the Company is based on the following data.

	2022 HK$'000	2021 HK$'000
(Loss)/Earnings		
(Loss)/profit attributable to owners of the Company	**(17,398)**	60,695

	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	**653,741**	654,333
Effect of dilutive potential ordinary shares arising from share options issued by the Company *(Note)*	**n/a**	6,790
Weighted average number of ordinary shares for the purpose of calculating diluted (loss)/earnings per share	**653,741**	661,123

Note:

The effects of all potential ordinary shares are anti-dilutive for the year ended 31 December 2022.

18. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures HK$'000	Plant and machinery HK$'000	Leasehold improvements HK$'000	Moulds HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost							
At 1 January 2021	20,128	106,919	53,582	44,589	3,439	1,141	229,798
Additions	1,778	5,039	212	10,694	799	6,058	24,580
Write off/disposal	(154)	(1,719)	–	(173)	(251)	–	(2,297)
Disposal of a subsidiary	(1,373)	–	(597)	(2,777)	–	–	(4,747)
Transfer	–	137	5,618	–	–	(5,755)	–
Exchange differences	509	3,155	1,613	1,385	90	38	6,790
At 31 December 2021 and 1 January 2022	**20,888**	**113,531**	**60,428**	**53,718**	**4,077**	**1,482**	**254,124**
Additions	**2,037**	**3,294**	**3,134**	**3,577**	**17**	**4,204**	**16,263**
Write off	**(377)**	**(1,696)**	**(1,869)**	**–**	**(258)**	**–**	**(4,200)**
Transfer	**–**	**711**	**3,462**	**156**	**–**	**(4,329)**	**–**
Exchange differences	**(1,562)**	**(9,614)**	**(5,108)**	**(4,571)**	**(283)**	**(121)**	**(21,259)**
At 31 December 2022	**20,986**	**106,226**	**60,047**	**52,880**	**3,553**	**1,236**	**244,928**
Accumulated depreciation and impairment							
At 1 January 2021	14,620	45,121	35,182	21,512	2,275	–	118,710
Charge for the year	2,264	8,871	5,120	3,705	443	–	20,403
Write off/disposal	(144)	(1,525)	–	(51)	(239)	–	(1,959)
Disposal of a subsidiary	(732)	–	(456)	(1,004)	–	–	(2,192)
Exchange differences	376	1,408	1,073	634	55	–	3,546
At 31 December 2021 and 1 January 2022	**16,384**	**53,875**	**40,919**	**24,796**	**2,534**	**–**	**138,508**
Charge for the year	**2,048**	**7,997**	**5,701**	**4,383**	**500**	**–**	**20,629**
Write off	**(350)**	**(1,568)**	**(1,031)**	**–**	**(246)**	**–**	**(3,195)**
Exchange differences	**(1,235)**	**(4,740)**	**(3,540)**	**(2,147)**	**(177)**	**–**	**(11,839)**
At 31 December 2022	**16,847**	**55,564**	**42,049**	**27,032**	**2,611**	**–**	**144,103**
Carrying amount							
At 31 December 2022	**4,139**	**50,662**	**17,998**	**25,848**	**942**	**1,236**	**100,825**
At 31 December 2021	4,504	59,656	19,509	28,922	1,543	1,482	115,616

19. RIGHT-OF-USE ASSETS

	Leased properties HK$'000
At 1 January 2021	14,717
Additions	9,743
Depreciation	(14,344)
Disposal of a subsidiary	(2,758)
Exchange differences	106
At 31 December 2021 and 1 January 2022	**7,464**
Additions	**30,499**
Modification	**1,151**
Depreciation	**(17,011)**
Exchange differences	**(820)**
At 31 December 2022	**21,283**

Lease liabilities of approximately HK$21,892,000 (2021: HK$7,707,000) are recognised with related right-of-use assets of approximately HK$21,283,000 (2021: HK$7,464,000) as at 31 December 2022.

	2022 HK$'000	2021 HK$'000
Depreciation expenses on right-of-use assets	**17,011**	14,344
Interest expense on lease liabilities (included in finance costs)	**1,288**	586
Expenses relating to short-term lease (included in cost of inventories sold, selling and distribution expenses, administrative expenses and research and development expenses)	**651**	1,414
Expenses relating to leases of low value assets (included in selling and distribution expenses, administrative expenses and research and development expenses)	**407**	247

Details of total cash outflow for leases are set out in Note 37(c).

For both years, the Group leases various offices and factory premises for its operations. Lease contracts are entered into for fixed term of 1 year to 4 years (2021: 1 year to 4 years), but may have extension and termination options. 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.

20. OTHER INTANGIBLE ASSETS

	Use right HK$'000	Patents and trademarks HK$'000	License right HK$'000	Product development costs HK$'000	Total HK$'000
Cost					
At 1 January 2021	14,953	11,728	11,988	8,493	47,162
Write off	–	(590)	–	–	(590)
Disposal of a subsidiary	–	(10,378)	–	(7,455)	(17,833)
Exchange differences	–	58	–	106	164
At 31 December 2021 and 1 January 2022	**14,953**	**818**	**11,988**	**1,144**	**28,903**
Disposal	**–**	**–**	**(1,570)**	**–**	**(1,570)**
Exchange differences	**–**	**(111)**	**–**	**–**	**(111)**
At 31 December 2022	**14,953**	**707**	**10,418**	**1,144**	**27,222**
Accumulated amortisation and impairment					
At 1 January 2021	11,082	3,180	1,440	3,095	18,797
Amortisation for the year	1,610	860	1,570	1,276	5,316
Disposal of a subsidiary	–	(3,764)	–	(3,463)	(7,227)
Exchange differences	–	24	–	39	63
At 31 December 2021 and 1 January 2022	**12,692**	**300**	**3,010**	**947**	**16,949**
Amortisation for the year	**1,610**	**144**	**1,361**	**197**	**3,312**
Disposal	**–**	**–**	**(707)**	**–**	**(707)**
Exchange differences	**–**	**(44)**	**–**	**–**	**(44)**
At 31 December 2022	**14,302**	**400**	**3,664**	**1,144**	**19,510**
Carrying amount					
At 31 December 2022	**651**	**307**	**6,754**	**–**	**7,712**
At 31 December 2021	2,261	518	8,978	197	11,954

