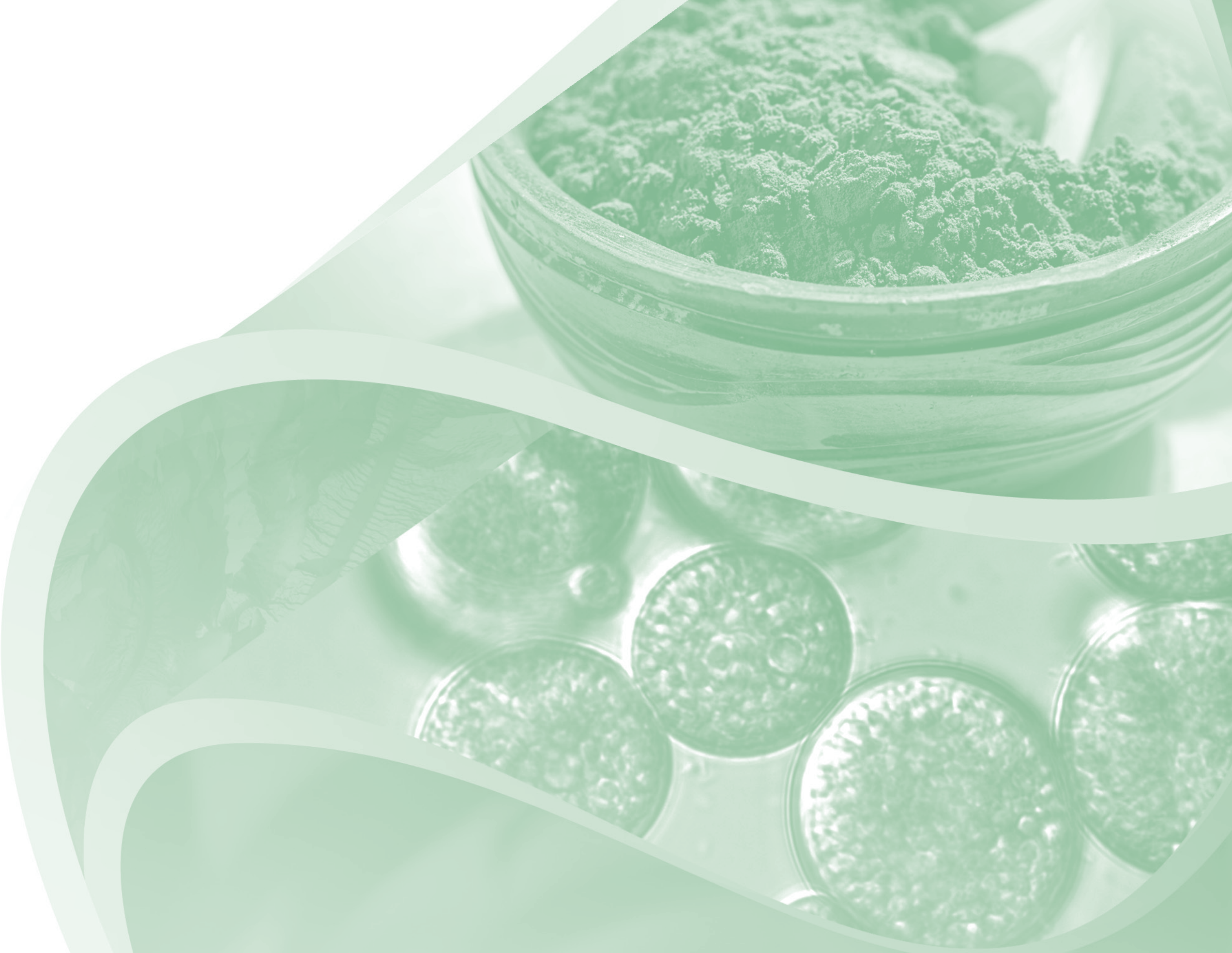
TOUYUN BIOTECH GROUP LIMITED
透雲生物科技集團有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 1332

ANNUAL REPORT 2022

Contents



Corporate Information

DIRECTORS

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

AUDIT COMMITTEE

Mr. Ha Kee Choy Eugene *(Chairman)*
Mr. Cheung Wing Ping
Mr. To Shing Chuen

NOMINATION COMMITTEE

Mr. Wang Liang *(Chairman)*
Mr. Du Dong
Mr. Cheung Wing Ping
Mr. Ha Kee Choy Eugene
Mr. To Shing Chuen

REMUNERATION COMMITTEE

Mr. To Shing Chuen *(Chairman)*
Mr. Wang Liang
Mr. Du Dong
Mr. Cheung Wing Ping
Mr. Ha Kee Choy Eugene

AUTHORISED REPRESENTATIVES

Mr. Du Dong
Mr. Wang Liang

COMPANY SECRETARY

Ms. Li On Lok (Appointed on 2 August 2022)
Ms. Wong Nga Yan (Resigned on 2 August 2022)

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

12/F, Kwan Chart Tower
6 Tonnochy Road
Wanchai, Hong Kong

INDEPENDENT AUDITORS

Moore Stephens CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditors

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

SHARE REGISTRARS AND TRANSFER OFFICES

Principal share registrar and transfer office

MUFG Fund Services (Bermuda) Limited
4th Floor
North Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

Hong Kong branch share registrar and transfer office

Tricor Secretaries Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

WEBSITE

www.touyunbiotech.com.hk

STOCK CODE

1332

Chairman’s Statement

To our shareholders,

On behalf of the board of directors (the "Board" and "Directors" respectively) of Touyun Biotech Group Limited (the "Company") and its subsidiaries (collectively the "Group"), I am pleased to present the annual results of the Group for the year ended 31 December 2022.

OUR GOAL, VALUES AND STRATEGIES

At Touyun Biotech, we embrace the culture of continuous pursuit of providing humanity with nutritious, healthy, and environmentally-friendly food sources through the exploration of life sciences and the development of production technologies. After obtaining the Generally Recognized As Safe (GRAS) certification from the Food and Drug Administration (FDA) in the United States of America, our Chlamydomonas reinhardtii has successively passed the food safety reviews in Singapore, Hong Kong and the National Health Commission of the PRC. Chlamydomonas reinhardtii is sparking a new trend of staple food across the globe.

The Group’s goal, values and strategies are set out below:

1. Our goal is to become a major player in improving the quality of human health and contributing to the carbon neutrality of the planet.

2. Our values are to provide healthy food, promote healthy concepts and adopting environmental-friendly methods of production.

3. Our strategies include: i) in terms of the consumer market, establishing two product series, including the trendy FMCG series and the professional series, and developing various sales channels and ways of cooperation both online and offline. We expect to achieve substantial sales and deepen consumers’ awareness and acceptance of Chlamydomonas reinhardtii and its derivatives through a series of market campaigns to enhance the market exposure of our products and brand in 2023; ii) in terms of the industrial market, actively developing industrial clients to promote Chlamydomonas reinhardtii’s entry into more segments and consumer scenarios; iii) strengthening product and process research and development to improve production efficiency and reduce energy consumption.

BUSINESS REVIEW

For the year ended 31 December 2022, the Group recorded revenue of approximately HK$315.8 million (2021: HK$283.5 million), representing an increase of approximately 11.4% as compared to the last year. The increase in turnover was primarily attributable to the increase in sales orders of packaging products and Chlamydomonas reinhardtii products.

The loss for the year ended 31 December 2022 was approximately HK$202.7 million (2021: HK$123.9 million), representing an increase of approximately 63.6% as compared to financial year 2021.

The increase in loss was mainly because of (i) the decrease in interest income from margin financing and money lending; (ii) the increase in finance costs, administrative expenses and selling and distribution expenses due to start-up of Chlamydomonas reinhardtii business ; and (iii) the increase in fair value loss on financial assets at fair value through profit or loss (not held for trading).

Chairman's Statement

PROSPECTS

Health consciousness has become a popular topic nowadays, especially as we are threatened by the COVID-19 pandemic. We believe that there is growth potential for natural health products such as Chlamydomonas reinhardtii and micro-algae products. Developing our Chlamydomonas reinhardtii, micro-algae products business is still our focus in the coming year.

In 2021, we launched our Chlamydomonas reinhardtii products such as noodles and nutritional supplements the retail and online markets in Hong Kong. In 2022, we have obtained the official approval from the National Health Commission of the People's Republic of China (the "PRC") for the use of "Chlamydomonas reinhardtii" as a new food ingredient, which is edible with unlimited quantities, which represented the official launch of Chlamydomonas reinhardtii products in the PRC market. After the construction of our manufacturing facilities for Chlamydomonas reinhardtii, micro-algae and related products in Lucheng District, Changzhi City, Shanxi Province, the People's Republic of China (the "PRC"), production capacity is gradually increasing, and the optimized annual capacity of Chlamydomonas reinhardtii will be 4,000 tons. We believed that the sufficient and stable supply of Chlamydomonas reinhardtii will support our further expansion of the markets in other countries.

Besides, the Group will continue to broaden the customer base for its QR codes and packaging products businesses. To strengthen our competitiveness, we will continue to contribute our resources towards the improvement of our technology for our QR code business.

APPRECIATION

I would like to express, on behalf of the Board, my sincere appreciation to the management and all staff for their dedication and valuable contributions. I also wish to thank all of our fellow Directors for their valuable contribution and shareholders and valued partners for their generous support. We are looking forward to overcoming the challenges with their combined efforts and achieving the Group's success in the future.

Wang Liang
Chairman

Hong Kong, 27 March 2023

Management Discussion and Analysis

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are provided in the Chairman's Statement and the Management Discussion and Analysis of this report. Description of possible risks and uncertainties that the Group may be facing can be found in the Corporate Governance Report. Also, the financial risk management objectives and policies of the Group are disclosed in note 41 to the consolidated financial statements. In addition, discussions on the Group's environmental policies, compliance with relevant laws and regulations and relationship with its key stakeholders which have a significant impact on the Group are also contained in the Corporate Governance Report and Environmental, Social and Governance Report.

FINANCIAL REVIEW AND PROSPECTS

For the year ended 31 December 2022, the Group recorded revenue of approximately HK$315.8 million (2021: HK$283.5 million), representing an increase of approximately 11.4% as compared to the last year. The increase in turnover was primarily attributable to the increase in sales orders of packaging products and Chlamydomonas reinhardtii products.

The loss for the year ended 31 December 2022 was approximately HK$202.7 million (2021: HK$123.9 million), representing an increase of approximately 63.6% as compared to financial year 2021.

The increase in loss was mainly because of (i) the decrease in interest income from margin financing and money lending; (ii) the increase in finance costs, administrative expenses and selling and distribution expenses due to start-up of Chlamydomonas reinhardtii business ; and (iii) the increase in fair value loss on financial assets at fair value through profit or loss (not held for trading).

QR code business

Revenue from QR code business was approximately HK$99.4 million (2021: HK$117.6 million), representing a decrease of approximately 15.5% as compared with last year and the segment loss was approximately HK$9.0 million during the year ended 31 December 2022 (2021: profit of HK$24.2 million). The decrease of revenue and the segment profit of QR code business for the year ended 31 December 2022 were primarily attributable to the decrease of sales orders from customers.

Packaging products business

The packaging products business reported in a revenue of approximately HK$211.3 million for the year ended 31 December 2022 (2021: HK$172.5 million), representing an increase of approximately 22.5% as compared with last year. A segment profit of approximately HK$18.1 million was recorded during the year ended 31 December 2022 (2021: HK$7.5 million), representing an increase of approximately HK$10.6 million as compared with last year and such increase was due to the improvement in sales orders in 2022.

Management Discussion and Analysis

Treasury investment business

During the year, the Group recorded a fair value loss of approximately HK$9.9 million on financial assets at fair value through profit or loss held for trading, compared to the fair value loss of approximately HK$25.1 million in the previous year. Fair value loss of financial assets at fair value through profit or loss not held for trading amounting to approximately HK$130.1 million was recognised during the year ended 31 December 2022 (2021: HK$60.0 million).

Chlamydomonas reinhardtii products business

During the year, the Chlamydomonas reinhardtii products business recorded a turnover of approximately HK$12.6 million (2021: HK$1.3 million). The sharply increase of turnover comparing with last year is mainly due to the increase of sales in the PRC, and a segment loss of approximately HK$9.4 million (2021: HK$3.1 million), representing an increase of segment loss of 203.2%.

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

Pursuant to the Company's announcements dated 12 August 2021 and 28 December 2021, the installation of production facilities for the manufacturing plants of 4,000 tons/year production scale was completed. After the optimization, the annual production capacity of Chlamydomonas reinhardtii will be 4,000 tons. The design of the plant, equipment and other facilities of the second phase with an annual capacity of 6,000 tons has begun, and its construction will commence anytime depending on market conditions. Pursuant to the Company's announcements dated 13 May 2022, Shanxi Touyun has obtained the official approval from the National Health Commission of the People's Republic of China (the "PRC") for the use of "Chlamydomonas reinhardtii" as a new food ingredient, which is edible with unlimited quantities, which represented the official launch of Chlamydomonas reinhardtii products in the PRC market.

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

* for identification purpose only

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's financial position was actively and regularly reviewed throughout the year. As at 31 December 2022, the Group had outstanding (i) approximately HK$320.5 million (2021: HK$292.6 million) unsecured other borrowings and approximately HK$59.6 million (2021: Nil) secured bank borrowings, bearing interest ranging from 0.42%–1% per month (2021: 0.5%–1% per month), repayable within one to three years (2021: within one year) and denominated in Renminbi ("RMB"); (ii) amount due to a Director of approximately HK$95.5 million (2021: HK$92.6 million) which was unsecured, interest-free and repayable on demand; (iii) amount due to a Shareholder of the Company of HK$11 million (2021: nil) which was unsecured, interest-free and repayable on demand; and (iv) no margin loans payable (2021: HK$3.6 million) which was secured by the listed equity securities held under the margin accounts, with variable interest rates ranging from 12% to 24%. As at 31 December 2022, the Group had cash balances amounting to approximately HK$128.1 million (2021: HK$60.2 million). The gearing ratio (net borrowings to shareholders' equity) was approximately 1.26 (2021: 0.67). The increase of gearing ratio was primarily due to increase in the loans for the construction of the manufacturing factory in Shanxi.

SHARE CAPITAL

There was no movement of the share capital during the year ended 31 December 2022.

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

During the year ended 31 December 2021, 2,300,000 new shares were issued as a result of exercise of 2,300,000 share options by employees.

Details of the movement of the share capital are set out in note 33 to the consolidated financial statements.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There was no material acquisition or disposal of subsidiaries, associates and joint ventures by the Group during the year.

CAPITAL COMMITMENTS

The Group has no capital commitment at the end of the reporting period.

Management Discussion and Analysis

PLEDGE OF ASSETS

As at 31 December 2022, the Group's equity interests in Qualid Limited and its subsidiaries were pledged to secure a revolving loan facility of HK$30.0 million. The Group has not utilised any amount of the revolving loan facility as at 31 December 2022.

In addition, the Group's buildings and leasehold lands which had an aggregate carrying value of HK$164,147,000 and HK$76,159,000 respectively were pledged to secure a bank borrowing of approximately HK$59.6 million as at 31 December 2022.

As at 31 December 2021, the Group's margin loans payable of HK$3.6 million were secured by the listed equity securities, held under the margin accounts, with a total market value of approximately HK$17.6 million. During the year, the Group's margin loans payable was fully repaid.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any contingent liabilities (2021: Nil).

FINANCE LEASE OBLIGATIONS

As at 31 December 2022, the Group has no outstanding obligations under finance lease (2021: Nil).

FOREIGN EXCHANGE RISK

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

EMPLOYEES

As at 31 December 2022, the Group employed approximately 570 full-time employees in Hong Kong and the PRC and 8 part-time employees in Hong Kong (2021: Full-time: 509; Part-time: 8). The Group's remuneration policy is commensurate with merit, qualification and competence of its employees. In addition to salary and year-end bonus, the relevant remuneration packages also comprised of share options scheme, provident fund contribution, medical and life insurance.

UPDATE ON USE OF PROCEED IN RELATION TO FUND RAISING ACTIVITIES

The Company would like to provide an update in respect of the use of the net proceeds in relation to the past fund raising activities as at 31 December 2022:

Reference is made to the announcements of the Company dated 10 August 2016, 9 November 2016, 18 November 2016, 24 January 2017, 21 February 2017, 3 October 2017, 10 November 2017, 31 August 2018, 13 March 2020, 14 April 2020, 17 July 2020 and 12 April 2021 in relation to the placing/subscription of shares and issue of convertible bond (collectively refer as to "Announcements"). Unless otherwise stated, capitalised terms used herein shall bear the same meanings as defined in the Announcements.

	Intended use of proceeds	Actual use of proceeds
(1)	The Company raised HK$406.1 million net proceeds from the placing of shares in November 2016 and the net proceeds were intended to be used as follow:	
	(a) An amount of HK$263.4 million was used for the redemption of the Promissory Note.	An amount of HK$263.4 million was utilised for the full redemption of the Promissory Note in the principal amount of HK$258 million and payment of accrued interest.
	(b) An amount of HK$142.7 million is for the expansion and development of its QR code business:	
	(i) an amount of RMB55 million (equivalent to approximately HK$63 million) towards an acquisition (the "Acquisition") of 透雲物聯網科技(北京)有限公司 (TY Technology (Beijing) Co., Ltd*) in the PRC by 上海透雲物聯網科技有限公司 (Shanghai TY Technology Co., Ltd.*), an indirect wholly-owned subsidiary of the Company, under the relevant acquisition agreement dated 24 January 2017 which was completed in March 2017;	(i) The Acquisition was completed in March 2017 and an amount of HK$63 million was fully used towards the Acquisition.
	(ii) approximately HK$14.4 million for the acquisition of plant and equipment (the "Plant and Equipment Acquisition");	(ii) An amount of HK$14.4 million was fully used towards the Plant and Equipment Acquisition.
	(iii) approximately HK$58.7 million for research and development, recruitment of technical staff and other personnel and other working capital needs for QR codes business (the "Research & Development"); and	(iii) An amount of HK$58.7 million was fully utilised in the Research & Development.
	(iv) approximately HK$6.6 million for the purchase of transportation and office supplies to support the "Finding the origins of the edible goods program" in different provinces in the PRC (the "Purchase of Transportation and Supplies").	(iv) An amount of HK$3.2 million was utilised in the Purchase of Transportation and Supplies; and the remaining HK$3.4 million has not yet been utilised and is expected to be utilised in 2023 and applied for the same purpose as disclosed in the Company's announcements.