20. OTHER INTANGIBLE ASSETS (CONTINUED)

Use right

The use right represents the right to use the technology for the purpose of manufacturing, marketing and distribution of products for "Hand of Hope" robotic hand training devices. The remaining amortisation period of the use right is 0.45 years (2021: 1.45 years).

Patents and trademarks

The trademarks at 31 December 2022 and 2021 are used for trading of medical devices in Japan. The average remaining amortisation period of the trademarks is 2.17 years (2021: 3.17 years).

License right

On 8 September 2017 and 26 February 2019, the Group entered into license agreements with an associate respectively, pursuant to which, the Group has been granted a right of 10 years (exclusive rights for the first 5 years) to produce and sell the licensed goods in the licensed territories as specified in the license agreements after obtaining the relevant products registration. Amortisation of license right commences after completion of registration.

On 1 March 2022, the Group entered into an amendment with the associate, pursuant to which, both parties agreed to modify certain terms and conditions of the license agreement entered on 26 February 2019.

21. INVESTMENTS IN ASSOCIATES

	2022 HK$'000	2021 HK$'000
Unlisted investments:		
Share of net assets	**–**	3,931
Goodwill	**7,455**	15,657
	7,455	19,588
Impairment losses	**(7,455)**	(18,184)
	–	1,404

21. INVESTMENTS IN ASSOCIATES (CONTINUED)

Details of the Group's associates as at 31 December 2022 are as follows:

Name	Place of incorporation and operation	Particulars of issued and paid up capital	Percentage of ownership interest/ voting power/profit sharing	Principal activities
Retraction Limited ("**Retraction**")	Hong Kong	100 ordinary shares and 80 preference shares	40% (2021: 40%)	Design, development and commercialisation of retractors for minimally invasive surgery
Celsius *(Note)*	Spain	9,616 ordinary shares and 2,160 preference shares	18.34% (2021: 10%)	Design, development and commercialisation of air and fluid warning systems

Note:

During the year, the Group exercised options to buy 1,160 preference shares at a consideration of approximately HK$10,000, and its shareholding in Celsius then increased from 10% to 18.34%.

21. INVESTMENTS IN ASSOCIATES (CONTINUED)

The following table shows information on the associates that are material to the Group. These associates are accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the associates.

Name	Retraction		Celsius	
	2022	2021	**2022**	2021
Principal place of business/ country of incorporation	**Hong Kong**	Hong Kong	**Spain**	Spain
% of ownership interests/ voting rights held by the Group	**40%/40%**	40%/40%	**18.34%/ 18.34%**	10%/10%
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 31 December:				
Non-current assets	**1,967**	2,437	**9,459**	15,449
Current assets	**854**	540	**10,294**	8,992
Non-current liabilities	**(2,188)**	(1,293)	**(2,748)**	(3,686)
Current liabilities	**(633)**	(434)	**(17,005)**	(11,709)
Net assets	**–**	1,250	**–**	9,046
Group's share of net assets	**–**	500	**–**	904
Goodwill	**–**	–	**–**	–
Group's share of carrying amount of interests	**–**	500	**–**	904
Year ended 31 December:				
Revenue	**3,158**	1,187	**11,210**	6,914
Loss for the year	**(1,602)**	(1,473)	**(6,490)**	(4,805)
Other comprehensive income	**–**	–	**–**	–
Total comprehensive income	**(1,602)**	(1,473)	**(6,490)**	(4,805)
Dividends received from associates	**–**	–	**–**	–

The Group has not recognised loss for the year amounting to HK$141,000 (2021: HK$Nil) for Retraction. The accumulated losses not recognised were HK$141,000 (2021: HK$Nil).

22. INVESTMENTS IN JOINT VENTURES

	2022 HK$'000	2021 HK$'000
Unlisted investments:		
Share of net assets	**5,681**	5,931
Goodwill	**11,347**	11,983
	17,028	17,914
Impairment losses	**(11,310)**	(7,490)
	5,718	10,424

Details of the Group's joint ventures as at 31 December 2022 are as follows:

Name	Place of incorporation and operation	Particulars of issued and paid up capital	Percentage of ownership interest/voting power/profit sharing	Principal activities
100ecare	The PRC	Registered capital of RMB11,649,331	9.41% (2021: 9.41%)	Design, development, sales and operation of wearable devices
Avalon	The BVI	1,280 ordinary shares of US$1 each	19.53% (2021: 20%)	Investment holding
Avalon Photonics (HK) Limited ("**Avalon HK**") *(Note)*	Hong Kong	10,000 ordinary shares	19.53% (2021: 20%)	Design, development and distribution of kanga-care products
Avalon Medical Devices (Chongqing) Co., Limited ("**Avalon PRC**") *(Note)*	The PRC	Registered capital of RMB10,000,000	19.53% (2021: 20%)	Manufacturing of kanga-care products

Note:

Avalon HK and Avalon PRC are the wholly-owned subsidiaries of Avalon.