* For identification purposes only

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

SIGNIFICANT INVESTMENT HELD

As at 31 December 2022, the Group held listed investments, unlisted investments, investment in private equity fund and investment in wealth management products of approximately HK$7.5 million, HK$178.6 million, HK$5.6 million and HK$8.6 million respectively, details of which were set out as follows:

Nature of investments	Number of shares held as at 31 December 2022	Percentage of shareholding as at 31 December 2022 %	Fair value change for year ended 31 December 2022 HK$'000	Fair value/carrying amount as at 31 December 2022 HK$'000	as at 31 December 2021 HK$'000	Percentage to the Group's total assets as at 31 December 2022 %	Investment cost HK$'000	Net profit/(loss) of the investee HK$'000	Note
Financial assets at fair value through profit or loss									
Unlisted Investments									
Freewill Holdings Limited ("Freewill")	14,550,000	2.95	–	–	–	–	80,025	–	(a)
Co-Lead Holdings Limited ("Co-Lead")	363	2.56	(24,018)	35,690	59,708	4.02	145,200	(1,304,419)	(a)
FreeOpt Holdings Limited ("FreeOpt")	1,500,000	17.61	(74,479)	70,000	144,479	7.89	150,000	(96,456)	(a)
Imagi Brokerage Limited ("Imagi")	17,000,000	2.97	(9,718)	15,282	25,000	1.72	25,000	1,408	(a)
Seekers Partners Limited ("Seekers")	9,108,328	0.50	(6,724)	20,276	27,000	2.28	53,217	(334,455)	(a)
Simagi Finance Company Limited ("Simagi")	13,000,000	12.12	(15,133)	14,371	29,504	1.62	65,000	11,206	(a)
Triton Algae Innovations, Ltd. ("Triton")	1,215,278	3.73	(10,300)	22,946	33,246	2.58	27,300	8,424	(a)
			(140,372)	178,565	318,937	20.11	545,742		

Note:

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

(a) Based on its management accounts for year ended 31 December 2022.

Management Discussion and Analysis

Nature of investments	Number of shares held as at 31 December 2022	Percentage of shareholding as at 31 December 2022 %	Unrealised loss on fair value change for year ended 31 December 2022 HK$'000	Dividends received for year ended 31 December 2022 HK$'000	Fair value as at 31 December 2022 HK$'000	Fair value as at 31 December 2021 HK$'000	Percentage to the Group's total assets as at 31 December 2022 %	Investment cost HK$'000	Net profit/(loss) of the investee HK$'000	Note
Financial assets at fair value through profit or loss										
Listed Investments										
China Evergrande New Energy Vehicle Group Ltd. ("Evergrande Vehicle")	**5,000,000**	**0.05**	**(10,079)**	**-**	**7,521**	17,600	**0.85**	**15,058**	**(5,784,023)**	(b)

Note:

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

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

The Group also invested in wealth management products of approximately HK$8,635,000 (equivalent to RMB7,900,000) as at 31 December 2022.

On 22 November 2022, 上海透雲物聯網科技有限公司 ("SHTY"), an indirect wholly-owned subsidiary of the Group, entered into a fund contract with 中信証券股份有限公司 (the "Custodian") and 上海靈鶴資產管理合夥企業（有限合夥）(the "Investment Manager"), pursuant to which SHTY agreed to subscribe for 5,000,000 shares of a private equity investment fund (the "Fund") at a consideration of RMB5,000,000 (equivalent to approximately HK$5,466,000). The Fund was governed by contractual relationships between and among SHTY, the Custodian and the Investment Manager with no legal entity was formed SHTY can sell shares of the Fund to the Investment Manager at market value any time after one year from the date of subscription. The Fund was established on 17 November 2022 and would be expired on 16 November 2032, with return in dividend derived from investments in financial products. The carrying amount of this private equity investment was approximately HK$5,564,000 as at 31 December 2022.

Freewill is principally engaged in the business of investment holding.

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

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

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

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

Simagi is principally engaged in the money lending businesses.

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

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

As an outlook for 2023, the global economy is on the brink of recession as it contends with persistent inflation and rising interest rates. Facing a more complex and uncertain economic environment, the management would take prudent approach to monitor and review the investment portfolios and opportunities.

EXECUTIVE DIRECTORS

Mr. WANG Liang, aged 37, has been appointed as an Executive Director and authorised representative of the Company since 1 September 2016 and 31 December 2021 respectively. He also has been appointed as the Chairman of the Board since 23 January 2017. He is the Chairman of the Nomination Committee and a member of the Executive Committee and the Remuneration Committee. He also serves as a Director of several subsidiaries of the Company. As Chairman, Mr. Wang is mainly responsible for leading the Board and managing its work to ensure that the Board effectively operates and fully discharges its responsibilities. In addition, he is also in charge of the business of provision of QR codes on product packaging, Chlamydomonas reinhardtii products business and related business intelligence IT solutions. Mr. Wang holds a bachelor's degree in physics from Imperial College of Science, Technology and Medicine, University of London and a master's degree in international finance from The University of Westminster. He has extensive experience in the international finance and project management. He had been working in international investment banks and responsible for clients' project management, projects merger and acquisition and various initial public offerings. Mr. Wang was an executive director (from January 2014 to February 2016), a chairman (from August 2014 to February 2016), a non-executive director (from February 2016 to August 2016) and a vice-chairman (from February 2016 to August 2016) of Life Healthcare Group Limited (formerly known as Tack Fiori International Group Limited) (stock code: 928). He was also an executive director of China Ever Grand Financial Leasing Group Co., Ltd. (formerly known as PME Group Limited) (stock code: 379) from December 2012 to December 2014.

Mr. DU Dong, aged 37, has been appointed as an Executive Director of the Company since 15 December 2016. He is a member of the Executive Committee, the Nomination Committee and the Remuneration Committee. He also serves as a Directors of several subsidiaries of the Company. Mr. Du is responsible for the daily management of the Group, recommending strategies to the Board, and determining and implementing operational decision. He holds a bachelor's degree of Science (Honors) in Computing Studies (Information Systems) from Hong Kong Baptist University. Mr. Du has extensive experience in investment, capital market, financing, merger and acquisitions of different projects with various investment banks and professional parties. He had been working in listed companies and responsible for investment, financing, projects merger and acquisition, covering coal mining, iron mining and gold mining, terminal and logistic services industry, education industry, financing lease industry and internet industry, etc. Mr. Du has a strong network in the capital market of Hong Kong and the PRC. He was a vice president of China Ever Grand Financial Leasing Group Co., Ltd (formerly known as PME Group Limited) (stock code: 379) from November 2013 to December 2016. He was an assistant to CEO of Theme International Holdings Limited (stock code: 990) from July 2010 to November 2013.

Directors' Profile

NON-EXECUTIVE DIRECTORS

Mr. CHEN Hui, aged 59, has been appointed as a Non-executive Director of the Company since 15 December 2016. He was also a member of the Nomination Committee before 31 December 2021. Mr. Chen has over 17 years solid experience in information technology. He is an expert in software and hardware engineering, automation and control, and possesses extensive knowledge in Internet of Thing and various sensors. He has been involved in development and application of nearly 40 patents. Mr. Chen appointed as a President of 上海透雲物聯網科技有限公司 (Shanghai TY Technology Co. Ltd.*), an indirect wholly-owned subsidiary of the Company from 2011 to June 2021. He was a general manager of 質尊溯源電子科技有限公司 from 2009 to 2011, a general manager of 上海質尊電子科技有限公司 from 2004 to 2009, and a legal representative of 上海華暉自控設備有限公司 from 2000 to 2004.

Ms. TIAN Yuze, aged 31, has been appointed as an Non-executive Director of the Company since 7 April 2020. Ms. Tian holds a bachelor's degree in Economics (International Economics and Trade) from Beijing Institute of Petrochemical Technology, and a master degree of science from Nottingham Trent University. She has been working as a business manager in various entities, responsible for operation strategic planning, global marketing strategies and execution. She has extensive experience and exposure in international trade, sales and supply and business management in both PRC and overseas markets.

Mr. ZHANG Lele, aged 39, has been appointed as a Non-executive Director of the Company since 13 November 2020. He holds a bachelor of engineering in electrical engineering (information and communication engineering) from The Hong Kong University of Science and Technology. He also hold a master of business administration in finance from Cheung Kong Graduate School of Business. Mr. Zhang has extensive experience in business advisory to enterprise risk management, investment and capital market, as well as corporate restructuring. Mr. Zhang currently is a chief operation officer of a PRC company engaged in international auction business.

Mr. JIA Wenjie, aged 37, has been appointed as a Non-executive Director of the Company since 13 November 2020. He holds a bachelor of science in electrical engineering from the University of Notre Dame. Mr. Jia possess extensive experience in computer programming, information technology industry as well as corporate management. He was a program manager of Microsoft Corporation from 2009 to 2014. He was vice-president of Shanghai TY Technology Co., Ltd (a wholly owned subsidiary of the Company) from 2014 to 2016, responsible for products design, product development and strategic management. He is currently the founder and chief executive officer of a PRC entity engaged in information technology business in the PRC.

* *For identification purpose only*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHEUNG Wing Ping, aged 56, has been appointed as an Independent Non-executive Director of the Company since 11 August 2015. He is also a member of the Audit Committee, the Nomination Committee and the Remuneration Committee. He holds a bachelor's degree in accountancy with honours from the City University of Hong Kong. He is a fellow of the Association of Chartered Certified Accountants and an associate of the Hong Kong Institute of Certified Public Accountants. Mr. Cheung has over 20 years of experience in auditing and accounting. He was formerly an executive director of Goldstone Investment Group Limited (formerly known as Eagle Ride Investment Holdings Limited) (stock code: 901) from June 2011 to November 2013, an independent non-executive director and an executive director of Mason Group Holdings Limited (formerly known as Mason Financial Holdings Limited) (stock code: 273) from October 2009 to July 2013 and July 2013 to September 2016 respectively, an independent non-executive director of Arta TechFin Corporation Limited (formerly known as Freeman Fintech Corporation Limited) (stock code: 279) from August 2013 to September 2019, and an independent non-executive director of China Shandong Hi-Speed Financial Group Limited (formerly known as China Innovative Finance Group Limited) (stock code: 412) from April 2015 to May 2020. He was an independent non-executive director of Oshidori International Holdings Limited (stock code: 622) from May 2015 to August 2022. The shares of these companies are listed on the Stock Exchange.

Mr. HA Kee Choy Eugene, aged 66, has been appointed as an Independent Non-executive Director of the Company since 26 November 2014. He is also the Chairman of the Audit Committee, a member of the Nomination Committee and the Remuneration Committee. He holds a master's degree in business administration and is a fellow member of the Association of Chartered Certified Accountants. He has over 20 years of experience in the finance and banking industry and acts or acted as director of a number of private and listed companies in Hong Kong. Mr. Ha is the director of a certified public accountants corporate practice in Hong Kong. He is currently an independent non-executive director of Esprit Holdings Limited (stock code: 330). He was an independent non-executive director of Longhui International Holdings Limited (stock code: 1007) from 29 January 2016 to 31 August 2020, an independent non-executive director of Planetree International Development Limited (stock code: 613) from 30 April 2019 to 1 December 2020 and an independent non-executive director of International Entertainment Corporation (stock code: 1009) from 15 May 2017 to 31 March 2022.

Mr. TO Shing Chuen, aged 72, has been appointed as an Independent Non-executive Director of the Company since 26 November 2014. He is also the Chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee. Mr. To holds a bachelor's degree in arts and has over 20 years of experience in the fields of trading, garment and leather. He enjoys excellent relationship with PRC companies. He is currently an independent non-executive director of China Shandong Hi-Speed Financial Group Limited (formerly known as China Innovative Finance Group Limited) (stock code: 412).

Mr. HU Guohua, aged 49, has been appointed as an Independent Non-executive Director of the Company since 13 November 2020. He obtained a bachelor's degree in food chemistry and a master's degree in food engineering from Nanchang University (南昌大學) in 1995 and 1998, respectively. Mr. Hu subsequently obtained a doctorate degree in biochemical engineering from the East China University of Science and Technology (華東理工大學) in 2006. Mr. Hu is experienced in biological ingredients production and processed food. In addition to his academic qualifications, Mr. Hu was named as one of the leading talents in science and technology (科技領軍人才) by Suzhou Industrial Park (蘇州工業園區) in 2010. Mr. Hu is the secretary general of the Professional Committee of Sweet Flavouring (甜味劑專業委員會), which is one of the Professional Committees of China Food Additives & Ingredients Association (中國食品添加劑和配料協會).

Mr. Hu currently is an independent non-executive director of Anhui JinHe Industrial Co. Ltd (SHE: 002597), a company listed on the Shenzhen Stock Exchange; Zhejiang Shengda Bio-pharm Co., Ltd (SHA: 603079), a company listed on the Shanghai Stock Exchange and Green Future Food Hydrocolloid Marine Science Company Limited (stock code: 1084), a company whose shares are listed on the Stock Exchange.

Directors' Report

The Directors present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of corporate management services. The Group is principally engaged in the (i) provision of QR codes on product packaging and solutions and advertising display services; (ii) the manufacture and sale of packaging products; (iii) investments and trading in securities, money lending, placing and underwriting services, securities brokerage services and margin financing; and (iv) production and sale of Chlamydomonas reinhardtii, micro-algae and related products.

Details of the principal activities of the Company's subsidiaries are set out in note 43 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2022 and the state of affairs of the Company and of the Group as at 31 December 2022 are set out in the financial statements on pages 75 to 78.

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2022 (2021: Nil).

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 170. The summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 33 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no pre-emptive rights provision in the Companies Act 1981 of Bermuda (as amended from time to time) or in the Company's Bye-laws.

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

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

BORROWINGS

Particulars of borrowings of the Group at 31 December 2022 are set out in note 28 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company had no reserve available for distribution to shareholders as calculated in accordance with the Companies Act 1981 of Bermuda (as amended from time to time). The Company's share premium account in the amount of approximately HK$1,907,658,000 may be distributed in the form of fully paid bonus share.

DIVIDEND POLICY

In considering the payment of dividends, the Board shall maintain adequate cash reserves for meeting its working capital requirements and strike a proper balance between future business growth and rewarding the Shareholders of the Company.

Provided that the daily working capital needs of the Group can be satisfied and funding has been reserved for future development, the Company intends to maintain a relatively stable dividend distribution ratio. However, the Company's dividend distribution record in the past does not necessarily imply that the same level of dividends may be declared or paid by the Company in the future.

In proposing any dividend payout, the Board shall take into account the financial performance and cash flow situation of the Group, future expansion plans and capital requirements, interests of Shareholders, contractual restrictions on payment of dividends, taxation considerations, statutory and regulatory restrictions, general economic conditions, business cycle of the Group's business and any other factors that the Board may consider relevant.

The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate. Any dividend unclaimed shall be forfeited and shall revert to the Company in accordance with the Company's Memorandum and Articles of Association.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, sales to the Group's five largest customers accounted in the aggregate for approximately 51.0% of total revenue for the year and sales to the largest customer included therein amounted to approximately 21.8%. Purchases from the Group's five largest suppliers accounted in the aggregate for approximately 43.0% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 18.2%.

None of the Directors, their close associates or shareholders, who to the knowledge of the Directors own more than 5% of the Company's issued share capital, had any interest in any of the Group's five largest customers or suppliers.

RELATED PARTY TRANSACTION

Details to transactions between the Group and parties regarded as "Transactions and Balances with Related Parties" under applicable accounting principles are set out in note 37 to the consolidated financial statements. Save for those disclosed above, no transaction disclosed herein constitutes connected transaction or continuing connected transaction of the Company which is subject to, among other things, reporting, announcement or independent shareholders' approval requirement under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Directors' Report

DIRECTORS

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

Executive Directors:
Mr. Wang Liang *(Chairman)*
Mr. Du Dong

Non-executive Directors:
Mr. Chen Hui
Ms. Tian Yuze
Mr. Zhang Lele
Mr. Jia Wenjie

Independent Non-executive Directors:
Mr. Cheung Wing Ping
Mr. Ha Kee Choy Eugene
Mr. To Shing Chuen
Mr. Hu Guohua

In accordance with Bye-law 84 of the Company's Bye-laws, Mr. Zhang Lele, Mr. Jia Wenjie and Mr. Hu Guohua will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received from each of the Independent Non-executive Directors, Mr. Cheung Wing Ping, Mr. Ha Kee Choy Eugene, Mr. To Shing Chuen, and Mr. Hu Guohua the written confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Board has reviewed their independence based on such confirmations and considers all of them to remain independent during their term of office.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors of the Company are set out under the section headed "Directors' Profile".

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the annual general meeting has a service contract with any company in the Group which is not terminable by such company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

No transaction, arrangement or contract of significance in relation to the business of the Group to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

REMUNERATION DETAILS

Details of the Directors' remuneration and the five highest paid employees' remuneration in the Group are set out in notes 9 and 10 to the consolidated financial statements respectively.

EMPLOYEES

As of 31 December 2022, the Group had a total of approximately 578 (2021: 517) full-time and part-time employees in Hong Kong and China. The Group's employment contracts with its employees cover terms such as position, term of employment, wage, employee benefits and liabilities for breaches, and grounds for termination. Remuneration of the Group's employees includes basic salaries, allowances, pensions, performance bonus, share options and other employee benefits. Remuneration is determined with reference to the performance, skills, qualifications, experience of the employee concerned and the prevailing industry practice.

The Group remunerates its employees based on their performance, work experience and the prevailing market wage level. The total remuneration of the employees consisted of basic salary, cash bonus and share-based incentives. The emolument policy for the employees of the Group is set up by the Board on the basis of their merit, qualification and competence.

The employees in Hong Kong are enrolled in the Mandatory Provider Fund under the Hong Kong Mandatory Provident Fund Schemes Ordinance. Monthly contributions are made by the Group which are 5% of the monthly income of the employees as stipulated under the relevant requirements (if applicable), with the maximum contributions of HK$1,500 monthly. No forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) were used to reduce the existing level of contributions and no forfeited contribution was available as at 31 December 2022 and 2021 to reduce future years' contributions.

The emoluments of the Directors and senior management of the Group are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

Total employee costs for the Year, including directors' emoluments, amounted to approximately HK$76.3 million (2021: HK$66.3 million).

REMUNERATION POLICY

The remuneration policy for employees of the Group is formulated based on the merit, qualifications and competence of each individual employee which are reviewed regularly in order to provide compensation packages at market rates sufficient to reward successful performance and attract, retain and motivate employees. The Company has adopted a share option scheme as a long-term incentive to eligible employees and Directors, details of which are set out in note 35 to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

As at 31 December 2022, details of the interests and short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571) (the "SFO")) required to be recorded in the register kept by the Company 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 of the Company (long positions)

Name of directors	Capacity in which interests are held	Number of shares held	Approximate percentage
Mr. Wang Liang (Note 1)	Beneficial owner	624,000,000	22.24
Mr. Du Dong (Note 2)	Beneficial owner	1,250,000	0.04
Mr. Chen Hui (Note 2)	Beneficial owner	1,250,000	0.04
Ms. Tian Yuze	Beneficial owner	147,845,135	5.27
Mr. Cheung Wing Ping (Note 2)	Beneficial owner	250,000	0.01
Mr. Ha Kee Choy Eugene (Note 2)	Beneficial owner	250,000	0.01
Mr. To Shing Chuen (Note 2)	Beneficial owner	250,000	0.01
Mr. Jia Wenjei	Beneficial owner	1,000,000	0.04

Notes:

1. The 624,000,000 shares include 1,500,000 share options granted to Mr. Wang Liang under the share option scheme of the Company on 12 December 2017, which vested on 10 June 2019. Ms. Qiao Yanfeng ("Ms. Qiao", a substantial shareholder of the Company and Mr. Wang Liang's mother) is deemed to be interested in 150,000,000 shares through TY Technology Group Limited which is in turn owned as to 90% by Wise Tech Enterprises Incorporated (wholly-owned by Ms. Qiao) and 10% by Truthful Bright International Holding Limited (wholly-owned by Ms. Qiao). Mr. Wang Liang together with Ms. Qiao were interested in the aggregate of 774,000,000 shares, representing approximately 27.6% of the issued shares of the Company.

2. The interest held by these Directors represents the share options granted to the Directors under the share option scheme of the Company on 12 December 2017 which vested on 10 June 2019.

Save as disclosed above, as at 31 December 2022, the Company had not been notified of any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

SHARE OPTIONS

The Company adopted a new share option scheme on 2 June 2022, details of which were disclosed in the Appendix III of the circular of annual general meeting of the Company dated 29 April 2022 and are set out in note 35 to the consolidated financial statements.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 31 December 2022, details of the interests and short positions of every person, other than Directors or the chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholders	Capacity in which interests are held	Number of shares held (long position)	Approximate percentage
Mr. Wang Liang (Note 1)	Beneficial owner	624,000,000	22.24
Ms. Qiao Yanfeng (Note 2)	Interest in controlled corporations	150,000,000	5.35
Mr. Qin Fen	Beneficial owner	197,470,000	7.04
Ms. Tian Yuze	Beneficial owner	147,845,135	5.27

Notes:

1. The 624,000,000 shares include 1,500,000 share options granted to Mr. Wang Liang under the share option scheme of the Company on 12 December 2017, which vested on 10 June 2019.

2. Ms. Qiao Yanfeng ("Ms. Qiao") is deemed to be interested in 150,000,000 shares through TY Technology Group Limited which is in turn owned as to 90% by Wise Tech Enterprises Incorporated (wholly-owned by Ms. Qiao) and 10% by Truthful Bright International Holding Limited (wholly-owned by Ms. Qiao).

Save as disclosed above, as at 31 December 2022, the Company had not been notified of any interests or short positions of any other person, other than Directors or the chief executive of the Company, in the shares or underlying shares of the Company required to be recorded in the register kept by the Company under Section 336 of the SFO.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Bye-laws, subject to the statutes, every Director of the Company shall be indemnified out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may sustain or incur in the execution of his/her office or otherwise in relation thereto. The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against Directors.

DIRECTOR'S INTEREST IN COMPETING BUSINESS

Dear the year, to the best knowledge of the Directors, Mr. Jia, a Non-executive Director of the Company, has interests in the following business conducted through the company named below:

Name of company	Nature of interest	Description of business of the company
Biying Information Technology (Shanghai) Co., Ltd.* 必螢信息科技(上海)有限公司	Mr. Jia is the Chief Executive Officer of the company Mr. Jia and his family member hold 90% and 10% of the equity interest respectively	Provision of information technology solutions and advertising display services

Save as disclosed above, none of the Directors or their respective close associates (as defined in the Listing Rules) had an interest, either directly or indirectly, which competed or was likely to compete with the businesses of the Group during the year.

MANAGEMENT CONTRACT

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float throughout the year ended 31 December 2022 and up to the date of this report as required under the Listing Rules.

INDEPENDENT AUDITORS

The financial statements have been audited by the Company's independent auditors, Moore Stephens CPA Limited (the "Auditors") who shall retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

Wang Liang
Chairman

Hong Kong, 27 March 2023

* *for identification purpose only*

Corporate Governance Report

The Company is committed to maintaining a high standard of corporate governance. The Board considers that sound corporate management and governance practices are essential to the Company's healthy growth under all business environments.

CORPORATE GOVERNANCE PRACTICES

On 1 January 2022, the amendments to the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") came into effect and the requirements under the CG Code will apply to corporate governance reports for financial year commencing on or after 1 January 2022. The Company has put in place corporate governance practices to comply with all the provisions and most of the recommended best practices of the CG Code, except that one non-executive director did not attend the annual general meeting of the Company held on 2 June 2022 ("2022 AGM") due to other business engagement. The Company considers that the members of the Board who attended the 2022 AGM were able to sufficiently answering questions from shareholders at the 2022 AGM.

The Board will continue to review and monitor the practices of the Company with an aim to maintain and improve its high of corporate governance practices.

CORPORATE CULTURE AND STRATEGY

By recognising the importance of stakeholders at the Board level and throughout the Group, we strive to create values to the stakeholders through sustainable growth and continuous development.

The Group has set out the purpose, values and strategies to provide guidance on employees' conduct and behaviours as well as the business activities. Details show in the "Chairman's Statement".

The Group will continuously review and adjust, if necessary, its business strategies and keep track of the changing market conditions to ensure prompt and proactive measures will be taken to respond to the changes and meet the market needs to foster the sustainability of the Group.

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

During the year under review, the Board was chaired by Mr. Wang Liang. It consisted of two executive Directors, four non-executive Directors and four independent non-executive Directors. Names and other biographical details of the members of the Board and their updated information are set out under the section headed "Directors' Profile". The Board assumes responsibility for the leadership and control of the Company and its members are collectively responsible for promoting the business of the Company by formulating the Group's overall strategies and policies, approving the business plans, evaluating the performance of the Group in pursuit of the Group's overall strategies and overseeing the management of the Group. The Board has established three committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. The management of the Group is responsible for the day-to-day operations of the Group, and implementing the business strategies and plans formulated and approved by the Board.

All Directors have acted in good faith in the best interests of the Company and the stakeholders of the Company. Other than the statutory duties imposed on each of them, all of the Directors have exercised due care in monitoring the corporate matters of the Company and have provided grave concern, sufficient time and attention to all the significant issues and affairs of the Group.

Each of the independent non-executive Directors has made an annual confirmation to the Company concerning his or her independence pursuant to the Listing Rules. The Company considers that all the independent non-executive Directors meet the guidelines for assessing independence as set out in Rule 3.13 of the Listing Rules and are considered to be independent.

Set out below are details of Directors' attendance of board meetings and general meetings in 2022:

Name of Directors	Board meeting	Annual General Meeting	Extraordinary General Meeting
Executive Directors			
Wang Liang *(Chairman)*	4/4	1/1	0/0
Du Dong	4/4	1/1	0/0
Non-executive Directors			
Chen Hui	1/4	0/1	0/0
Tian Yuze	3/4	1/1	0/0
Zhang Lele	3/4	1/1	0/0
Jia Wenjei	3/4	1/1	0/0
Independent Non-executive Directors			
Cheung Wing Ping	4/4	1/1	0/0
Ha Kee Choy Eugene	3/4	1/1	0/0
To Shing Chuen	4/4	1/1	0/0
Hu Guohua	3/4	1/1	0/0

Save for regular Board meetings held during the year ended 31 December 2022, meetings of the Directors were held to discuss and transact other special businesses. The Board members are provided with appropriate and sufficient information in a timely manner to keep abreast of the Group's latest developments. All businesses transacted at the Board meetings are properly documented and recorded.

The Company provides Directors with regular updates on changes to and developments of the Group's business, and on the latest developments in the laws, rules and regulations relating to Directors' duties and responsibilities to help them make informed decisions and discharge their duties and responsibilities as Directors of the Company.

Mr. Wang Liang is the son of Ms. Qiao Yanfeng, the substantial shareholder of the Company. Ms. Qiao is deemed to be interested in 150,000,000 shares of the Company. Save as disclosed herein, there is no relationship (including financial, business, family or other material/relevant relationships) between members of the Board.

During the year under review, all Directors have participated in continuous professional development to develop and refresh their knowledge and skills as listed company directors. All Directors have provided the Company with their records of the training they received for the year. A summary of the records of their training is as follows:

Name of Directors	Type of continuous professional development programmes
Executive Directors	
Wang Liang *(Chairman)*	A
Du Dong	A
Non-executive Directors	
Chen Hui	A
Tian Yuze	A
Zhang Lele	A
Jia Wenjei	A
Independent Non-executive Directors	
Cheung Wing Ping	A
Ha Kee Choy Eugene	A
To Shing Chuen	A
Hu Guohua	A

Note:

A reading materials regarding updates on the Group's business and operation, finance, corporate governance or ethics and code of conduct

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of Chairman and Chief Executive Officer are separate and not performed by the same individual to avoid power being concentrated with any one individual. The main responsibility of the Chairman is to lead the Board and manage its work to ensure that it effectively operates and fully discharges its responsibilities. The role of Chief Executive Officer has been performed collectively by all Executive Directors. The Board considers this arrangement allows contributions from all Executive Directors with different expertise and is beneficial to the continuity of the Company's policies and strategies and the interest of the Shareholders of the Company as a whole.

NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Board has reviewed their independence based on such confirmation and considers all of them remaining independent.

All Non-executive Directors are appointed for a specific term of not more than three years and are subject to retirement by rotation and re-election at the annual general meeting at least once every three years pursuant to the Company's Bye-laws.

BOARD COMMITTEES

The Board has set up the Executive Committee which comprises all Executive Directors on the Board. Under its terms of reference, the Executive Committee is responsible for overseeing the management and daily operations of the Group and any other matters delegated by the Board. In addition to the Executive Committee, the Board has set up the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board does not have a Corporate Governance Committee and its functions would be carried out by the Board as a whole.

All committees of the Board have specific terms of reference clearly defining their respective powers and responsibilities. All committees are required by their terms of reference to report to the Board in relation to their decisions or recommendations. Through participating in the Company's board meetings and committees meetings, attending general meetings, and participating in continuous professional development, all Directors are able to make contribution required from them to the Board and to the development of the Company.

AUDIT COMMITTEE

The Audit Committee currently comprises three independent non-executive Directors, Mr. Cheung Wing Ping, Mr. Ha Kee Choy Eugene and Mr. To Shing Chuen, two of whom have appropriate professional qualifications, or accounting or related financial management expertise. It is chaired by Mr. Ha Kee Choy Eugene. The principal responsibilities of the Audit Committee are to review the relationship with the auditors of the Company; review the financial information of the Group and oversee the Group's financial reporting system, internal control procedures and risk management system. The major roles and functions of the Audit Committee are set out in the terms of reference which include duties specified in the CG Code and are posted on the Company's website and on the Stock Exchange's website.

The Audit Committee held 2 meetings during the year ended 31 December 2022. Details of the attendance of the committee members are as follows:

Committee Members	Attendance
Mr. Ha Kee Choy Eugene	2/2
Mr. Cheung Wing Ping	2/2
Mr. To Shing Chuen	2/2

The major work performed by the Audit Committee during the year ended 31 December 2022 included, amongst other things, the following:

- reviewing the annual results of the Group for the financial year ended 31 December 2022 with the conclusion that the preparations of such results has complied with the applicable accounting standards;
- reviewing the interim results of the Group for the six months ended 30 June 2022; and
- reviewing the effectiveness of the Group's internal control systems and procedures and risk management system.

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises two executive Directors, Mr. Wang Liang and Mr. Du Dong, and three independent non-executive Directors, Mr. Cheung Wing Ping, Mr. Ha Kee Choy Eugene and Mr. To Shing Chuen. It is chaired by Mr. To Shing Chuen. The principal responsibilities of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and members of the senior management of the Company and to determine the specific remuneration packages of all executive Directors and members of the senior management of the Company. The major roles and functions of the Remuneration Committee are set out in the terms of reference which include duties specified in the CG Code and are published on the Company's website and on the Stock Exchange's website.

The Remuneration Policy for executive Directors of the Company is determined with reference to the Group's operating results, duties and level of responsibility of the executive Directors and the prevailing market conditions which are reviewed annually in order to provide remuneration and compensation packages which are competitive to attract, retain and motivate high quality executives to serve the Group. The fee for Non-executive Directors is determined with reference to each of their duties and level of responsibility with the Company and is reviewed on an annual basis.

During 2022, the Remuneration Committee has assessed the performance of the executive Directors, reviewed and discussed, among other matters, the remuneration packages of existing Directors, the remuneration of the non-executive Directors, the existing share option scheme and the retirement benefit scheme. It has also reviewed the Remuneration Policy and its implementation. Having been delegated the responsibility, the Remuneration Committee has also determined the remuneration packages of the executive Directors of the Company.

The Remuneration Committee held 2 meetings during the year ended 31 December 2022. Details of the attendance of the committee members are as follows:

Committee Members	Attendance
Mr. Wang Liang	2/2
Mr. Du Dong	2/2
Mr. Ha Kee Choy Eugene	1/2
Mr. Cheung Wing Ping	2/2
Mr. To Shing Chuen	2/2

The remuneration of the Directors, being the senior management of the Company, by band for the year ended 31 December 2022 is set out below:

Remuneration band	Number of persons
Not more than HK$1,000,000	8
HK$1,000,001–HK$2,000,000	1
HK$2,000,001–HK$3,000,000	–
HK$3,000,001–HK$4,000,000	–
HK$4,000,001–HK$5,000,000	1

Particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 9 and 10 to the consolidated financial statements in this report, respectively.

NOMINATION COMMITTEE

The Nomination Committee currently comprises two executive Directors, Mr. Wang Liang and Mr. Du Dong, and three independent non-executive Directors, Mr. Cheung Wing Ping, Mr. Ha Kee Choy Eugene and Mr. To Shing Chuen. It is chaired by Mr. Wang Liang. The major roles and functions of the Nomination Committee are set out in the terms of reference which include duties specified in the CG Code and are posted on the Company's website and on the Stock Exchange's website.

The Nomination Policy for directors is formulated with reference to the skills and experience of the Board appropriate for the requirements of the Group's business. The Nomination Committee will review the Board's structure, size and composition (including its skills, knowledge and experience) and diversity. It will assess the independence of independent non-executive Directors. It will also make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, and make recommendations on the appointment or re-appointment of Directors and succession planning for directors, including the Chairman as appropriate. It is responsible for identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships.

The Nomination Committee held 2 meetings during the year ended 31 December 2022. Details of the attendance of the committee members are as follows:

Committee Members	Attendance
Mr. Wang Liang	2/2
Mr. Du Dong	2/2
Mr. Ha Kee Choy Eugene	1/2
Mr. Cheung Wing Ping	2/2
Mr. To Shing Chuen	2/2

THE BOARD'S DIVERSITY POLICY

The Board has adopted the Board Diversity Policy, which sets out the approach to the diversity of the Board. The Company recognises the importance of diversity to corporate governance and an effective Board. The Board Diversity Policy aims to set out the approach to achieve Board Diversity, so as to ensure that the Board members possess appropriate skills, experience and diverse views necessary for the business of the Company. In determining the Board composition, the Board and Nomination Committee consider a range of diversity elements, including but not limited to gender, age, cultural and educational background, professional, experience, skills and knowledge. All appointments of the Board will be made based on merit and objective criteria while taking into full account the interest of the Board's diversity.

The selection of candidates will be based on a range of diversity elements and measurable objectives which will be reviewed regularly. Such measurable objectives shall include, but be not limited to, gender, age, cultural and educational background, professional experience, skills, knowledge and/or terms of service. The final decision will be made according to the strengths of the candidate and his/her contribution that would bring to the Board. Furthermore, pursuant to code provision B.1.3 of the CG Code, the Board should review the implementation and effectiveness of the issue's policy on board diversity on an annual basis. The Nomination Committee has performed the above duties in terms of selection of candidates and review and implementation and effectiveness of the Company's diversity policy during the year. Having considered that the current Board is sufficiently diversified in terms of its skill, experience, knowledge, length of service and independence.

As at the date of this report, the Board comprises one female Director out of ten. The Board is contemplating to appoint more female directors by 31 December 2024. The Nomination Committee will proactively consider the increase in the proportion of female members when selecting and making recommendations on suitable candidates for Board membership. Through the Board Diversity Policy of the Company and the annual assessment by Nomination Committee on the Board structure, the Company could develop a pipeline of potential successors to the Board to achieve gender diversity.

The Company is committed to promoting gender diversity not only within the Board but among its workforce generally. As at the date of this report, the number of female employees of the Group accounted for 56.1% of the total workforce. The Board is of the view that the Group has achieved gender diversity among employees. The Group's recruitment strategy is underpinned by the appointment of the right employee for the right position, in order to achieve employee diversity for all employees (including the senior management) in terms of gender, age, cultural and educational background, expertise, skills and know-how.

INDEPENDENT VIEWS

The Company has maintained various measures and mechanisms to ensure that independent views and input are available to the Board. For instance, in compliance with code provision C.5.6 and C.5.9 of Appendix 14 of the Listing Rules, the Board and its committees are provided with adequate information and have separate and independent access to the senior management of the Company for purpose of making informed decisions. In particular, all members of the Board are entitled to have timely access to the information of the Group (including but not limited to management accounts, operational results and statistics, audit results and other relevant industry and market information and forecasts), as well as assistance of the Company Secretary and professional advice if necessary at the expense of the Company. Besides, the audit committee of the Company is also entitled to contact, and has discussed with, external auditors of the Company on an annual basis to discharge its duties. Board members are also encouraged to seek inputs from other members, employees, other stakeholders as well as investors (via the investor relations channels) in appropriate circumstances to ensure that difference perspectives are taken into account in the decision making process.

The implementation and effectiveness of the relevant measures and mechanisms are reviewed by the Board on an annual basis. The Board is satisfied that there are effective and sufficient formal or informal channels in place to ensure that independent views and input are reached at the Board level.