22. INVESTMENTS IN JOINT VENTURES (CONTINUED)

The following table shows information on the joint ventures that are material to the Group. These joint ventures are accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the joint ventures.

Name	100ecare		Avalon and its subsidiaries	
	2022	2021	**2022**	2021
Principal place of business/ country of incorporation	**The PRC**	The PRC	**BVI**	BVI
% of ownership interests/voting rights held by the Group	**9.41%/9.41%**	9.41%/9.41%	**19.53%/19.53%**	20%/20%
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 31 December:				
Non-current assets	**6,992**	10,669	**150**	568
Current assets	**20,568**	22,914	**5,889**	7,056
Non-current liabilities	**–**	–	**(5,909)**	(7,371)
Current liabilities	**(1,967)**	(2,630)	**(130)**	(253)
Net assets	**25,593**	30,953	**–**	–
Group's share of net assets	**2,408**	2,913	**–**	–
Goodwill	**3,310**	7,511	**–**	–
Group's share of carrying amount of interests	**5,718**	10,424	**–**	–
Cash and cash equivalents included in current assets	**12,341**	10,460	**1,728**	2,332
Current financial liabilities (excluding trade and other payables and provisions) included in current liabilities	**–**	–	**–**	–
Non-current financial liabilities (excluding trade and other payables and provisions) included in non-current liabilities	**–**	–	**–**	–
Year ended 31 December:				
Revenue	**22,164**	24,567	**498**	162
Depreciation and amortisation	**(1,437)**	(1,760)	**(347)**	(1,071)
Interest income	**8**	144	**4**	2
Income tax expense	**–**	–	**–**	–
Profit/(loss) for the year	**(3,056)**	1,572	**(3,893)**	(5,217)
Other comprehensive income	**–**	–	**(152)**	439
Total comprehensive income	**(3,056)**	1,572	**(4,049)**	(4,778)
Dividends received from joint ventures	**–**	–	**–**	–

22. INVESTMENTS IN JOINT VENTURES (CONTINUED)

During the year, after review of the sales progress of 100ecare and the fact that the revenue is less than the expected level due to the COVID-19 infection prevention and control measure in the PRC, the Group carried out reviews of the recoverable amount of 100ecare. The review led to the recognition of an impairment loss of approximately HK$3,820,000. The recoverable amount of approximately HK$5,718,000 for 100ecare has been determined on the fair value model by an independent external valuation expert.

As at 31 December 2022, the bank and cash balances of the Group's joint ventures in the PRC denominated in RMB amounted to approximately HK$12,725,000 (2021: HK$7,528,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

The Group has not recognised loss for the year amounting to HK$810,000 (2021: HK$Nil) for Avalon and its subsidiaries. The accumulated losses not recognised were HK$810,000 (2021: HK$Nil).

23. EQUITY INVESTMENTS AT FVTOCI

	2022 HK$'000	2021 HK$'000
Unlisted equity securities	**24,475**	43,632
Analysed as:		
Non-current assets	**24,475**	43,632

The unlisted equity securities were measured at fair value using the method of valuation by an independent external valuation expert.

Equity investments at FVTOCI are denominated in USD.

24. INVENTORIES

	2022 HK$'000	2021 HK$'000
Raw materials	**105,371**	143,461
Work in progress	**32,636**	47,322
Finished goods	**36,025**	52,378
	174,032	243,161

25. TRADE RECEIVABLES

	2022 HK$'000	2021 HK$'000
Trade receivables	**159,359**	170,710
Less: allowance for doubtful debts	**(55)**	(3,481)
	159,304	167,229

The general credit terms of the Group granted to its customers range from 30 to 90 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

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

	2022 HK$'000	2021 HK$'000
0 to 30 days	**63,197**	47,636
31 to 60 days	**41,475**	41,207
61 to 90 days	**23,273**	27,732
Over 90 days	**31,359**	50,654
	159,304	167,229

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2022 HK$'000	2021 HK$'000
HKD	**74**	3,132
RMB	**28,514**	23,178
USD	**126,501**	139,359
Others	**4,215**	1,560
	159,304	167,229

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 HK$'000	2021 HK$'000
Deposits for license and distribution rights	–	2,524
Deposits for purchases of goods	**22,927**	21,162
Deposits for purchases of property, plant and equipment	**14,718**	12,382
Prepaid expenses	**2,964**	2,085
Rental and other deposits	**2,793**	2,983
Value-added tax and other receivables	**12,827**	14,449
	56,229	55,585
Less: Non-current deposits	**(16,086)**	(14,906)
	40,143	40,679

27. BANK AND CASH BALANCES

The carrying amounts of the Group's bank and cash balances are denominated in the following currencies:

	2022 HK$'000	2021 HK$'000
HKD	**14,276**	33,744
RMB	**41,394**	38,754
USD	**96,107**	91,352
Others	**7,564**	9,317
	159,341	173,167

As at 31 December 2022, the bank and cash balances of the Group denominated in RMB and kept in the PRC amounted to approximately HK$20,132,000 (2021: HK$38,264,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

28. SHARE CAPITAL

	Number of shares of HK$0.01 each '000	Share capital HK$'000	Treasury shares HK$'000
Ordinary shares			
Authorised			
At 1 January 2021, 31 December 2021 and 31 December 2022	10,000,000	100,000	–
Issued and fully paid			
At 1 January 2021	650,598	6,506	–
Shares issued under share option schemes	5,812	58	–
Repurchase of shares	–	–	(1,620)
Cancellation of shares *(Note (ii))*	(1,402)	(14)	1,423
At 31 December 2021 and 1 January 2022	655,008	6,550	(197)
Shares issued under share option scheme *(Note (i))*	264	2	–
Repurchase of shares *(Note (ii))*	–	–	(1,562)
Cancellation of shares *(Note (ii))*	(1,936)	(19)	1,759
At 31 December 2022	**653,336**	**6,533**	**–**

Notes:

(i) During the year ended 31 December 2022, 264,000 shares were issued under share option scheme at a subscription price of HK$0.80 per share for a total cash consideration of approximately HK$211,000, and share-based payments reserve of approximately HK$145,000 was transferred to share premium account.