DIRECTORS' AND SENIOR MANAGEMENT'S LIABILITY INSURANCE AND INDEMNITY

The Company has arranged appropriate liability insurance to indemnity the Directors and senior management of the Company for their liabilities arising out of corporate activities. The insurance coverage will be reviewed on an annual basis.

CORPORATE GOVERNANCE FUNCTION

The Board does not have a Corporate Governance Committee. The functions that would be carried out by a Corporate Governance Committee are performed by the Board as a whole and are as follows:

1. to develop and review the Company's policies and practices on corporate governance;

2. to review and monitor the training and continuous professional development of directors and senior management;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

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

5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The Corporate Governance Policy is formulated with an emphasis on the Board's quality, effective internal control, stringent disclosure practices and transparency and accountability to all shareholders of the Company. The Board strives to comply with the code provisions and reviews its Corporate Governance Policy regularly in order to maintain high standards of business ethics and corporate governance, and to ensure the full compliance of our operations with applicable laws and regulations.

During the year, members of the Board have reviewed and discussed, among other things, the Company's policies and practices on corporate governance at board meetings. They have also reviewed and monitored the training and continuous professional development of directors, and the Company's policies and practices on compliance with legal and regulatory requirements as well as its disclosure in the Corporate Governance Report. The Board has reviewed the code of conduct applicable to employees and directors setting out the standards of behaviour that the Company expects from them and the guidelines on how they should handle different situations in business dealings with the Group.

INDEPENDENT AUDITORS' REMUNERATION

During the year under review, the remuneration paid/payable to the Company's independent auditors, Moore Stephens CPA Limited amounted to a total of approximately HK$2.06 million, of which approximately HK$1.63 million was for audit services and approximately HK$0.43 million was for non-audit services including tax and consultancy services.

COMPANY SECRETARY

Ms. Wong Nga Yan ("Ms. Wong") resigned as the Company Secretary on 2 August 2022. The Company has appointed Ms. Li On Lok ("Ms. Li") as the Company Secretary with effect from 2 August 2022. She also serves as the secretary of the Audit Committee, the Nomination Committee and the Remuneration Committee. Ms. Li has fulfilled the requirements under rule 3.28 of the Listing Rules. Ms. Li undertook over 15 hours of relevant professional training to update her skills and knowledge during the year.

All members of the Board have access to the advice and services of the Company Secretary. The appointment and removal of the Company Secretary are subject to the Board's approval.

SHAREHOLDERS' RIGHTS

The following is a brief summary of certain rights of shareholders, which are subject to applicable laws and regulations, including without limitation, the Companies Act 1981 of Bermuda (as amended from time to time), the Listing Rules and the Company's Bye-laws.

1. Convening special general meeting

Members of the Company may, by a written requisition, require the directors of the Company to convene a special general meeting ("SGM") for the transaction of any business specified in such requisition. A valid requisition may be made by a member or members of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company which at that date carries voting rights at general meetings of the Company. The requisition must state the purpose(s) of the requisitioned SGM, and must be signed by the requisitionist(s). The requisition may consist of several documents in like form each signed by one or more requisitionists, which must be deposited at the Company's registered office in Bermuda at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. To ensure that it is received by the Company at the earliest opportunity, a copy of the signed requisition may also be deposited at the Company's principal place of business in Hong Kong at 12/F, Kwan Chart Tower, 6 Tonnochy Road, Wanchai, Hong Kong, for the attention of the Board or the Company Secretary.

If the Directors fail to proceed to convene an SGM within 21 days from the date of deposit of the requisition, the requisitionist(s) (or any of them representing more than one-half of their total voting rights) may himself/themselves convene an SGM, which must be held within 3 months of the date of deposit of the requisition. The SGM must be convened by the requisitionist(s) in the same manner as nearly as possible as that in which the SGM would be convened by the Directors. The requisitionist(s) is/are entitled to be repaid any reasonable expenses he/they incur(s) as a result of the failure of the Directors to duly convene a SGM. These expenses will be payable by the Company and any sum so repaid shall be retained by the Company out of any sums due or to become due from the Company by way of fees or other remuneration to such defaulting Directors in respect of their services.

2. Putting forward proposals at shareholders' meetings

Members of the Company may by a written requisition at their expense (unless the Company otherwise resolves) require the Company to:

(a) give to members of the Company entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at the next annual general meeting of the Company; and/or

(b) circulate to members of the Company entitled to receive notice of any general meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that general meeting.

A valid requisition may be made by either:

(a) any number of members of the Company representing not less than one-twentieth of the total voting rights of all the members having at the date of the requisition the right to vote at the meeting to which the requisition relates; or

(b) not less than 100 members of the Company.

The requisition signed by the requisitionists (or two or more copies which between them bear the signatures of all the requisitionists) must be deposited at the Company's registered office in Bermuda at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. To ensure that it is received by the Company at the earliest opportunity, a copy of the signed requisition may also be deposited at the Company's principal place of business in Hong Kong at 12/F, Kwan Chart Tower, 6 Tonnochy Road, Wanchai, Hong Kong, for the attention of the Board or the Company Secretary,

(a) in the case of a requisition requiring notice of a resolution to be moved at an annual general meeting, not less than 6 weeks before the annual general meeting; and

(b) in the case of any other requisition, not less than one week before the general meeting.

The requisitionists must deposit or tender with the requisition a sum which is reasonably sufficient to meet the Company's expenses in giving effect to the requisition.

3. Proposing a person for election as Director

Shareholders may propose a person for election as Director, the procedures for which are available on the Company's website in the section of "Corporate Governance" under the column of "Investor Relationship".

4. Sending enquiries to the Board

Shareholders may send any enquiries to the Board by mail, email or telephone to the Company Secretary, whose contact details are as follows:

Address:	12/F, Kwan Chart Tower, 6 Tonnochy Road, Wanchai, Hong Kong
Email:	ir@touyunbiotech.com.hk
Telephone:	+852 2270 7200

The Board reviewed the implementations and effectiveness of the shareholders communication policy during the year. After review, the Board considered that the shareholders communication policy remained effective and was properly implemented given the multiple channels of communication in place during the year.

Corporate Governance Report

INVESTOR RELATIONS

The Company has adopted a Shareholders Communication Policy. The use and effectiveness of such policy are monitored and reviewed regularly by the Board. The Company recognises the importance of shareholders' privacy and therefore will not disclose shareholders' information without their consent, unless required by law to do so. To achieve equal access to information on the Company's latest major developments, measures have been taken to ensure all necessary information and appropriate updates are made available to investors in a timely manner through the Company's website in the sub-section headed "Corporate Governance" under the section headed "Investor Relationship". In addition to financial reports, all announcements and circulars of the Company including results announcements, notices of general meetings and associated explanatory documents released by the Company to the Stock Exchange are posted on the Company's website. Shareholders should direct their questions about their shareholdings to the Company's share registrars. For enquiries about the information of the Company, shareholders may contact the Company Secretary, whose contact details are set out under the section headed "Sending enquiries to the Board" above. Shareholders are encouraged to participate in the Company's general meetings where members of the Board will be available to answer their questions.

The Company's constitutional documents are made available on the Company's website in the sub-section headed "Corporate Governance" under the section headed "Investor Relationship" and on the Stock Exchange's website. There was no significant change in them during the year under review.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives and maintaining appropriate and effective risk management and internal control systems. The Company maintains an internal audit function which forms part of the permanent establishment of the Group and is internally resourced and staffed by qualified accounting personnel with suitable experience.

The internal audit function monitors the adequacy and effectiveness of the risk management and internal control systems established within the Company and its subsidiaries for safeguarding assets against unauthorized use, for maintaining proper accounting records, and for ensuring the reliability of financial information. Functional reporting and financial reporting procedures appropriate to the business of the Company's subsidiaries are established for application within the Group. These procedures are designed to enable timely and reliable functional and financial reporting by subsidiaries of the Group and to provide reasonable assurance against material misstatement, errors, losses or fraud. The work of the internal audit function is generally focused on identifying, monitoring and reporting on major risks faced by the Group, including those related to business operations, compliance with laws and regulations and financial reporting. The review of risk management and internal control systems is conducted on an ongoing basis by the internal audit function. The Board is responsible for ensuring that recommendations made by the internal audit function are properly implemented.

The Board recognizes that the Group's internal control system plays a key role in both the management of risks and the assurance of continued compliance with laws and regulations by the Group. The Audit Committee has kept under review the Group's risk management and internal control systems. During the year, the Company has also engaged a professional party to conduct a review of internal controls of the business cycles of its packaging products business, QR code business, money lending and Chlamydomonas reinhardtii, micro-algae and related products business. The review covers material controls, including financial, operational and compliance controls and risk management functions of the Group. No material internal control defect was noted in the review. Based on its review, the Audit Committee will advise the Board on the adequacy of the Group's risk management and internal control systems, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

The Board considers that the Group has complied with the provisions on risk management and internal controls as stipulated in the CG Code. The Board is satisfied that the Group's risk management and internal control systems including financial, operational and compliance controls and risk management functions as appropriate to the Group have been put in place.

RISKS AND UNCERTAINTIES

The Group is generally operating in an ever-changing business and economic environment. The QR codes business, packaging products manufacturing business and Chlamydomonas reinhardtii, micro-algae and related products business are affected by consumer markets which are volatile and fragile, combined with rising labour costs in the PRC. Volatility in the securities market may also affect the Company's shares investments, resulting in unrealised and realised loss. Market risk for changes in interest rates will affect loans receivable and interest-bearing borrowing. In addition to market risks, the Company is also subject to foreign currency risk, credit risk, liquidity risk and capital risk in the normal course of the Group's business. Particulars of financial risk management of the Company are set out in note 41 to the consolidated financial statements.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group continues to commit to comply with the relevant laws and regulations such as the Companies Act 1981 of Bermuda, Hong Kong Companies Ordinance (Cap. 622), Listing Rules, and laws and regulations implemented by relevant jurisdictions. The Company believes that the existing laws and regulations did not have any significant effect on the Group's activities during the year ended 31 December 2022.

ENVIRONMENTAL POLICIES

The Group has developed environmental policies for operating safely and reducing our environmental footprint. Ongoing focus on the health, safety and wellbeing of its employees is the Group's commitment to sustainable future. The Group has fully supported employees who observe the environmental policies and take care of environment.

The Group constantly strives to improves the awareness of employees with respect of energy saving, and reducing resources consumption and recycling of scrap materials. To reduce electricity consumption, lighting equipment has been replaced with energy efficient alternatives and is switched off when not in use. Staff are reminded that documents should not be printed unless necessary; printed papers are reused and two-sided printing is encouraged. Scrap materials are recycled during production. Sewage collection and treatment has been established in the factory to control water pollution.

RELATIONSHIP WITH KEY STAKEHOLDERS

The Group recognizes that its employees, customers and business associates are key elements for its commitment to a resilient and sustainable business. The Group endeavours to provide a safe workplace, where employees are treated with respect and have the potential to grow in their careers. The Group also endeavours to provide and promptly deliver a wide range of consistently high quality products and services to customers. With the building of partnership atmosphere, the Group has developed long-term relationships of loyalty and trust with suppliers and professional bodies, leading to improved products, as well as working together with them to share best practices.

INSIDE INFORMATION

The Company has adopted a Disclosure of Inside Information Policy. It sets out a framework for the release and control of inside information to ensure that the Company is able to meet its legal and regulatory obligations and requirements as a listed corporation. The Board is generally responsible for ensuring that the Group complies with its disclosure obligations regarding inside information and has established a disclosure group comprising certain Directors and members of management to assist it in determining whether any particular information is inside information and overseeing and coordinating disclosure of inside information of the Group. Inside information should be disclosed by way of an announcement in accordance with the requirements of the SFO and the Listing Rules. Before relevant information is fully disclosed to the public, the disclosure group helps the Board to ensure that such information is kept strictly confidential.

WHISTLEBLOWING AND ANTI-CORRUPTION POLICY

The Company takes a zero-tolerance attitude toward corruption, implements anti-corruption policies that apply to all staff, and rewards the whistleblowers.

The Company formulated a series of rules and measures, including such as the Code of Conduct for purpose of strictly prohibiting any offering, accepting or claiming bribery, gifts, hospitality and any other form of activity intended to affect the Company's relevant business decision for abnormal or inappropriate advantages.

The Company also opened special channels for honesty issues reporting (including via telephone, email and WeChat official account) to encourage whistleblowers to perform the honesty supervision system of the Company, and actively report cases of embezzlement, corruption and other violations of laws, regulations and the rules and measures of the Company. These whistleblowing and anti-corruption policies are reviewed on an annual basis.

For further details, please refer to the section headed "Anti-Corruption and Whistleblowing Policy" in the Environmental. Social and Governance Report of this report.

DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The Board acknowledges that it is responsible for the preparation of financial statements of the Group and for ensuring that such financial statements are prepared in accordance with statutory requirements and applicable accounting standards. The Board also ensures the timely publication of financial statements of the Group. The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any other material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The independent auditors' opinion is not modified in respect of these matters and the statement of the independent auditors of the Company, Moore Stephens CPA Limited, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 71 to 74.

CONSTITUTIONAL DOCUMENTS

Upon the Shareholders' approval by way of a special resolution at the 2022 Annual General Meeting (held on 2 June 2022), the Company has adopted the Amended and Restated Memorandum and the Amended and Restated Articles of Association. Details of the changes made in both of the documents can be found in the Shareholders' Circular dated 28 April 2022. An up-to-date consolidated version of the Company's Memorandum and Articles of Association has been posted on both the websites of the Company and the Stock Exchange.

Environmental, Social and Governance Report

ABOUT THIS REPORT

This is the seventh Environmental, Social and Governance ("ESG") Report of Touyun Biotech Group Limited. It discloses the Group's performance on ESG and related issues. For details of corporate governance, please refer to page 23 of the Annual Report.

REPORTING AND GUIDING PRINCIPLES

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Listing Rules on the Main board of the Stock Exchange of Hong Kong Limited. This report is based on the reporting principles of "Materiality", "Quantitative", "Balance" and "Consistency", as well as the actual situation of the Company.

REPORTING PERIOD AND REPORTING BOUNDARY

This report focuses on disclosure of the environmental and social performance of the Group for the period from 1 January 2022 to 31 December 2022. Unless otherwise stated, the contents of this report cover the Group's business and operation, including the packaging business in Zhongshan, the QR code business in Shanghai and Beijing, and the Chlamydomonas Reinhardtii (plant-based protein rich food) line of products in Shanxi.

CHAIRMAN'S STATEMENT

In 2022, numerous uncertainties lingered on, for instance, the probability of resurgence of the COVID-19 pandemic continued to affect the country amid the sluggish economic conditions at home and abroad, posing enormous challenges to business operations. Against this backdrop, we explored symbiotic and harmonious development with the society and environment, as well as mutual promotion and coordinated development with customers and partners, alongside the pursuit of common development with our employees. Adhering to a sustainable development strategy, we strived to provide high-quality products, building beautiful communities, and fulfilling our corporate social responsibility.

While consolidating our packaging business during the year, we spared no effort in transitioning to the emerging technology fields. With "everything connected" as the core strategic objective, we were committed to providing a unique QR code for every fast-moving consumer goods, connecting everything to the Internet. In addition, we continued to promote the Chlamydomonas Reinhardtii business. As a green food produced using advanced fermentation technology, Chlamydomonas Reinhardtii contains a rich combination of protein and micronutrients, from a safe and stable source. We wish to unlock this green food through technological innovation, providing a nutritious, healthy, and environmental food source for our customers.

By upholding a philosophy of green development, we strive to minimize environmental impacts brought by our operations, with a slew of measures taken to save energy, reduce emissions, and control pollution. In Changzhi, Shanxi Province, our environmental division is responsible for environmental management, while departmental chiefs and technical supervisors are responsible for formulating regulations and executing tasks. In Zhongshan, an external testing institution was appointed to test the emissions from three types of wastes and noise pollution arising from our plant site. Results confirmed that emissions from our operations were within below the reference limits stipulated by the relevant laws.

As our employees constitute a valuable asset required for our long-term and stable development, the Group pays attention to the health and safety of its employees, by formulating protective measures to address identified potential risks, and providing its employees with a safe workplace through its sound occupational health management system. In addition, vocational training is an important part of our human resources work, and therefore we are committed to moving forward along with our employees by providing a multi-level training system and diverse career development paths.

Environmental, Social and Governance Report

The tenet of "when you drink water, think of its source and giving back to the society" is deeply rooted in our corporate culture. Our employees are encouraged to participate in volunteer activities and invest resources in charitable donations and other public welfare campaigns. Furthermore, the Group upholds business ethics and integrity, maintains legal compliance, and integrity in its operations, and continues to improve its own management structure.

In the future, the Group will continue to uphold the sustainable development philosophy with its original aspirations in mind, and assume more corporate social responsibilities while fully delivering commercial value to its stakeholders. Believing that stars can be light, Touyun Biotech will strive to become a rising star that help chart the course of mutual benefits for the society, environment, corporate employees, and partners through assistance and collaboration.

Executive Director (Chairman)
Wang Liang
27 March 2023

BOARD STATEMENT

The Group is committed to operating in an environmentally and socially responsible manner to create long-term value. The Board has the responsibility to lead the Group's sustainability management, and exercises oversight of relevant material issues. In order to ensure the implementation of sustainable development strategies and policies, the Company Secretary regularly reports to the Board on the progress of ESG issues and assists the Board in performing its relevant responsibilities, including:

i. to understand and keep abreast of the current status of the Company's sustainable development governance;

ii. to supervise, review and follow up on the progress of implementation of sustainable development related objectives on a regular basis;

iii. to make arrangements for the implementation and improvement of sustainable development issues, and to assess, prioritize and manage important ESG matters; and

iv. to review risks and opportunities related to sustainable development that have a potentially significant impact on the Group, so as to assess the effectiveness of the current ESG management mechanism and to make timely adjustments.

The Board is fully aware of its responsibility to ascertain the truthfulness of this report. This report fairly presents the performance and impact of the Group in relevant respects. The Board has reviewed this report and confirms that the contents are accurate, true and complete to the best of its knowledge.

STAKEHOLDER ENGAGEMENT

The Group attaches great importance to effective communication with stakeholders. Through different channels, we listen to the voices of different stakeholders such as customers, employees, suppliers, investors and the community in order to understand their expectations and actively respond to their concerns. Below is a list of stakeholders and their concerns (i.e., the material issues in bold), the corresponding communication channels and the corresponding actions taken by the Group during the year.

Stakeholders	Issues of concern	Communication channels	Actions taken by the Group in 2022
Customers	• **Environmental Protection** • **Quality Assurance** • Customer Satisfaction • Data Protection • Integrity	• Customer Satisfaction Survey • Official Website • Press Releases • Regular Review on the Updates of Laws and Regulations of Environmental Protection Department	• Improved "One-stop Marketing Solution" • Achieved Average Customer Satisfaction of 90% • Accredited with International Certification • Quality Control • Anti-corruption Training
Employees	• **Health and Safety** • Training and Development • Welfare	• Training • Health Check • Internal Communication	• Provision of Occupational Development and Safety Training • Fair and Equal Treatment of Every Employee • Diversified Employee Activities
Suppliers	• Procurement of Raw Materials • Integrity	• Regular Examination	• Formulated Social Responsibility Guidelines for Suppliers • Conducted Supplier Assessment
Shareholders/ Investors	• **Corporate Governance** • Company Operations • Risk Management • Intellectual Property Protection • Compliance	• Annual General Meeting • Financial Report • ESG Report	• Applied for 5 Copyrights and Registered 3 Computer Software Copyright • Established Internal Policies to Protect Intellectual Property Rights
Community	• Community Investment	• Volunteers • Caring for Community Activities • Voluntary Donation	• Donated RMB5,000 • 64 hours of volunteer activities • Participated in Public Welfare and Charity Activities

ENVIRONMENTAL MANAGEMENT

Environmental sustainability represents the cornerstone for our Group's success and we are committed to improving the environmental performance of our operations. The Group strictly adheres to all environmental laws and regulations in regions where we operate and adopts a slew of measures to improve energy efficiency and reduce emissions, so as to minimize the carbon footprint of daily operations and production processes. The Group has internally developed the "Environmental Operation Control Procedures" to identify and control environmental factors in daily operations and production activities, and regular surveillance ensures exhaust gas, noise, wastewater, and waste emissions comply with relevant standards and requirements.

In addition, to establish a sound environmental management system, the Group's Zhongshan Plant has developed the "Environmental Management Manual" based on the ISO 9001:2015 and ISO 14001:2015 standards, which clearly defines the environmental management structure and responsibilities at all levels, and is subject to annual reviews to ensure the effectiveness and applicability of the environmental management policy.

General Manager	Responsible for appointing a senior officer for environmental management who formulates, revises and reviews the environmental management policies, and convenes regular environmental, health and safety review meetings.
	Responsible for allocating resources such as human resources, technology and financial resources to ensure efficient operation of the environmental management system.
	Responsible for reviewing the environmental management system at least once a year to ensure the continued applicability, adequacy and effectiveness of the system.
Senior Officer of Environmental Management	Responsible for establishing, implementing and maintaining the requirements of the Environmental Management System
	Responsible for reporting to the General Manager regarding the operation of the Environmental Management System for review and providing the basis for the improvement of the Environmental Management System.
Human Resources Department	Responsible for organizing all departments to identify environmental factors, as well as formulating, supervising, reviewing, adjusting and modifying the Company's environmental management plan.
	Responsible for determining the qualification of important environmental positions and organizing training.
	Assisting the senior officer of environmental management in conducting internal audits of the Company's Environmental Management System and organizing relevant departments to prepare management review materials.
Administration Department	Responsible for obtaining, updating and identifying environmental laws and regulations and other requirements.
	Responsible for communicating with different departments and obtaining the external environmental information from the Environmental Protection Bureau.
	Responsible for managing the Company's environmental protection work and organizing the designated emergency response plan.

Duties of Environmental Management of Each Department

During the year, the Group was not aware of any legal or regulatory issues related to the exhaust and greenhouse gas emissions, sewage into water or soil, or generation of hazardous or non-hazardous waste that had a significant impact on the Group.

PACKAGING MATERIALS

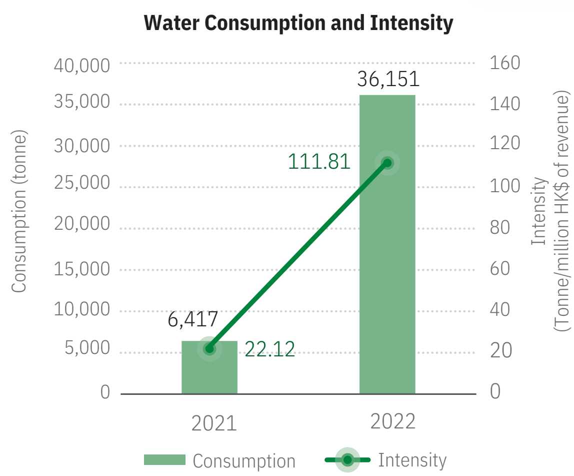
The Group mainly uses plastic bags and cardboard boxes as packaging materials in its operations. During the year, the Group consumed approximately 4.80 tons of plastic bags, 159.23 tons of cardboard boxes, 16.24 tons of wooden boxes plus some labels, straps and tapes for packaging. As compared to 2021, the Group's consumption of packaging materials increased this year, mainly because the Chlamydomonas Reinhardtii project in Shanxi was included in the report for the first time. Without impairing product quality, the Group aims to continue reducing consumption of packaging materials (using 2020 as the reference year) and maximizing the utilization of packaging materials. We reduce the consumption of packaging materials in various ways, including using plastic transfer boxes for multiple times, using online platforms to reduce paper waste, tracking the packaging by using QR code for sorting, recycling and reuse, and changing the design to reduce the use of materials.

Packaging materials (unit: tons)			
	2021	2022	Year-over-year change
Plastic bags	1.26	4.80	281%
Carboard boxes	166.0	159.23	-4%
Wooden boxes	Not available	16.24	/
Tins and cans	Not available	3.48	/
Self-adhesive labels for external packaging of tins and cans	Not available	0.15	/
Packaging straps	Not available	0.58	/
Tapes	Not available	0.41	/

WATER RESOURCES MANAGEMENT

The Group uses water mainly for domestic and industrial purposes. During the year, the Group consumed about 36,151 tonnes of water, with a water consumption intensity of 111.81 tonnes/million HK$ of revenue. As compared to 2021, the Group's water consumption increased significantly this year, mainly because the Chlamydomonas Reinhardtii project in Shanxi was included in the report for the first time.

To improve water resources management, the Group actively implements various water-saving measures, including but not limited to and analysis and exploration of projects with greater water-saving potential, gradually realizing the recycling of water. In addition, the Group enhances employees' awareness of water conservation by taking such measures as water-saving propaganda, setting water quotas, and rewards and penalties for water consumption.



SEWAGE TREATMENT

To reduce the potential risks of sewage on the environment and human health and to prevent water pollution, the Group strictly implements the national water pollution prevention guidelines and control and the discharge permit management system, and has established a "Sewage Management Procedure" to regulate the discharge of industrial and domestic sewage.

Shanxi Chlamydomonas Reinhardtii Project — Sewage Treatment

- Sewage testing — the "collection and pre-sedimentation device + acid neutralization adjustment + coagulation and air flotation adjustment + flocculation and sedimentation + heavy metal capture + photocatalytic reaction + micro-electrolysis reaction + electrochemical oxidation + activated adsorption + deep purification" process is used for the treatment of sewage, which then enters the sewage treatment equipment for secondary treatment.
- Fermentation tank rinsing wastewater — rinsing wastewater first goes through a mechanical grid for solid-liquid separation before entering the equalization tank for adjustment of water quantity and quality. Then, the wastewater is pumped into an air flotation tank to remove suspended and colloidal particles before entering a lift tank, and then pumped into an ozone reactor for treatment with ozone before entering an ozone destruction tank. After that, the wastewater is pumped into an anaerobic device to remove most of the organic matter and suspended solids. The treated water then goes to an A/O tank for denitrification and removal of ammonia nitrogen and COD. After passing through an MBR membrane for filtration, the upper clarified liquid enters the final sedimentation tank to remove phosphorus and other indicators and then enters a disinfection tank for disinfection before final discharge. Any excess sludge is sent to a thickener for dewatering before it is transported for disposal.
- Pure water equipment and recycling water tank drainage — water is collected to be used for plant greening and road sprinkling to reduce dust
- Domestic sewage — discharged through the municipal sewerage network into the municipal sewage treatment plant after pre-treatment in the plant's septic tanks

Sewage generated from the Group's operations is collected through the discharge system and sent to the wastewater treatment facility for centralized treatment. We have clearly defined the responsibilities of all departments in sewage management, with the quality and environmental protection department leading the testing, discharge, and treatment of sewage as well as submitting discharge reports. The Electrical Engineering Maintenance Department is responsible for the management and maintenance of facilities related to sewage discharge and underground rainwater pipeline networks. In addition, each department is required to control the discharge of sewage generated by the department in accordance with the regulations. Through cross-departmental cooperation, we are able to effectively control sewage discharge and ensure that the sewage meets the effluent standards before entering the treatment facility. The Group's goal is to ensure that the sewage management procedures comply with all relevant regulations.

AIR EMISSIONS

During the year, the air pollutants generated by vehicles owned by the Group during the year were Sulphur oxides (SO_x), Nitrogen oxides (NO_x) and suspended particulate matter (PM), which amounted to 0.20kg, 14.05kg and 1.17kg, respectively. As compared to 2021, the Group's air emissions increased significantly this year, mainly because the Chlamydomonas Reinhardtii project in Shanxi was included in the report for the first time. The Group advocates a green commuting lifestyle by encouraging employees to use public transportation and reduce vehicle usage to reduce air emissions, with the goal of achieving 100% compliant air emissions.

Waste Emissions (unit: kg)			
	2021	2022	Year-over-year change
Sulphur oxides (SO_x)	0.14	0.20	46%
Nitrogen oxides (NO_x)	5.48	14.05	156%
Suspended particulate matter (PM)	0.40	1.17	192%

WASTE DISPOSAL

The Group actively collects and disposes waste in accordance with national and local requirements to ensure that the process complies with regulations. During the year, the Group generated a total of 0.14 tonnes of hazardous waste, including waste engine oil, waste halftone, and waste activated carbon; and a total of 11.87 tonnes of general waste, such as iron, paper waste and other scrap materials. The Group aims to reduce the generation of non-production non-hazardous waste.

General Waste

- General waste is sorted, collected, and labeled before being stored at designated locations for regular disposal by environmental authorities
- Production and office waste are timely sorted and transferred
- Recyclable waste is collected and delivered to qualified recycling centres for recycling

Hazardous Waste

- The management department has established a "List of Hazardous Solid Waste" to focus on the management of the hazardous waste generated by each department
- Hazardous waste is specially labeled, sorted, and centrally transferred to designated locations. Storage in the open air is strictly forbidden
- The management department ensures the separate storage, timely disposal, and delivery of hazardous waste to qualified units in accordance with the requirements of competent government authorities, with the records of transfer and disposal being kept.

Waste Disposal Methods

NOISE CONTROL

Operations of various production equipment and facilities generate noise. In order to effectively control industrial noise pollution, the Group has taken the following additional measures on top of strictly abiding by the “Emission Standard for Industrial Enterprises Noise at Boundary” (GB 12348):

Noise Control Measures	
1	Selecting low-noise equipment and adopting measures such as vibration and noise reduction and sound insulation in workshops
2	Strengthening the maintenance of equipment to reduce unnecessary friction and vibration, so that it is in good operating condition
3	Reasonably arranging working hours to reduce frequent equipment start-up
4	Establishing a clear accountability system to strengthen the management of key noise-generating equipment, including air compressors and cranes, ensuring normal operation of these equipment; and closing the doors and windows of the equipment room to reduce noise spillage
5	Notifying adjacent units in advance and taking preventive measures in the case of special construction operations

ECOLOGICAL ENVIRONMENTAL PROTECTION

To strengthen the prevention and control of environmental pollutants, such as exhaust gas, sewage, solid waste, and noise, and further enhance the management of environmental protection facilities, the Group’s plants in Shanxi and Zhongshan have established the “Environmental Protection Management Regulations” and the “Environmental Operation Control Procedures”, respectively. By combining relevant national environmental protection laws and regulations, relevant systems, and the actual situation of the plants, these two plants comprehensively manage and control the generation of pollutants and ensure their emissions meet national and local emission standards. Detailed classification of sources of exhaust gas, sewage, solid waste, and noise generated during the operation stage are achieved, with prevention and control measures established for different pollution sources. The Group’s plant in Shanxi has engaged a qualified third-party company to monitor the air, sewage, solid waste and noise emissions in the plant, and all emissions have been confirmed to meet the standards..

ENVIRONMENTAL EMERGENCY MANAGEMENT

To effectively identify and assess the risk of emergencies and to prepare for potential environmental emergencies, corresponding handling procedures have been clarified in order to reduce the impact of such events. Taking the packing business in Zhongshan as an example, the Group has established a series of handling procedures such as the “Environmental Emergency Management Procedures”, “Environment Emergency Plan” and “Emergency Response Plan”. In addition, our plant in Zhongshan has set up different working groups for environmental emergencies, subordinate risk elimination, logistics insurance and communication and liaison, to provide unified direction during emergencies. The working groups are required to implement safety requirements, formulate emergency plans, organize emergency drills and exercises on a regular basis, conduct on-site command and handling of emergencies, and put forward solutions in a timely manner.

- Notify relevant departments and employees, activate the emergency response command system, check equipment and understand rectification
- Notify on-site risk elimination group and emergency monitoring and inspection group to arrive as soon as possible, and bring necessary equipment for inspection staff
- Handle emergency through on-site risk elimination group and emergency monitoring and inspection group, report on-site situation and arrangements
- Identify reasons for incidents after screening in a timely manner, and summarize the lesson learnt from incidents

General Procedures for Emergency Response

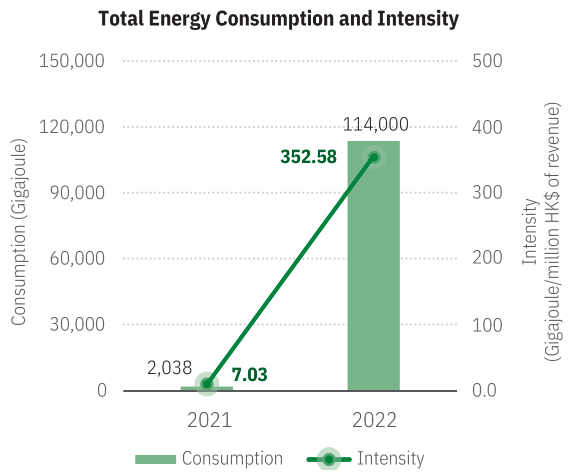
RESPONSE TO CLIMATE CHANGE

The Group's management team is responsible for formulating climate change policies, implementing various energy conservation and emission reduction measures and setting carbon reduction targets, identifying and managing risks and opportunities relating to climate change, and gradually achieving strategies that are in line with global best practices, thereby mitigating the impact of climate change on its business. The Group is committed to:

- Reducing carbon emissions in accordance with short-term and medium-term targets that are consistent with scientific conclusions or industry practice and in line with its long-term commitments, with a view to contributing to national "Dual Carbon" goals;
- Encouraging its employees, suppliers and customers to minimize carbon emissions in their daily business activities;
- Adopting green measures in the Group's operation, including waste reduction, energy and water conservation measures;
- Incorporating climate change considerations in its procurement processes and encouraging the use of low or zero-carbon and energy-efficient products and materials;
- Taking climate change into account when planning the location and design of new projects and facilities;
- Assessing the financial and other risks and opportunities associated with climate change and the impact of climate change on its operations;
- Ensuring that procedures and measures are in place to prevent or minimize damage caused by climate change and to take advantage of opportunities that may arise;
- Reporting on its climate risks and opportunities in accordance with the framework of the Task Force on Climate-Related Financial Disclosures;
- Incorporating climate change and extreme weather events into its corporate risk management processes and business continuity plans; and
- Ensuring that relevant information and resources are available to enable monitoring and regular review of the impact of climate change on employees and business operations; and reporting annually on the progress on achieving the objectives.

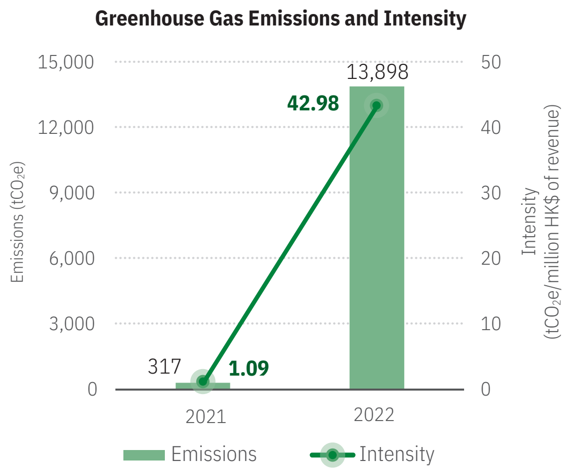
ENERGY CONSUMPTION

The energy consumed by the Group during daily operations and production mainly includes purchased electricity, steam, and gasoline used for vehicle transportation, office and factory operation. During the year, the total energy consumed by the Group was 114,000 GJ, with an energy consumption intensity of 352.58 GJ/million HK$ of revenue. As compared to 2021, the Group's total energy consumption increased significantly this year, mainly because the Chlamydomonas Reinhardtii project in Shanxi was included in the report for the first time.



GREENHOUSE GAS EMISSIONS

The Group continuously monitors and measures carbon emissions from operations to effectively implement emission reduction policy. The Group's greenhouse gas emissions in 2022 comprised direct emissions from vehicle fuel combustion (Scope 1) and indirect emissions from purchased electricity and steam (Scope 2). During the year, the greenhouse gas emissions of the Group amounted to approximately 13,898 tCO_2e, including direct greenhouse gas emissions of approximately 37 tCO_2e and indirect greenhouse gas emissions of approximately 13,861 tCO_2e, with an emission intensity of 42.98 tCO_2e/million HK$ of revenue. As compared to 2021, the Group's greenhouse gas emissions increased significantly this year, because the Chlamydomonas Reinhardtii project in Shanxi was included in the report for the first time.

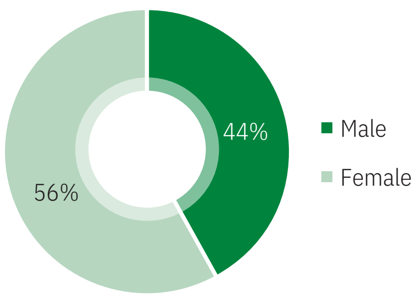


In order to actively respond to the national call for energy conservation and emission reduction, the Group monitors internal energy consumption with an efficient monitoring mechanism and formulates annual plans based on the actual situation. The Group has further revised the energy conservation management system, and devised and ensured the implementation of measures according to the current production and operational situation. We have put up banners calling for energy-saving and consumption-reducing moves and disseminate information of energy conservation and consumption reduction to media. In addition, we carry out training on energy conservation and consumption reduction to create a positive atmosphere for the work on energy conservation and consumption reduction.