(ii) During the year ended 31 December 2021, the Company repurchased 1,592,000 shares at approximately HK$1,620,000, of which 1,402,000 shares were cancelled before 31 December 2021. The remaining 190,000 shares at approximately HK$197,000 were cancelled on 26 January 2022.

During the year ended 31 December 2022, the Company repurchased 1,746,000 shares at approximately HK$1,562,000, and these shares were cancelled before 31 December 2022.

28. SHARE CAPITAL (CONTINUED)

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group regards total equity other than non-controlling interests as capital, for management purpose. The amount of capital as at 31 December 2022 amounted to approximately HK$498,011,000 (2021: HK$598,361,000), in which the Group considers as optimal have considered the projected capital expenditures and the projected investment opportunities.

The only externally imposed capital requirement for the Group is in order to maintain its listing on the Stock Exchange (the "**Listing**"), it has to have a public float of at least 25% of the shares. Based on the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained sufficient public float as required by the Listing Rules. As at 31 December 2022, over 25% (2021: over 25%) of the shares were in public hands.

29. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Note	2022 HK$'000	2021 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**63,133**	82,639
Current assets			
Due from subsidiaries		**303,709**	253,240
Prepayments, deposits and other receivables		**8,164**	245
Bank and cash balances		**726**	3,137
Total current assets		**312,599**	256,622
TOTAL ASSETS		**375,732**	339,261
EQUITY AND LIABILITIES			
Share capital	28	**6,533**	6,550
Reserves	29(b)	**184,562**	193,834
Total equity		**191,095**	200,384
Current liabilities			
Due to subsidiaries		**183,858**	138,174
Other payables and accruals		**779**	703
Total current liabilities		**184,637**	138,877
TOTAL EQUITY AND LIABILITIES		**375,732**	339,261

Approved by the Board of Directors on 22 March 2023 and are signed on its behalf by:

Mr. CHOI Man Shing **Mr. CHOI Cheung Tai, Raymond**

29. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY (CONTINUED)

(b) Reserves movement of the Company

	Share premium account HK$'000	Share-based payments reserve HK$'000	Treasury shares HK$'000	Shares held for share award scheme HK$'000	Merger reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2021	157,813	5,719	–	–	–*	78,966	242,498
Profit for the year	–	–	–	–	–	32,526	32,526
Dividend paid	–	–	–	–	–	(85,248)	(85,248)
Shares issued under share option schemes	6,691	(2,099)	–	–	–	–	4,592
Share-based payments	–	1,072	–	–	–	–	1,072
Repurchase of shares	–	–	(1,620)	–	–	–	(1,620)
Cancellation of shares	(1,409)	–	1,423	–	–	–	14
At 31 December 2021 and 1 January 2022	**163,095**	**4,692**	**(197)**	**-**	**-***	**26,244**	**193,834**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**22,894**	**22,894**
Dividend paid	**-**	**-**	**-**	**-**	**-**	**(32,686)**	**(32,686)**
Shares issued under share option scheme *(Note 28)*	**354**	**(145)**	**-**	**-**	**-**	**-**	**209**
Share-based payments	**-**	**2,939**	**-**	**-**	**-**	**-**	**2,939**
Purchase of shares for share award scheme *(Note 31(b))*	**-**	**-**	**-**	**(1,085)**	**-**	**-**	**(1,085)**
Repurchase of shares	**-**	**-**	**(1,562)**	**-**	**-**	**-**	**(1,562)**
Cancellation of shares	**(1,740)**	**-**	**1,759**	**-**	**-**	**-**	**19**
At 31 December 2022	**161,709**	**7,486**	**-**	**(1,085)**	**-***	**16,452**	**184,562**

* Represent the amount less than HK$1,000

30. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Share premium account

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall in the ordinary course of business.

(ii) Share-based payments reserve

The share-based payments reserve represents the fair value of the actual or estimated number of unexercised share options granted to directors, employees and consultants of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in Note 4(u)(i) to the consolidated financial statements.

(iii) Merger reserve

The merger reserve of the Company represents the difference between the costs of investments in subsidiaries pursuant to the reorganisation over the nominal value of the share capital of the Company issued in exchange therefor.

The merger reserve of the Group represents the difference between the nominal value of shares of Vincent Healthcare Products Limited ("**VHPL**") and Vincent Medical Manufacturing Co., Limited ("**VMHK**") acquired pursuant to the reorganisation over the nominal value of the share capital of the Company issued in exchange therefor.

(iv) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in Note 4(e)(iii) to the consolidated financial statements.

(v) FVTOCI reserve

FVTOCI reserve comprises the cumulative net change in the fair value of financial assets at FVTOCI held at the end of the reporting period and is dealt with in accordance with the accounting policy in Note 4(l) to the consolidated financial statements.

31. SHARE OPTION AND SHARE AWARD SCHEMES

(a) Share option schemes

Pre-IPO share option scheme adopted on 17 June 2016

A pre-IPO share option scheme (the "**Pre-IPO Share Option Scheme**") was approved and adopted on 17 June 2016. The purpose of the Pre-IPO Share Option Scheme is to recognise and acknowledge the contributions made by certain executives, directors, employees and/or consultants of the Group to the growth of the Group by granting options to them as rewards and further incentives. The Pre-IPO Share Option Scheme will expire on 16 June 2026.