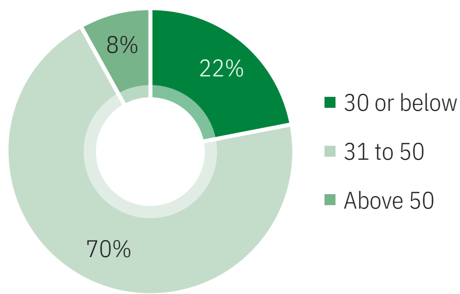
TALENT MANAGEMENT

Employees are the cornerstone of the Group's development. We take promoting all-round development of employees as one of our important development goals. To protect the rights and interests of employees and their physical and mental health, we create an inclusive, equal, trustworthy and harmonious working environment, so as to achieve organic integration of the Group's values with those of employees. As of 31 December 2022, the Group had a total of 503 employees (221 males and 282 females), all of whom are from Mainland China. Among them, 58% were frontline employees and 42% were non-frontline employees. The age of our employees is mainly concentrated between 31 and 50, accounting for 70% of all employees. Please refer to the "Performance Data Summary" for details of employees.

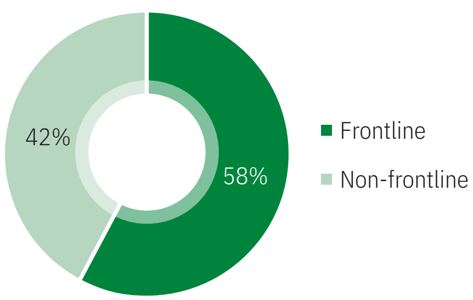
By gender



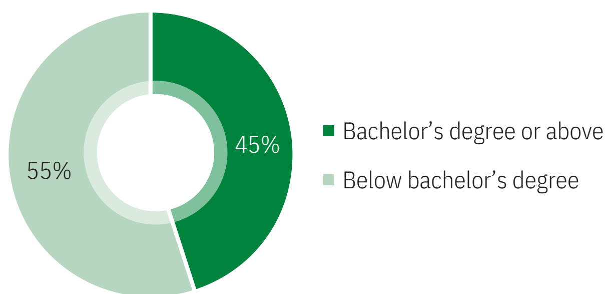
By age



By function



By education

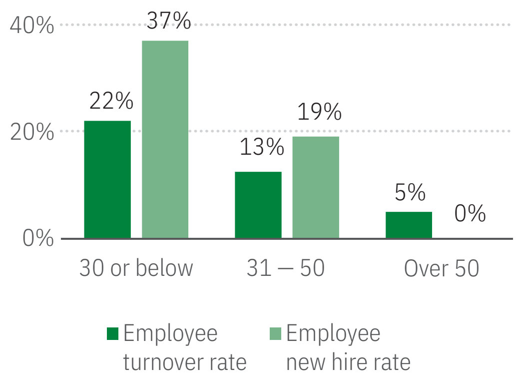


A reasonable and efficient talent management system is an important guarantee for proper functioning of an enterprise. The Group strictly complies with the "Production Safety Law of the PRC, the Law of the PRC on the Prevention and Control of Occupational Diseases and other relevant laws and regulations. At the same time, the Group has established management regulations and implementation rules covering all employees based on its own development, including labor contract, salary, insurance and benefits, leaves, performance appraisal and vocational training, so as to improve the employment management system and regulate employment practices in accordance with the relevant laws.

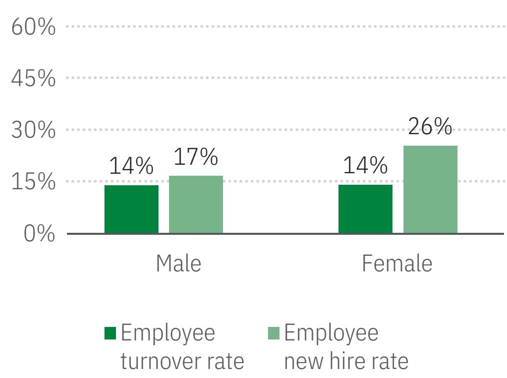
The Group conducted an internal inspection on legal employment during the year to regulate employment practices such as recruitment, promotion and signing and termination of labor contracts, with the aim of protecting the legitimate rights of our employees. In an open recruitment approach, the Group adheres to the principle of treating all employees equally and fairly. The Group strictly prohibits child labor or any form of forced and labor. In addition, the Group strictly implements the regulations on maternity leave and lactation leave for female employees to protect their rights and interests.

During the year, the total turnover rate of the Group's employees was 14.1% and the total new hire rate was approximately 21.7%. The following chart illustrates the turnover rate and new hire rate by age and gender:

Turnover rate and new hire rate by age



Turnover rate and new hire rate by gender



The Group strictly complies with the relevant labor laws and regulations in the places where it operates. To ensure the Group's continuous compliance with international and local labor laws and regulations and the Company's competitiveness, we have developed the "Social Responsibility Management Manual", which sets out our social responsibility policies related to child labor, forced labor, equal employment, anti-discrimination and harassment, and respect for human rights to regulate the following modules:

- Prohibit the use of child or forced labor and do not accept any suppliers or subcontractors who uses child or forced labor
- Respect the freedom of employees and workers and prohibit any form of forced labour
- Provide employees with safe and healthy working and living conditions to ensure their safety and health
- Respect employee's freedom of association and right to collective bargaining
- Respect the basic human rights of employees and prohibit any form of humiliation of employees
- Provide an equal and fair working environment and prohibit any form of discrimination
- Arrange reasonable production schedule and reasonable working hours and rest periods for employees
- Offer reasonable salaries and benefits that can at least meet the basic needs of employees.

During the year, the Group has not violated any laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, anti-discrimination, prevention of child and forced labor, nor was there any material penalty imposed for non-compliance with labor-related laws.

EMPLOYEES' RIGHTS AND INTERESTS

We are committed to creating an inclusive, fair and harmonious working environment. Employees can provide feedback on unreasonable, non-compliant and illegal incidents through the grievance and complaint mechanism. Employees' representatives and the management of the Group deal directly with unreasonable treatment experienced by employees, handle every complaint in a timely manner, and protect the rights and interests of employees. During the year, employees' complaints were handled in a timely and effective manner.

General Procedures for Employee Complaints

EMPLOYEE COMMUNICATION

The Group values communication and engagement with its employees and encourages them to engage in an equal dialogue with the Company regarding any issues related to the Group or their work. Currently, the Group has made available the following communication channels:

- Employee representative meetings
- Employee seminars
- Employee satisfaction surveys
- Complaint e-mails and hotlines

In 2022, the Group held a total of 2 employee meetings/seminars, and received a total of 0 complaints via telephones and e-mails.

REMUNERATION AND BENEFITS POLICIES

The Group has formulated a comprehensive remuneration management system to enable employees to give full play to their personal abilities, enhance job satisfaction, sense of belonging to the work environment and recognition of their contributions to the Group. Employees' bonus is closely related to operating conditions of the Group, performance of the employee's department and individual performance. We provide employees with excellent benefit packages, and continuously improve welfare conditions such as remuneration, insurance, welfare subsidies, paid holidays and long-term incentives.

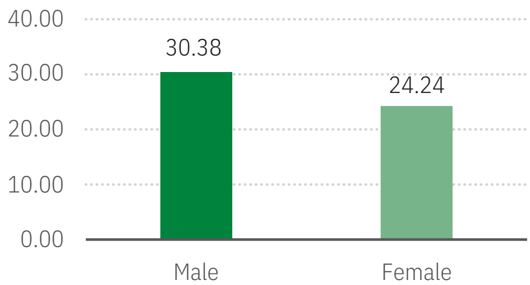
CARING FOR EMPLOYEES

The Group organizes and carries out diversified, multi-level and multi-channel corporate culture activities in a timely manner, taking the needs of employees as a priority and focusing on core values of the Group. It helps to meet the needs of employees in various aspects such as welfare protection, ideology building and work-life balance, and enhance their job recognition and sense of belonging. We organized a number of team-building activities to enrich the spiritual and cultural life of employees, including table-tennis and billiards competitions.

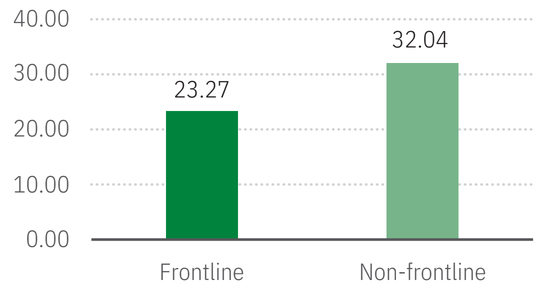
EMPLOYEE TRAINING AND DEVELOPMENT

Employee training and development is the engine that enables enterprises to make continuous progress and optimize production capacity. Focusing on employee training and development helps achieve the organic unity of employees' personal improvement and enterprise development. The Group continuously improves the career development channel of employees, and has established a multi-level and comprehensive training system to promote horizontal and vertical development of employees, and facilitate full blooming of employees' career development potential. In addition to induction training and pre-job preparation for new employees, the Group also arranges all employees to receive training on internal processes and skills to improve their work performance. We provide specialized job training for personnel in various positions, allowing them free choices of various training programs on project management, management and communication and big data reporting according to their business and job nature. During the year, the average training hours and percentage of employees who received trainings by gender and function are as follows:

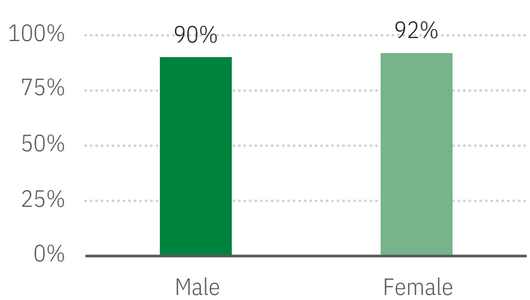
Average training hours of employees trained by gender (hours)



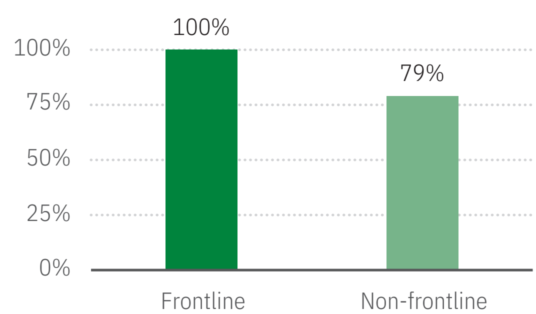
Average training hours of employees trained by function (hours)



Percentage of employees by gender



Percentage of employees by function



The Group organises various safety and production training sessions on a monthly basis, such as fermentation process trainings and 'brainstorming' sessions for sales.

OCCUPATIONAL SAFETY AND HEALTH

The Group considers protecting the occupational safety and physical and mental health of every employee to be its responsibility. On the basis of strict compliance with the laws related to occupational health, the Group has formulated an "Occupational Hazard System" and a "Production Safety Manual" with reference to the new version of the ISO 45001 standard. The Occupational Hazard System covers the notification and declaration system for occupational hazards, the prevention and control system for occupational health hazard, the publicity, education and training system for occupational health, and the maintenance and repair system for occupational hazard protection facilities. The Safety Production Manual covers the "Safety Code for All Employees", the "Safety Education System", the "Safety Review System", and the "Safety Production Responsibility System". It also includes various management systems for casualty accidents, fire safety, dangerous goods, as well as the operation rules for forklifts and elevators.

The Group has established a health and hygiene management system for employees, improved the basic system of occupational safety management, and strengthened training on hygiene and Health knowledge of employees. The organizational structure of safety management is led by the Each division supervisor keeps an eye on the safety of employees at work. In addition, the Group provides special training on job operations to familiarize employees with relevant work procedures. The Group has corresponding professional certificates, such as "Forklift Operator Certificate", "Elevator Operator Certificate" and "Safety Manager Certificate", etc., which greatly guarantee the professionalism of its employees and thus guarantee the safety of the working environment.

The Group arranges onboarding physical examination for new employees and annual physical examination for all employees, and requires them to sign the "Health Notification Statement" at the same time, so that employees can understand their physical conditions and reduce the risk of occupational diseases or diseases caused by overexertion. In order to reduce the risk of work-related accidents, the Group actively arranges safety training. During the year, the Group did not identify any major incidents related to occupational health and safety management, nor did it have any cases of work-related fatalities or major production safety incidents.

	2020	2021	2022
Number of work-related accidents	0	0	1
Number of work-related injuries	0	0	1
Percentage of work-related injuries (%)	0	0	0.2
Lost days due to work-related injuries	0	0	10
Work-related fatalities	0	0	0
Percentage of work-related fatalities (%)	0	0	0

COVID-19 PREVENTION AND CONTROL TRAINING

Faced with the current severe situation of COVID-19 and in consideration of the health and safety of all employees, the Group conducted training on COVID-19 prevention during the year, emphasizing the knowledge of protection in the work area after resumption of work and matters related to vaccination. This training covered all employees with a good training effect. The employee participation rate was 100%, and the qualified rate of employee training was 100%.

QUALITY CONTROL

The Group regards product quality as the lifeline of corporate development, integrates the concept of "Quality Priority" into every aspect of quality management, continuously upgrades its products and is committed to providing customers with high-quality, stable, healthy, and safe products and services. The quality management system of the Group's QR code business in Shanghai and Beijing has acquired ISO 9001:2015 certification, which is strictly complied with in all aspects of production, such as research and development, procurement, sales and service, to actively ensure standardization of process and product quality and reliability.

In order to ensure that the product quality meets the required standards and to effectively control the production process, we have developed the Product and Service Control Management Procedures to control the processes from the acquisition of raw materials to the warehousing of finished products. In order to clarify the disposal procedures for non-performing products, the QR code business in Shanghai and Beijing has formulated internal policies such as "Control Procedures for Non-performing Products" and "Control Procedures for Corrective and Preventive Measures". After identification of non-performing products by inspectors, they need to be evaluated before disposal, carrying out rework, retirement or return to suppliers. The Legal and Internal Control Department implements measures to review and issue investigation and accountability, and improve internal policies based on the results.

Procedures for Control of Non-conforming Products

In order to facilitate continuous improvement in the quality management system, the packaging business in Zhongshan has formulated the "Quality and Environmental Management Manual", which requires the General Manager and Deputy Managers of each factory to be responsible for formulating quality policies and objectives every year, which are disaggregated and circulated to various departments for enforcement, and regularly sampling and monitoring the target performances, which are subject to further analysis of the causes of the issues for constant improvement if the targets have not been met.

Product passing rate ⩾ 99%

During the year, there were no recalls of the Group's products for safety and health reasons.

SUPPLIER MANAGEMENT

The Group recognizes the importance of high efficiency of procurement processes for obtaining stable supplies of high quality raw materials. It selects, manages and monitors suppliers under strict standards, and adopts the relevant measures to reduce supply chain risks, which ensures sustainable development. The Group has established a supply chain safety management system, and the procurement business is specifically responsible for managing suppliers, and improving the supply chain process, so as to ensure safety, health and high quality in all processes, while improving internal control and customer satisfaction. During the year, the Group had a total of 131 suppliers, all of which were located in the PRC.

For example, the packaging business in Zhongshan has implemented the "Supplier and Procurement Control Procedures", which provides a comprehensive management framework to control the procurement process related to suppliers (such as raw and auxiliary material suppliers, traders, and contractors), including procedures regarding supplier selection, annual review, and regular management, to ensure that qualified and effective control measures are incorporated in the procurement process.

Supplier selection

- An existing supplier is selected from the Qualified Suppliers List
- The Supplier Questionnaire is issued to newly identified suppliers for preliminary evaluation

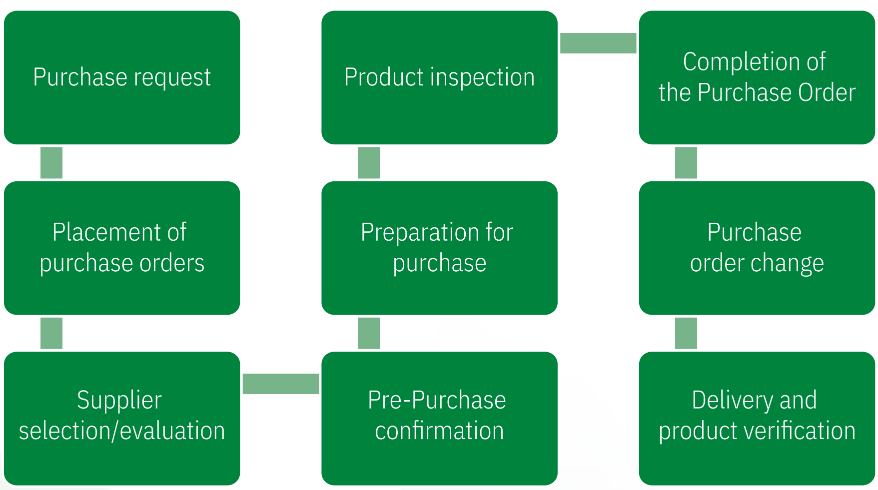
Supplier annual review

- The purchasing department organizes cross-departmental on-site review of suppliers' quality, engineering and other performances
- Suppliers that are found to not meet our standard in the initial inspection are identified
- Suppliers who fail to make improvements will be removed

Supplier management

- Supplier performance reviews are conducted on a monthly basis or on schedule
- Unqualified suppliers will be removed or given suggestions for further improvements
- Purchased materials which fail to meet the Company's specifications, will be dealt with according to the agreed requirements

The QR code business in Shanghai and Beijing has formulated the "Suppliers and Procurement Control Procedures", where various suppliers are specifically required to provide relevant quality management system certification or production licenses, and acceptance is granted only after they meet the sample test requirements. In addition, our regular supplier performance tests are continuously evaluating their performance.



Procurement process

To strengthen quality control at source, our Shanxi factory has formulated the "Supplier Control Procedure" for suppliers of raw and auxiliary materials. The raw materials used are food-grade in accordance with all national standards, and the packaging materials in contact with the products are pharmaceutical-grade. The certificate and ticket claiming system is strictly enforced. Our suppliers must have full business licences and production permits, and provide quality assurance reports from a third party company, together with an individual inspection report of the current batch of products. Upon receipt of materials, inspections and tests are strictly carried out, and the "Incoming Material Release Form" is issued only after passing all inspections. We have strict and effective control over the whole process: from supplier qualification check to product procurement process, quality inspection and warehouse usage.