Each option granted under the Pre-IPO Share Option Scheme is subject to the following vesting schedule:

Tranche	Vesting Date	Percentage of an option vested
First	First anniversary of the date of Listing (the "**Listing Date**")	25%
Second	Second anniversary of the Listing Date	25%
Third	Third anniversary of the Listing Date	25%
Fourth	Fourth anniversary of the Listing Date	25%

Each vested tranche of an option is exercisable during a period from and including the vesting date of the relevant tranche to and including the business day immediately preceding the tenth anniversary of the date of grant of the option.

The subscription price per share shall be HK$0.80. On 17 June 2016, 19,684,000 options were granted. No further options will be offered or granted under the Pre-IPO Share Option Scheme.

Details of each tranche of options are as follows:

Tranche	Date of grant	Vesting period	Exercise period	Exercise price HK$
First	17 June 2016	17 June 2016 to 13 July 2017	13 July 2017 to 16 June 2026	0.80
Second	17 June 2016	17 June 2016 to 13 July 2018	13 July 2018 to 16 June 2026	0.80
Third	17 June 2016	17 June 2016 to 13 July 2019	13 July 2019 to 16 June 2026	0.80
Fourth	17 June 2016	17 June 2016 to 13 July 2020	13 July 2020 to 16 June 2026	0.80

If the options remain unexercised after a period of ten years from the date of grant, the options will be expired. Options are lapsed if the directors, employees and/or consultants leave the Group.

31. SHARE OPTION AND SHARE AWARD SCHEMES (CONTINUED)

(a) Share option schemes (continued)

Pre-IPO share option scheme adopted on 17 June 2016 (continued)

Details of the movement of share options during the year are as follows:

	2022		2021	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning of the year	**2,910,668**	**0.80**	5,656,000	0.80
Exercised during the year	**(264,000)**	**0.80**	(2,712,332)	0.80
Lapsed during the year	**–**	**n/a**	(33,000)	0.80
Outstanding at the end of the year	**2,646,668**	**0.80**	2,910,668	0.80
Exercisable at the end of the year	**2,646,668**	**0.80**	2,910,668	0.80

The weighted average share price immediately before the dates of exercise for share options exercised during the year was HK$0.98 (2021: HK$2.13). The options outstanding at the end of the year have a weighted average remaining useful life of 3.46 years (2021: 4.46 years) and the exercise price is HK$0.80 (2021: HK$0.80).

Share option scheme adopted on 24 June 2016

A share option scheme (the "**Share Option Scheme**") was approved and adopted on 24 June 2016. Pursuant to the Share Option Scheme, the Board of Directors may, as its discretion, grant share options to any executive, director, employee, advisor, consultant, professional, agent, contractor, customer, provider of goods and/or services or partner of the Group. The Share Option Scheme will expire on 23 June 2026.

The subscription price per share shall be determined by the Board of Directors and notified to the grantee at the time of offer of the option.

On 28 May 2018, the Group granted 14,300,000 share options with exercise price of HK$0.80 per share to certain directors and employees. 25% of the options will vest on each of 28 May 2019, 2020, 2021 and 2022 respectively and will be exercisable from each of 28 May 2019, 2020, 2021 and 2022 respectively to 23 June 2026.

On 25 March 2019, the Group further granted 4,600,000 share options with exercise price of HK$0.80 per share to certain employees and consultant. 25% of the options will vest on each of 25 March 2020, 2021, 2022 and 2023 respectively and will be exercisable from each of 25 March 2020, 2021, 2022 and 2023 respectively to 23 June 2026.

31. SHARE OPTION AND SHARE AWARD SCHEMES (CONTINUED)

(a) Share option schemes (continued)

Share option scheme adopted on 24 June 2016 (continued)

On 25 August 2021, the Group further granted 11,788,000 share options with exercise price of HK$1.14 per share to certain employees. 25% of the options will vest on each of 25 August 2022, 2023, 2024 and 2025 respectively and will be exercisable from each of 25 August 2022, 2023, 2024 and 2025 respectively to 23 June 2026.

On 13 June 2022, the Group further granted 13,392,332 share options with exercise price of HK$0.80 per share to certain directors and employees. 25% of the options will vest on each of 13 June 2023, 2024, 2025 and 2026 respectively and will be exercisable from each of 13 June 2023, 2024, 2025 and 2026 respectively to 23 June 2026.

The estimated fair value of the options at the date of grant on 13 June 2022 was approximately HK$3,388,000. The fair value calculated was inherently subjective and uncertain due to the assumptions made and the limitations of the model used.

The fair value was calculated using the binomial option pricing model.

Weighted average exercise price	HK$0.80
Expected volatility *(Note 1)*	70.50%
Risk free rate	3.33%
Expected divided yield *(Note 2)*	6.38%

Notes:

1. Expected volatility was determined by calculating the historical volatility of the Company's share price.

2. Expected dividend yield was based on the historical dividend yield of the Company.

If the options remain unexercised after 23 June 2026, the options will be expired. Options are lapsed if the directors and/or employees leave the Group.

31. SHARE OPTION AND SHARE AWARD SCHEMES (CONTINUED)

(a) Share option schemes (continued)

Share option scheme adopted on 24 June 2016 (continued)

Details of the movement of share options during the year are as follows:

	2022		2021	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning of the year	**21,088,000**	**0.99**	12,400,000	0.80
Granted during the year	**13,392,332**	**0.80**	11,788,000	1.14
Exercised during the year	**–**	**n/a**	(3,100,000)	0.80
Lapsed during the year	**(1,890,000)**	**1.06**	–	n/a
Outstanding at the end of the year	**32,590,332**	**0.91**	21,088,000	0.99
Exercisable at the end of the year	**10,912,000**	**0.88**	4,675,000	0.80

The weighted average share price immediately before the dates of exercise for share options exercised during the year was HK$Nil (2021: HK$2.07). The options outstanding at the end of the year have a weighted average remaining useful life of 3.48 years (2021: 4.48 years) and the exercise prices range from HK$0.80 to HK$1.14 (2021: HK$0.80 to HK$1.14).

31. SHARE OPTION AND SHARE AWARD SCHEMES (CONTINUED)

(b) Share award scheme

A share award scheme (the "**Share Award Scheme**") was approved and adopted on 2 December 2021. The purposes of the Share Award Scheme are (i) to recognise and reward the contribution of certain eligible participants (including director, employee, advisor, consultant and any other parties who have contributed or may contribute to the growth and development of the Group) to the growth and development of the Group and to give incentives thereto in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group. The Share Award Scheme will expire on 1 December 2031.

The Group may, from time to time at its absolute discretion, select any eligible participants for participation in the Share Award Scheme and determine the terms and conditions of the awards and the number of shares to be awarded.

During the year, no award was granted under the Share Award Scheme.

Details of the movement of the shares held for share award scheme during the year are as follows:

	Number of shares	HK$'000
Acquisition of shares by a trust	2,676,000	1,085
Balance at 31 December 2022	**2,676,000**	**1,085**

The number of shares that may be issued in respect of share options and awards granted under all schemes (i.e. the Pre-IPO Share Option Scheme, Share Option Scheme and Share Award Scheme) of the Company during the year is 13,292,332 shares, and divided by the weighted average number of shares of 653,741,121 shares for the year, is 2.03%.

32. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2022 **HK$'000**	2021 HK$'000	**2022** **HK$'000**	2021 HK$'000
Within one year	**17,303**	2,909	**16,792**	2,814
More than one year, but not exceeding two years	**3,675**	1,876	**3,621**	1,820
More than two years, but not more than five years	**1,489**	3,114	**1,479**	3,073
	22,467	7,899	**21,892**	7,707
Less: Future finance charges	**(575)**	(192)	**n/a**	n/a
Present value of lease obligations	**21,892**	7,707	**21,892**	7,707
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(16,792)**	(2,814)
Amount due for settlement after 12 months			**5,100**	4,893

The weighted average incremental borrowing rate applied to lease liabilities is 3.95% (2021: 2.02%).

The carrying amounts of the Group's lease liabilities are denominated in the following currencies:

	2022 **HK$'000**	2021 HK$'000
HKD	**5,357**	6,135
RMB	**15,597**	1,095
Others	**938**	477
	21,892	7,707

33. DEFERRED TAX

The followings are the deferred tax liabilities and assets recognised by the Group.

Deferred tax liabilities

	Fair value on intangible assets HK$'000	Temporary difference on intangible assets HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
At 1 January 2021	1,049	1,460	7,044	9,553
Credit to profit or loss for the year	(241)	(72)	(171)	(484)
Disposal of a subsidiary	–	(1,247)	(21)	(1,268)
Exchange differences	–	18	202	220
At 31 December 2021 and 1 January 2022	**808**	**159**	**7,054**	**8,021**
Credit to profit or loss for the year *(Note 12)*	**(241)**	**(159)**	**(637)**	**(1,037)**
Exchange differences	**–**	**–**	**(569)**	**(569)**
At 31 December 2022	**567**	**–**	**5,848**	**6,415**

Deferred tax assets

	Tax losses HK$'000
At 1 January 2021	2,014
Disposal of a subsidiary	(2,043)
Exchange differences	29
At 31 December 2021 and 1 January 2022	**–**
Credit to profit or loss for the year *(Note 12)*	**1,379**
Exchange differences	**(37)**
At 31 December 2022	**1,342**

33. DEFERRED TAX (CONTINUED)

The following is the analysis of the deferred tax balances (after offset) for statement of financial position purposes:

	2022 HK$'000	2021 HK$'000
Deferred tax assets	**1,342**	–
Deferred tax liabilities	**(6,415)**	(8,021)
	(5,073)	(8,021)

As at 31 December 2022, the Group has unused tax losses of approximately HK$96,999,000 (2021: HK$73,546,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$8,697,000 (2021: HK$Nil) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$88,302,000 (2021: HK$73,546,000) due to the unpredictability of future profit streams. The unused tax losses of the Group have not yet been agreed by respective tax authorities. The expiry date of unrecognised tax losses are summarised as follows:

	2022 HK$'000	2021 HK$'000
On 31 December 2022	**–**	4,996
On 31 December 2023	**7,056**	7,709
On 31 December 2024	**6,710**	5,011
On 31 December 2025	**3,419**	3,736
On 31 December 2026	**3,435**	3,205
On 31 December 2027	**14,075**	–
Carried forward indefinitely	**53,607**	48,889
	88,302	73,546

As at 31 December 2022, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries and a joint venture for which deferred tax liabilities have not been recognised is approximately HK$18,315,000 (2021: HK$16,905,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

34. TRADE PAYABLES

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

	2022 HK$'000	2021 HK$'000
0 to 30 days	**24,012**	52,162
31 to 60 days	**8,170**	7,887
Over 60 days	**10,309**	5,217
	42,491	65,266

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2022 HK$'000	2021 HK$'000
HKD	**6,664**	4,362
RMB	**25,416**	35,302
USD	**10,154**	22,742
Others	**257**	2,860
	42,491	65,266