In addition, suppliers' social responsibility management is another important part of social risks in the supply chain. The Group has established an office to supervise the standardized and scientific evaluation and review procedures for suppliers' social responsibility management. The office establishes a social responsibility file for suppliers and requires suppliers to sign a social responsibility commitment letter. The office arranges at least one on-site audit of suppliers each year to evaluate their social responsibility performance and follow-up improvement measures. If a supplier were found to intentionally use child and/or, forced labor, or violate labor laws and jeopardize our social responsibility management, we will immediately terminate the cooperation relationship.

GREEN PROCUREMENT

The Group actively identifies the risk that may be generated by links of the supply chain with the environment and the society, and has developed a series of procedures to guide suppliers to adopt sustainable development measures and enhance internal sustainability management capabilities. The packaging business in Zhongshan has formulated the Social Responsibility Guidelines for Suppliers, "Procurement Policies and Procedures" and "Standards for Selection of Suppliers" which describe our expectations of suppliers in terms of responsibility towards the environment and the society, such as the prohibition of child labor and the provision of equal employment opportunities to employees of different genders, races and religions. Suppliers are also required to provide relevant documents such as environmental impact reports, pollutant discharge statements and registration forms, production safety education and training records to prevent risk.

The QR code business in Shanghai and Beijing has developed the "Supplier and Procurement Control Procedures" to ensure that suppliers can understand the "Business Social Compliance Initiative (BSCI)" and gradually improve and effectively implement it according to the standards. The Company keeps a social responsibility file for each supplier and keeps information such as social commitment responsibility letter, social responsibility assessment records, business license, social responsibility related certification, improvement plan and follow-up records to help monitor each supplier and its performance..

In order to reduce its impact on the environment and protect natural resources, our plant in Shanxi has developed a "Green Procurement Policy" that explicitly requires all purchases to comply with relevant environmental laws and regulations. In addition, the plant has introduced green material specifications and chooses environmentally friendly materials that can be recycled or reused while ensuring economic efficiency, to reduce its negative impact on the environment.

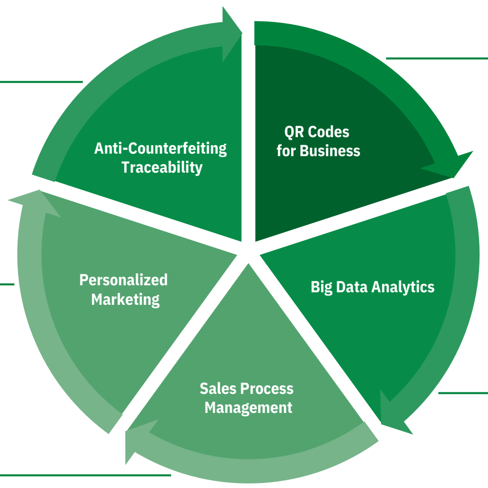
PRODUCT INNOVATION

Focusing on theoretical, technological and operational innovation, the Group is committed to introducing industry-leading products and services, and continues to deliver more creative and forward-looking solutions for the society. Upholding "Internet of Things" as our core strategic goal and vision, we have improved the one-stop marketing plan for the QR code business to assist businesses in building brands that are closer to consumers.

Based on the IoT technology, we provide traceability information for the entire supply chain from raw materials, collection, production, packaging, logistics to sales by using radio-frequency electronic coiling and QR code technology.

We develop tailor-made code-scanning marketing campaigns for enterprises. Through scanning QR codes on mobile phones, consumers will be able to connect quickly both online and offline, and easily participate in brand marketing activities such as bonus points campaigns and lucky draws.

We assist enterprises to realize electronic monitoring and management throughout the sales process, connect the online and offline supply chain, and improve real and stable data for optimizing their production process and reducing logistics and labor costs. The Group will realize the connection between brands, consumers and end-users, stabilize market prices and achieve a new O2O marketing model.



Two QR codes are provided for each product. Consumers obtain corporate marketing and promotional information by scanning the light code and receive incentives from corporate marketing activities by scanning the dark code.

It provides an integrated consumer big data analysis platform for enterprises to track sales data such as mobile phone consumers' preference for products, distribution regions and purchasing behavior. Real-time cloud database provides a true and reliable basis for marketing strategies.

One-stop marketing solutions

The Chlamydomonas Reinhardtii products of the Group have been approved by the National Health Commission and recognized by the National Food Safety Standards and Monitoring and Assessment Department (國家食品安全標準與監測評估司) as a new food ingredient. The Group has obtained a food production license for Chlamydomonas Reinhardtii and an additional food production license for Chlamydomonas Reinhardtii solid beverage upon approval by the Changzhi Administration for Market Regulation (長治市市場監督管理局). The Group is actively developing new applications for Chlamydomonas Reinhardtii, such as Chlamydomonas Reinhardtii noodles, stone cakes (石頭餅), and meal replacement powders.

CUSTOMER SATISFACTION

The Group continuously makes targeted improvements from the perspective of customers to continuously improve customer satisfaction. We strive to deliver better services and exceed customer expectations while increasing revenue. The packaging business in Zhongshan has a "Customer Complaint Handling Process", which clearly states that upon receiving customer complaints, the relevant department is responsible for analyzing the cause, formulating and updating measures and implementing solutions.

In addition, we also require that relevant departments maintain communication with customers, and respect their opinions. In 2022, the customer satisfaction rate for the QR code business in Shanghai and Beijing reached 90% , the customer satisfaction rate for the packaging business in Zhongshan reached 95% and the customer satisfaction rate for the Chlamydomonas Reinhardtii business in Shanxi reached 100%. The Group optimizes internal procedures based on customers' feedback, and implements improvement measures in order to effectively provide customers with services that are beyond their expectations. During the year, the Group did not receive any complaints about its products or services.

PROTECTION OF INTELLECTUAL PROPERTY AND PRIVACY

The Group respects intellectual property rights and strictly complies with national laws and regulations[2] related to intellectual property rights. To protect our intellectual property rights, we have established internal policies such as the "Intellectual Property Management System", the "Customer Property Management Procedures" and the "Source Code Management Regulations". In the event of any infringement of the Group's patents, we enforce legal liability to protect the research and development results and maintain internal innovation. During the year, the QR code business in Shanghai and Beijing applied for a total of 5 copyrights and registered 3 computer software copyrights.

To protect our customers' privacy rights and maintain the security of their information, we have established the "Procedures for Protecting Customer Confidentiality and Ownership" to ensure that all responsible persons fulfill their confidentiality obligations. Through strict controls, we prevent disclosure of customer information and pay attention to confidentiality details during the handover of samples and technical data. The corresponding recipient in the engineering department marks "confidential" on the handover document if necessary and takes measures to isolate and secure the confidential information. In addition, when sending inspection results, we require employees to process the results without connecting to the Internet to avoid leaking information externally through the network.

Division of responsibilities for customer privacy protection

In addition, the QR codes business in Shanghai and Beijing has obtained ISO 27001: 2013 Information Security Management System Certification to ensure that our data is properly protected.

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2 For the relevant laws and regulations, please refer to the section headed "Laws and Regulations"

ANTI-CORRUPTION AND WHISTLEBLOWING POLICY

The Group abides by all applicable laws and regulations, incorporates anti-corruption principles into its corporate management and business operations, and is committed to being an honest, trustworthy, fair and clean corporate citizen. We adhere to lawful and compliant operations, and adopt a zero-tolerance attitude towards any form of corruption. The Group has developed the "Code of Conduct for Employees' Integrity" and the "Code of Conduct for Directors and Employees", which stipulate that all employees, including directors and management, shall not accept gifts and cash, and strictly prohibit illegal trading activities such as accepting bribes, repaying debts and rebates. The Group firmly opposes unfair competition, and all employees are required to sign the "Letter of Commitment to Legal Compliance and Employees' Commitment" to strive to create a fair, transparent and win-win business environment.

To effectively promote anti-corruption and anti-bribery work, strengthen internal control mechanisms, and uphold the business philosophy of law-abiding integrity and quality service, the Group has formulated institutional documents such as the "Control Procedures on Anti-Corruption/Anti-Bribery" and the "Employee Misconduct Concern Policy". The "Control Procedures on Anti-Corruption/Anti-Bribery" apply to internal operations and to customers, suppliers, service providers, and contractors who have business dealings with the Company. We have strengthened supervision and management of key areas and positions that are prone to corruption, to ensure the fulfillment of our commitment to combating commercial bribery.

We require employees in important positions to sign the "Anti-Bribery/Anti-Corruption Commitment". The management department of the Company is designated as the department responsible for supervising and managing the fulfillment of the commitment of combating commercial bribery. We attach equal stress on symptoms and root causes and keep records of the actual situation of practicing integrity, and we have established a whistleblowing mechanism to ensure smooth feedback. We have also set up a whistleblowing box for the prevention of commercial bribery and publicized the whistleblowing hotline. The management department conducts on-site inspections of other departments to promptly identify signs of commercial bribery and study preventive measures.

The Group organizes regular training sessions to impart integrity education. For example, for the packaging business in Zhongshan, the anti-corruption and anti-bribery integrity training conducted covers all employees in order to clarify the ethical standards of business conduct, and learn about the internal anti-corruption and integrity control procedures of the Group, so as to continuously strengthen our integrity culture and create a clean and upright working environment. During the year, the Group was not aware of any non-compliance with laws and regulations[3] that would have a significant impact on the Group relating to bribery, extortion, fraud and money laundering and was not involved in any corruption cases.

3 For the relevant laws and regulations, please refer to the section headed "Laws and Regulations"

COMMUNITY INVESTMENT

Adhering to the social responsibility philosophy of "giving back to the society", the Group actively serves the community by carrying out various social welfare activities. For example, we encourage all employees to participate in pandemic prevention and control efforts in Sanjiao Town, and employees have been involved in the front-line actions such as assisting in the collection of nucleic acid samples .

During the year, the Group invested RMB5,000 in public welfare and charity activities such as donations, contributions, project grants and scholarships, and our employees participated in volunteer activities for a total of 64 hours.

LAWS AND REGULATIONS

The Group has established and implemented internal policies related to environmental, social and governance issues to ensure our business operations are in compliance with applicable laws and regulations. The following table sets forth the relevant laws and regulations:

Aspects	Applicable laws and regulations	Corresponding Section
Resources Consumption	• Energy Conservation Law of the PRC • Cleaner Production Promotion Law of the PRC	Energy Consumption
Emissions	• Environmental Protection Law of the PRC • Atmospheric Pollution Prevention and Control Law of the PRC • Emission Limits of Air Pollutants • Emission Limits of Water Pollutants	Environmental Management
Employment and Labor Standards	• Labor Law of the PRC • Labor Contract Law of the PRC • Labor Protection Law • Law of the PRC on the Protection of Minors • Law of the PRC on the Protection of Women's Rights and Interests	Employees' Rights and Interests
Health and Safety	• Production Safety Law of the PRC • Law of the PRC on Prevention and Control of Occupational Diseases	Occupational Health and Safety
Product Responsibility	• Patent Law of the PRC	Quality Control
Anti-corruption	• Criminal Law of the PRC • Anti-Unfair Competition Law of the PRC	Anti-corruption and Whistleblowing Policy

PERFORMANCE DATA SUMMARY

		2022	2021
Environment	**Resources Consumption**		
	Electricity (kWh)	7,858,931	482,098
	Gasoline (Liter)	13,887.64	3,353.77
	Diesel oil (Liter)	0	5,455
	Total energy intensity (Gigajoule/million HK$ of revenue)	352.58	7.03
	Tap water (Tonne)	36,151	6,417
	Water intensity (Tonne/million HK$ of revenue)	111.81	22.12
	Total greenhouse gas emissions (tCO_2e)	13,898.06	317.48
	Direct emissions (Scope I) (tCO_2e)	36.93	23.35
	Indirect emissions (Scope II) (tCO_2e)	13,861.19	294.13
	Emission intensity (tCO_2e/million HK$ of revenue)	42.98	1.09
	Nitrogen oxides (Kilogram)	14.05	5.48
	Sulfur oxides (Kilogram)	0.20	0.14
	Suspended particulate matter (Kilogram)	1.17	0.40
	Hazardous waste (Tonne)	0.14	0.07
	General waste (recycled) (Tonne)	11.37	12.79
	General waste (disposed) (Tonne)	0.50	0
	Intensity of general waste (Tonne/million HK$ of revenue)	0.037	0.044
	Plastic bags (Tonne)	4.80	1.26
	Cardboard boxes (Tonne)	159.23	166
	Wooden boxes (Tonne)	16.24	/
	Tins and cans (Tonne)	3.48	/
	Self-adhesive labels for packaging of tins and cans (Tonne)	0.15	/
	Packaging straps (Tonne)	0.58	/
	Tapes (Tonne)	0.41	/
	Intensity of packaging material (Tonne/million HK$ of revenue)	0.57	0.58

		2022	2021
Employees	**Total Number**	503	383
	Gender Distribution		
	Male	221	153
	Female	282	230
	Type of Employment Distribution		
	Full-time	503	383
	Part-time	0	0
	Function Distribution		
	Frontline	293	204
	Non-frontline	210	179
	Age Distribution		
	≤30	113	87
	31–50	350	269
	> 50	40	27
	Geographical Distribution		
	Zhongshan	240	236
	Shanghai	117	107
	Beijing	48	40
	Changzhi	98	/

		2022	2021
Employees	**Turnover — By Age**		
	Turnover Number		
	≤30	25	40
	31-50	44	46
	> 50	2	0
	Turnover Rate		
	≤30	22%	28%
	31-50	13%	17%
	> 50	5%	0%
	Turnover — By Gender		
	Turnover Number		
	Male	31	34
	Female	40	52
	Turnover Rate		
	Male	14%	22%
	Female	14%	23%
	New Hire — By Age		
	New Hires		
	≤30	42	38
	31-50	67	16
	> 50	0	0
	New Hire Rate		
	≤30	37%	44%
	31-50	19%	6%
	> 50	0%	0%

		2022	2021
Employees	**New Hire — By Gender**		
	New Hires		
	Male	37	29
	Female	72	25
	New Hire Rate		
	Male	17%	19%
	Female	26%	11%
	Employee Training Performance — By Gender		
	Percentage of Employees Trained		
	Male	90%	85%
	Female	92%	92%
	Average Training Hours		
	Male	30.38	2.23
	Female	24.24	1.56
	Employee Training Performance — By Function		
	Percentage of Employees Trained		
	Frontline	100%	100%
	Non-frontline	79%	83%
	Average Training Hours		
	Frontline	23.27	1.76
	Non-frontline	32.04	2.51

		2022	2021
Employees	**Occupational Safety and Health Training**		
	Total person-times of participating training courses	1,130	625
	Total training hours	1,460	925
	Occupational Safety and Health Performance		
	Number of work-related accidents	1	0
	Number of work-related injuries	1	0
	Lost days due to work-related injuries	10	0
	Work-related fatalities	0	0
Community	**Public Welfare Input**		
	Charitable donations (RMB ten thousand)	0.5	0.5
	Volunteer work (Hours)	64	73.21

REPORT CONTENT INDEX

Key Performance Indicators	HKEx ESG Reporting Guide Requirements	Section/Remarks
Governance Structure		
General Disclosure	A statement from the board containing the following elements: (i) a disclosure of the board's oversight of ESG issues; (ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.	Board Statement
Reporting Principles		
General Disclosure	A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG report: (a) Materiality: The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement. (b) Quantitative: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed. (c) Consistency: The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.	Reporting and Guide Principle
Reporting Boundary		
General Disclosure	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.	Reporting Period and Reporting Boundary

Key Performance Indicators	HKEx ESG Reporting Guide Requirements		Section/Remarks
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		Environmental Management
	KPI A1.1	Types of emissions and respective emissions data	Greenhouse Gas Emissions, Exhaust Gas Emissions, Sewage Treatment
	KPI A1.2	Direct (Scope I) and Indirect emissions (Scope II), Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. based on per unit of production volume or per facility)	Greenhouse Gas Emissions
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. based on per unit of production volume or per facility)	Waste Disposal
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. based on per unit of production volume or per facility)	Waste Disposal
	KPI A1.5	Description of emission target(s) set and steps taken to achieve them	Environmental Goals
	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	Waste Disposal

Key Performance Indicators	HKEx ESG Reporting Guide Requirements		Section/Remarks
Aspect A2: Use of Resources	**General Disclosure** Policies on the efficient use of resources, including energy, water and other raw materials		Environmental Management
	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. based on per unit of production volume or per facility)	Energy Consumption
	KPI A2.2	Water consumption in total and intensity (e.g. based on per unit of production volume or per facility)	Water Resources Management
	KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them	Energy Consumption, Water Resources Management, Packaging Materials
	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	Water Resources Management
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	Packaging Materials
Aspect A3: Environment and Natural Resources	**General Disclosure** Policies on minimising the issuer's significant impact on the environment and natural resources		Environmental Emergency Management
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Response to Climate Change Environmental Emergency Management
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		Response to 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	Response to Climate Change

Key Performance Indicators	HKEx ESG Reporting Guide Requirements		Section/Remarks
B. SOCIAL			
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		Employees' Rights and Interests
	KPI B1.1	Total workforce by gender, employment type, age group and geographical region	Talent Management
	KPI B1.2	Employee turnover rate by gender, age group and geographical region	Talent Management
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 Safety and Health
	KPI B2.1	Number and rate of work-related fatalities	Occupational Safety and Health
	KPI B2.2	Lost days due to work injury	Occupational Safety and Health
	KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Occupational Safety and Health

Key Performance Indicators	HKEx ESG Reporting Guide Requirements		Section/Remarks
Aspect B3: Development and Training	**General Disclosure** Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities		Employee Training and Development
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	Employee Training and Development
	KPI B3.2	Average training hours completed per employee by gender and employee category	Employee Training and Development
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		Employees' Rights and Interests
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	Employees' Rights and Interests
	KPI B4.2	Description of steps taken to eliminate such practices when discovered	Employees' Rights and Interests
Aspect B5: Supply Chain Management	**General Disclosure** Policies on managing environmental and social risks of the supply chain		Quality Control
	KPI B5.1	Number of suppliers by geographical region	Supplier Management
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, 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	Green Procurement

Key Performance Indicators	HKEx ESG Reporting Guide Requirements		Section/Remarks
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		Quality Control
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Quality Control
	KPI B6.2	Number of products and service related complaints received and how they were dealt with	Customer Satisfaction
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	Protection of Intellectual Property and Privacy
	KPI B6.4	Description of quality assurance process and recall procedures	Quality Control
	KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	Protection of Intellectual Property and Privacy

Key Performance Indicators	HKEx ESG Reporting Guide Requirements		Section/Remarks
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 and Whistleblowing 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 and Whistleblowing Policy
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Anti-corruption and Whistleblowing Policy
	KPI B7.3	Description of anti-corruption training provided to directors and staff	Anti-corruption and Whistleblowing Policy
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	Community Investment
	KPI B8.2	Resources contributed to the focus area	Community Investment

Independent Auditor's Report

MOORE

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大華馬施雲
會計師事務所有限公司

Independent Auditor's Report to the Members of Touyun Biotech Group Limited
(Formerly known as China Touyun Tech Group Limited)
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Touyun Biotech Group Limited (formerly known as China Touyun Tech Group Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 75 to 169, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 1(b) to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. The Group incurred a net loss of HK$202,656,000 during the year ended 31 December 2022 and, as of that date, the Group's current liabilities exceeded its current assets by HK$87,987,000. These conditions, along with other matters as set forth in note 1(b) to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Independent Auditor's Report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Key audit matter	How the matter was addressed in our audit
Valuation of financial assets at fair value through profit or loss	
The Group holds unlisted equity investments related to equity investments in seven private entities, which were intended to be held for long-term strategic purpose at the time of acquisition. Such financial assets were measured at fair value at the end of each reporting period. The aggregate fair value of these financial assets was HK$178,565,000 as at 31 December 2022. Significant judgements and estimation are required to measure the fair value of financial assets, which reflect market conditions at the end of the reporting period. Management of the Group engaged an external valuer to perform valuation on three of the financial assets as at 31 December 2022. Fair value of the remaining unlisted equity securities were determined by the directors of the Company. Details of the Group's financial assets at fair value through profit or loss are set out in note 18 to the consolidated financial statements.	Our procedures to address the matter included: • Discussed with management of the Company and independent external valuer engaged by the Group and assessed the appropriateness of valuation methodology; • Discussed with management of the Company and/or independent external valuer and challenged the reasonableness of key assumptions being used based on our knowledge of the business and industry, including the discount rate on lack of marketability, the selection of proxy companies and weighting factor on multiples; • Reviewed the key unobservable inputs used by management of the Company and/or independent external valuer, including reliability of the sources of the inputs and their relevance to the equity investments; • Challenged the appropriateness of the valuation techniques used by the directors of the Company and/or independent external valuer in light of the nature of underlying business of the investees and the reliability of the data sources as well as adjustments applied to significant valuation inputs given the nature of those inputs; and • Evaluated the competency, capabilities and objectivity of independent external valuer, taking into account its experience and qualifications and business interests with the Group.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the chairman's statement, management discussion and analysis, directors' profile, directors' report, corporate governance report and environmental, social and governance report but does not include 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 THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company 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 Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company 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 of the Company either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, 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.