35. OTHER PAYABLES AND ACCRUALS

	2022 HK$'000	2021 HK$'000
Accrued staff costs	**34,564**	38,939
Other accrued expenses	**6,589**	6,390
Other payables	**16,909**	12,812
Provision for warranties *(Note (i))*	**2,141**	2,285
Contract liabilities *(Note (ii))*	**37,041**	29,103
	97,244	89,529

35. OTHER PAYABLES AND ACCRUALS (CONTINUED)

Notes:

(i) The movements in provision for warranties during the year are as follows:

	2022 HK$'000	2021 HK$'000
At 1 January	**2,285**	17,545
Provision for the year	**321**	685
Provision utilised	**(298)**	(15,333)
Disposal of a subsidiary	**–**	(695)
Exchange differences	**(167)**	83
At 31 December	**2,141**	2,285

Provision for warranties represents the Group's best estimate to repair or replace electronic devices still under warranty period, based on historical experience of the level of repairs and replacements.

(ii) Contract liabilities relating to contracts with customers are advance payments made by customers. These arise as a result of advance payments made by customers.

There were no significant changes in the contract liabilities balances during the reporting period.

The movements in contract liabilities during the year are as follows:

	2022 HK$'000	2021 HK$'000
At 1 January	**29,103**	38,174
Decrease in contract liabilities as a result of recognising revenue during the year was included in the contract liabilities at the beginning of the year	**(29,103)**	(38,174)
Increase in contract liabilities as a result of advance payments made by customers	**37,041**	29,103
At 31 December	**37,041**	29,103

36. BORROWINGS

	2022 HK$'000	2021 HK$'000
Bank loans, secured	**38,500**	55,251

The borrowings are repayable as follows:

	2022 HK$'000	2021 HK$'000
Within one year	**38,500**	52,066
More than one year, but not exceeding two years	**–**	2,495
More than two years, but not more than five years	**–**	690
	38,500	55,251
Portion of bank loan that is due for repayment after one year but contain a repayment on demand clause (shown under current liabilities)	**–**	(3,185)
	38,500	52,066
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(38,500)**	(52,066)
Amount due for settlement after 12 months	**–**	–

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2022 HK$'000	2021 HK$'000
HKD	**38,500**	41,797
RMB	**–**	13,454
	38,500	55,251

The interest rates of the Group's borrowings at 31 December were as follows:

	2022	2021
Bank loans	**6.11% to 6.43%**	1.38% to 4.60%

36. BORROWINGS (CONTINUED)

Bank loans are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

Bank loans of approximately HK$22,000,000 (2021: HK$18,297,000) are secured by corporate guarantee provided by the Company.

Bank loan of approximately HK$16,500,000 (2021: HK$23,500,000) is secured by corporate guarantees provided by the Company and two Hong Kong subsidiaries of the Company.

Bank loans of approximately HK$Nil (2021: HK$13,454,000) are secured by corporate guarantees provided by two PRC subsidiaries of the Company.

At 31 December 2022, the Group had HK$41,500,000 (2021: HK$56,500,000) of available undrawn borrowing facilities.

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

Additions and modification to right-of-use assets during the year of approximately HK$31,650,000 (2021: HK$9,743,000) were financed by lease liabilities.

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 January 2022 HK$'000	Additions HK$'000	Lease modification HK$'000	Cash flows HK$'000	Interest expenses HK$'000	Exchange differences HK$'000	31 December 2022 HK$'000
Bank loans	**55,251**	**–**	**–**	**(16,106)**	**–**	**(645)**	**38,500**
Lease liabilities	**7,707**	**30,499**	**1,151**	**(17,896)**	**1,288**	**(857)**	**21,892**
	62,958	**30,499**	**1,151**	**(34,002)**	**1,288**	**(1,502)**	**60,392**

	1 January 2021 HK$'000	Additions HK$'000	Disposal of a subsidiary HK$'000	Cash flows HK$'000	Interest expenses HK$'000	Exchange differences HK$'000	31 December 2021 HK$'000
Bank loans	61,466	–	(10,558)	3,712	–	631	55,251
Other loan	7,605	–	–	(7,682)	–	77	–
Lease liabilities	15,620	9,743	(2,804)	(15,558)	586	120	7,707
	84,691	9,743	(13,362)	(19,528)	586	828	62,958

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) Total cash outflow for leases

Amounts included in the cash flow statements for leases comprise the following:

	2022 HK$'000	2021 HK$'000
Within operating cash flows	**2,346**	2,247
Within financing cash flows	**16,608**	14,972
	18,954	17,219

These amounts relate to the following:

	2022 HK$'000	2021 HK$'000
Lease rental paid	**18,954**	17,219

38. CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any significant contingent liabilities (2021: Nil).

39. CAPITAL COMMITMENTS

Capital commitments contracted for at the end of the reporting period but not yet incurred are as follows:

	2022 HK$'000	2021 HK$'000
Property, plant and equipment	**7,432**	9,210

40. OPERATING LEASE ARRANGEMENTS

The Group as lessee

The Group regularly entered into short-term leases for office premises. As at 31 December 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in Note 19.

As at 31 December 2022, the outstanding lease commitments relating to these office premises are approximately HK$286,000 (2021: HK$213,000).

41. RELATED PARTY TRANSACTIONS

(a) In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions and balances with its related parties:

	2022 HK$'000	2021 HK$'000
Year ended 31 December:		
Sales of goods to an associate	**7,044**	2,366
Purchases of goods from an associate	**–**	242
Purchases of goods from related companies *(Note)*	**4,873**	9,106
Catering service fee paid to a related company *(Note)*	**1,677**	1,736
Rental expenses paid to related companies *(Note)*	**13,652**	11,452
Electronic assembly service fee to a related company *(Note)*	**–**	7,983
Administrative service fee to a related company *(Note)*	**–**	252
Metal supplies and processing service fee to a related company *(Note)*	**7,742**	9,322
At 31 December:		
Trade receivables from an associate	**10,614**	4,097
Other payables to related companies *(Note)*	**11,947**	7,345
Other receivables from a related company *(Note)*	**88**	84
Other receivable from an associate	**336**	–

Note: Mr. Choi has beneficial interests in these related companies.

(b) The remuneration of directors and other members of key management during the year was as follows:

	2022 HK$'000	2021 HK$'000
Short-term benefits	**15,625**	18,089
Retirement benefits scheme contributions	**630**	672
Share-based payments	**676**	530
	16,931	19,291

42. PRINCIPAL SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2022 are as follows:

Name	Place of incorporation/ registration, operation and kind of legal entity	Issued share capital/ registered capital	Percentage of ownership interest/voting power/profit sharing	Principal activities
Directly held:				
Vincent Medical Manufacturing Holdings Limited	The BVI, limited liability company	US$1	100%	Investment holding
Vincent Medical Care Holdings Limited	The BVI, limited liability company	US$1	100%	Investment holding
Indirectly held:				
Dongguan Vincent Rehabilitation Devices Company Limited ^ 東莞永健康復器具有限公司	The PRC, wholly-foreign owned enterprise with limited liability	HK$8,000,000	100%	Manufacturing of medical devices
Inspired Medical Japan Co., Ltd.	Japan, limited liability company	JPY55,000,000	66.5%	Trading of medical devices
Rehab-Robotics Company Limited	Hong Kong, limited liability company	HK$31,900,000	100%	Development of "Hand of Hope" robotic hand training devices
Shenzhen Vincent Raya Medical Device Company Limited ^ 深圳永勝宏基醫療器械有限公司	The PRC, wholly-foreign owned enterprise with limited liability	RMB10,000,000	100%	Research and development of medical devices and investment holding
VHPL	Hong Kong, limited liability company	HK$100,000	100%	Trading of medical devices and investment holding
Vincent Inspired Medical Limited	Hong Kong, limited liability company	HK$1	100%	Investment holding
Vincent Medical Care Company Limited	Hong Kong, limited liability company	HK$1	100%	Trading of medical devices and investment holding
VMHK	Hong Kong, limited liability company	HK$14,889,321	100%	Trading of medical devices and investment holding
VMDG	The PRC, wholly-foreign owned enterprise with limited liability	HK$15,000,000	100%	Manufacturing of medical devices
Vincent Medical Avalon Limited	Hong Kong, limited liability company	HK$1	100%	Investment holding

42. PRINCIPAL SUBSIDIARIES (CONTINUED)

Particulars of the subsidiaries as at 31 December 2022 are as follows (continued):

Name	Place of incorporation/ registration, operation and kind of legal entity	Issued share capital/ registered capital	Percentage of ownership interest/voting power/profit sharing	Principal activities
Vincent Medical Celsius Limited	Hong Kong, limited liability company	HK$1	100%	Investment holding
Vincent Medical Excel Limited	Hong Kong, limited liability company	HK$10,000	60%	Design, sales and marketing of medical and healthcare devices
Vincent Medical Inovytec Limited	Hong Kong, limited liability company	HK$1	100%	Investment holding
Vincent Medical Respinova Limited	Hong Kong, limited liability company	HK$1	100%	Investment holding
Vincent Medical Retraction Limited	Hong Kong, limited liability company	HK$1	100%	Investment holding
Vincent Medical Technology (Guangdong) Limited	Hong Kong, limited liability company	HK$1	100%	Investment holding
Vincent Rehab Devices Company Limited	Hong Kong, limited liability company	HK$10	100%	Trading of medical devices and investment holding
VMGD	The PRC, wholly-foreign owned enterprise with limited liability	RMB10,000,000	100%	Research and development, and manufacturing of medical devices
Vincent Raya (Dong Guan) Medical Device Co., Ltd. ^ 東莞永勝宏基醫療器械有限公司	The PRC, wholly-foreign owned enterprise with limited liability	HK$2,100,000	100%	Trading of medical devices

^ For identification purposes only

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. None of the subsidiaries has issued any debt securities.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is as follows.

	Year ended 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**629,242**	777,720	1,155,383	502,200	488,030
(Loss)/profit before tax	**(15,516)**	66,180	284,084	18,294	38,131
Income tax expense	**(2,874)**	(6,110)	(36,649)	(5,437)	(3,928)
(Loss)/profit for the year	**(18,390)**	60,070	247,435	12,857	34,203
Attributable to:					
Owners of the Company	**(17,398)**	60,695	216,865	11,525	30,943
Non-controlling interests	**(992)**	(625)	30,570	1,332	3,260
	(18,390)	60,070	247,435	12,857	34,203

	At 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and Liabilities					
Non-current assets	**177,441**	205,400	248,603	188,585	186,347
Current assets	**549,258**	640,755	698,264	381,734	350,930
Non-current liabilities	**(11,515)**	(12,914)	(10,743)	(17,358)	(5,082)
Current liabilities	**(216,571)**	(232,808)	(330,945)	(138,814)	(98,002)
Net assets	**498,613**	600,433	605,179	414,147	434,193
Attributable to					
Owners of the Company	**498,011**	598,361	611,557	352,451	374,451
Non-controlling interests	**602**	2,072	(6,378)	61,696	59,742
	498,613	600,433	605,179	414,147	434,193