As part of an audit in accordance with HKSAs, we exercise professional judgement 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 of the Company.

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

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

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

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

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

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

Moore Stephens CPA Limited
Certified Public Accountants

Chan King Keung
Practising Certificate Number: P06057

Hong Kong, 27 March 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Revenue from treasury investment	5		
Fair value losses on financial assets at fair value through profit or loss held for trading, net		**(9,899)**	(25,143)
Interest income from money lending business		**2,390**	3,178
Interest income from margin financing		**–**	12,672
Commission and service income		**–**	972
Dividend income from financial assets at fair value through profit or loss held for trading		**–**	411
Revenue from sales of goods and services rendered	5	**323,334**	291,415
Cost of sales		**(195,706)**	(176,451)
Gross profit		**127,628**	114,964
Provision for impairment loss on trade receivables, net	41(b)	**(7,904)**	(463)
Reversal of impairment loss on loan and interest receivables	22	**–**	6,623
Other income, gains and losses, net	6	**(135,066)**	(74,300)
Selling and distribution expenses		**(26,431)**	(18,660)
Administrative expenses		**(128,249)**	(126,081)
Finance costs	7	**(21,652)**	(17,143)
Loss before tax	8	**(199,183)**	(122,970)
Income tax	11	**(3,473)**	(971)
Loss for the year		**(202,656)**	(123,941)
Loss for the year attributable to:			
— Owners of the Company		**(198,065)**	(72,948)
— Non-controlling interests		**(4,591)**	(50,993)
		(202,656)	(123,941)
Loss per share attributable to owners of the Company	13		
— Basic and diluted		**HK(7.06) cents**	HK(2.61) 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 for the year	**(202,656)**	(123,941)
Other comprehensive (loss)/income		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(14,739)**	5,360
Other comprehensive (loss)/income for the year, net of tax	**(14,739)**	5,360
Total comprehensive loss for the year	**(217,395)**	(118,581)
Total comprehensive loss attributable to:		
Owners of the Company	**(212,804)**	(67,588)
Non-controlling interests	**(4,591)**	(50,993)
	(217,395)	(118,581)

Consolidated Statement of Financial Position

31 December 2022

	Notes	**2022 HK$'000**	2021 HK$'000
Non-current assets			
Property, plant and equipment	14	**290,570**	327,361
Right-of-use assets	15	**90,712**	108,589
Intangible assets	16	**277**	1,624
Goodwill	17	**–**	–
Financial assets at fair value through profit or loss	18	**184,129**	318,937
		565,688	756,511
Current assets			
Inventories	19	**35,613**	32,766
Trade receivables	20	**41,445**	66,287
Prepayments, deposits and other receivables	21	**36,677**	35,167
Loan and interest receivables	22	**64,020**	40,043
Financial assets at fair value through profit or loss	18	**16,156**	33,756
Cash and cash equivalents	23	**128,098**	60,198
		322,009	268,217
Current liabilities			
Trade payables	24	**46,224**	37,875
Contract liabilities	25	**17,184**	23,477
Other payables and accruals	26	**35,098**	62,755
Lease liabilities	27	**12,001**	14,413
Bank and other borrowings	28(a)	**188,821**	292,611
Amount due to a director	28(b)	**95,533**	92,630
Amount due to a shareholder of the Company	28(b)	**11,000**	–
Margin loans payable	29	**–**	3,633
Tax payable		**4,135**	2,167
		409,996	529,561
Net current liabilities		**(87,987)**	(261,344)
Total assets less current liabilities		**477,701**	495,167

Consolidated Statement of Financial Position

31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Non-current liabilities			
Bank and other borrowings	28(a)	**191,292**	–
Lease liabilities	27	**2,900**	8,122
		194,192	8,122
Net assets		**283,509**	487,045
Equity			
Equity attributable to owners of the parent			
Share capital	33	**112,238**	112,238
Reserves	34	**151,721**	357,679
		263,959	469,917
Non-controlling interests		**19,550**	17,128
Total equity		**283,509**	487,045

Wang Liang
Director

Du Dong
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

		Attributable to owners of the parent									
	Notes	Issued capital HK$'000	Share premium account HK$'000 (note 34(a))	Capital reserve HK$'000 (note 34(b))	Contributed surplus HK$'000 (note 34(c))	Share option reserve HK$'000 (note 34(d))	Translation reserve HK$'000	Accumulated loss HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 31 December 2020		110,946	1,876,302	27,049	(34,425)	31,703	15,726	(1,539,258)	488,043	68,326	556,369
Loss for the year		–	–	–	–	–	–	(72,948)	(72,948)	(50,993)	(123,941)
Exchange differences on translation of foreign operations		–	–	–	–	–	5,360	–	5,360	–	5,360
Total comprehensive income (loss) for the year		–	–	–	–	–	5,360	(72,948)	(67,588)	(50,993)	(118,581)
Share subscription	33	1,200	26,984	–	–	–	–	–	28,184	–	28,184
Disposal of a subsidiary		–	–	–	–	–	–	–	–	(5,304)	(5,304)
Deemed partial disposal of a subsidiary	(i)	–	–	–	–	–	–	2,017	2,017	97,983	100,000
Dividend paid to non-controlling interests		–	–	–	–	–	–	–	–	(92,884)	(92,884)
Equity-settled share-based payments	35	–	–	–	–	16,180	–	–	16,180	–	16,180
Share option exercised		92	4,372	–	–	(1,383)	–	–	3,081	–	3,081
Share options lapsed		–	–	–	–	(1,690)	–	1,690	–	–	–
Transactions with equity shareholders		1,292	31,356	–	–	13,107	–	3,707	49,462	(205)	49,257
At 31 December 2021		112,238	1,907,658*	27,049*	(34,425)*	44,810*	21,086*	(1,608,499)*	469,917	17,128	487,045

		Attributable to owners of the parent									
	Notes	**Issued capital HK$'000**	**Share premium account HK$'000 (note 34(a))**	**Capital reserve HK$'000 (note 34(b))**	**Contributed surplus HK$'000 (note 34(c))**	**Share option reserve HK$'000 (note 34(d))**	**Translation reserve HK$'000**	**Accumulated loss HK$'000**	**Total HK$'000**	**Non-controlling interests HK$'000**	**Total equity HK$'000**
At 31 December 2021		**112,238**	**1,907,658***	**27,049***	**(34,425)***	**44,810***	**21,086***	**(1,608,499)***	**469,917**	**17,128**	**487,045**
Loss for the year		**-**	**-**	**-**	**-**	**-**	**-**	**(198,065)**	**(198,065)**	**(4,591)**	**(202,656)**
Exchange differences on translation of foreign operations		**-**	**-**	**-**	**-**	**-**	**(14,739)**	**-**	**(14,739)**	**-**	**(14,739)**
Total comprehensive loss for the year		**-**	**-**	**-**	**-**	**-**	**(14,739)**	**(198,065)**	**(212,804)**	**(4,591)**	**(217,395)**
Deemed partial disposal of a subsidiary	(ii)	**-**	**-**	**-**	**-**	**-**	**-**	**(13)**	**(13)**	**7,013**	**7,000**
Equity-settled share-based payments	35	**-**	**-**	**-**	**-**	**6,859**	**-**	**-**	**6,859**	**-**	**6,859**
Share options lapsed		**-**	**-**	**-**	**-**	**(5,369)**	**-**	**5,369**	**-**	**-**	**-**
Transactions with equity shareholders		**-**	**-**	**-**	**-**	**1,490**	**-**	**5,356**	**6,846**	**7,013**	**13,859**
At 31 December 2022		**112,238**	**1,907,658***	**27,049***	**(34,425)***	**46,300***	**6,347***	**(1,801,208)***	**263,959**	**19,550**	**283,509**

* These reserve accounts comprise the consolidated reserves of HK$151,721,000 (2021: HK$357,679,000) in the consolidated statement of financial position.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

Notes:

(i) On 23 February 2021, Galaxy Vantage Limited ("Galaxy Vantage"), an indirect non-wholly-owned subsidiary of the Group, entered into a subscription agreement with Blue River Investments Limited ("Blue River"), a wholly-owned subsidiary of Blue River Holdings Limited (formerly known as PYI Corporation Limited) ("Blue River Holdings"), whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited with Stock Code of 0498, pursuant to which Galaxy Vantage has agreed to allot and issue 31,500 new shares to Blue River and Blue River has agreed to subscribe the 31,500 new shares of Galaxy Vantage at a consideration of HK$100,000,000. Such deemed partial disposal was completed on 23 February 2021 and had been accounted for as equity transaction. After the partial disposal, the Group's equity shareholding decreased from 83.90% to 61.00% and the Group retained its control in Galaxy Vantage as at 31 December 2021.

(ii) On 7 November 2022, Era Bright Limited ("Era Bright"), an indirect non-wholly-owned subsidiary of the Group, entered into a subscription agreement with Blue River Enterprises Limited ("Blue River Enterprises"), an indirect wholly-owned subsidiary of Blue River Holdings, pursuant to which Era Bright has agreed to allot and issue 10,600 new shares to Blue River Enterprises and Blue River Enterprises has agreed to subscribe the 10,600 new shares of Era Bright at a consideration of HK$7,000,028. Such deemed partial disposal was completed on 7 November 2022 and had been accounted for as equity transaction. After the partial disposal, the Group's equity shareholding decreased from 79.22% to 73.45% and the Group retained its control in Era Bright as at 31 December 2022.

Consolidated Statement of Cash Flows

Year ended 31 December 2022

	Notes	**2022** **HK$'000**	2021 HK$'000
Cash flows from operating activities			
Loss before tax		**(199,183)**	(122,970)
Adjustments for:			
Bank interest income	6	**(85)**	(173)
Depreciation of property, plant and equipment	8	**11,887**	3,106
Depreciation of right-of-use assets	8	**19,995**	17,587
Amortisation of intangible assets	8	**1,256**	2,007
Gain on termination of lease		**(160)**	–
Fair value losses on financial assets at fair value through profit or loss (not held for trading), net	6	**140,266**	54,049
Fair value gain on derivative component of convertible bond	6	**–**	(273)
Equity-settled share option expenses	8	**6,859**	16,180
Finance costs	7	**21,652**	17,143
Loss of disposal of subsidiaries	6	**–**	22,680
Loss on disposal/written off of property, plant and equipment, net	6	**2,815**	226
Reversal of impairment loss on loan and interest receivables		**–**	(6,623)
Provision for impairment loss of trade receivables, net	41(b)	**7,904**	463
		13,206	3,402
(Increase)/decrease in inventories		**(2,847)**	975
Decrease/(increase) in trade receivables and prepayments, deposits and other receivables		**15,428**	(142,482)
(Increase)/decrease in loan and interest receivables		**(23,977)**	68,202
Decrease in financial assets at fair value through profit or loss (held for trading)		**17,600**	15,404
(Decrease)/increase in trade payables, contract liabilities and other payables and accruals		**(25,601)**	34,867

Consolidated Statement of Cash Flows

Year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Cash used in operations		**(6,191)**	(19,632)
Interest received		**85**	173
Interest paid		**(18,761)**	(31,058)
Income tax paid		**(1,505)**	(3,297)
Net cash flows used in operating activities		**(26,372)**	(53,814)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(12,930)**	(163,508)
Purchases of leasehold lands		**–**	(87,282)
Proceeds from disposal of property, plant and equipment		**1,149**	3,276
Acquisition of financial assets at fair value through profit or loss, not held for trading		**(5,465)**	(52,300)
Net cash inflow from disposal of subsidiaries	32	**–**	152,077
Net cash flows used in investing activities		**(17,246)**	(147,737)
Cash flows from financing activities			
Net proceeds from share subscriptions	33(ii)	**–**	28,184
Proceeds from exercises of share option	33(i)	**–**	3,081
Redemption of convertible bond ("CB")	30	**–**	(110,604)
Repayments of lease liabilities		**(19,229)**	(18,181)
Margin loan repaid		**(3,633)**	(10,253)
New bank and other borrowings raised	28(a)	**315,904**	348,641
Repayment of bank and other borrowings	28(a)	**(211,314)**	(118,544)
Proceeds from allotment of shares by a subsidiary without losing control		**7,000**	100,000
Dividend paid to non-controlling interests	36	**–**	(92,884)
Advance from/(repayment to) a director		**2,903**	(6,270)
Advance from a shareholder of the Company		**11,000**	–
Net cash flows from financing activities		**102,631**	123,170
Net increase/(decrease) in cash and cash equivalents		**59,013**	(78,381)
Cash and cash equivalents at beginning of year		**60,198**	142,440
Effect of foreign exchange rate changes, net		**8,887**	(3,861)
Cash and cash equivalents at end of year	23	**128,098**	60,198

1. GENERAL AND BASIS OF PREPARATION

(a) Corporate and group information

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

With effect from 11 May 2021, the Company has changed its English name from China Touyun Tech Group Limited to Touyun Biotech Group Limited and changed its Chinese name from 中國透雲科技集團有限公司 to 透雲生物科技集團有限公司, to align with the Group’s long-term development strategy.

(b) Basis of preparation

The Group incurred a net loss of HK$202,656,000 during the year ended 31 December 2022 and, as of that date, the Group’s current liabilities exceeded its current assets by HK$87,987,000. These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group’s ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The Group has developed and implemented the following liquidity plan to address the going concern issue:

(i) The Group has negotiated with financial institutions with a view to obtaining new financing at reasonable cost for repayment to the existing lenders and/or additional working capital;

(ii) Some existing lenders have agreed for restructuring of the loans to release the limitation imposed and extend the repayment schedule of such borrowings to the Group. In the opinion of the directors of the Company, the existing lenders of those past due borrowings will not enforce their rights of requesting for immediate repayment;

(iii) Undertaking letters have been received from Mr. Wang Liang, director of the Company and Ms. Qiao Yanfeng, shareholder of the Company, that they would not demand repayment of the amounts due to them with aggregate amounts of HK$106,533,000 until the Group has excess cash to repay; and

(iv) The Group is further exploring the market in Mainland China of sales of the Group’s Chlamydomonas reinhardtii and related products to improve the liquidity, profitability and revenue of the Group.

The directors of the Company have prepared a cash flow forecast covering the year ending 31 December 2023 and are satisfied, after taking into account the factors as mentioned above, that Group will have sufficient working capital for at least the next 12 months from 31 December 2022. Hence the consolidated financial statements have been prepared on a going concern basis.

Notwithstanding the above, the successful eventual outcome of the above liquidity plan cannot be determined with certainty.

2. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

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

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

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

Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

A. the contractual arrangement with the other vote holders of the investee;

B. rights arising from other contractual arrangements; and

C. the Group's voting rights and potential voting rights.

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Statement of compliance *(Continued)*

Basis of consolidation *(Continued)*

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

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

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

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

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020
Amendments to AG 5 (Revised)	Merger Accounting for Common Control Combination

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) New and amendments to HKFRSs in issue but not yet effective

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

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

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

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) What is meant by a right to defer settlement;

  (ii) That a right to defer must exist at the end of the reporting period;

  (iii) That classification is unaffected by the likelihood that an entity will exercise its deferral right; and

  (iv) That only if an option at the discretion of the counterparty included in the terms of a convertible liability is itself an equity instrument in accordance with HKAS 32 Financial Instrument: Presentation would not affect the current or non-current classification of the liability.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) New and amendments to HKFRSs in issue but not yet effective *(Continued)*

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) *(Continued)*

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion. The amendments require retrospective application. The directors of the Company are currently assessing the impact of the amendments on the consolidated financial statements and whether existing loan agreement may require renegotiation.

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications. The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

(d) Business combinations or asset acquisition

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

(i) Optional concentration test

Effective from 1 January 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Business combinations or asset acquisition *(Continued)*

(ii) Asset acquisitions

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

(iii) Business combinations

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

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting issued in October 2010).

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

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Business combinations or asset acquisition *(Continued)*

(iii) Business combinations *(Continued)*

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

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

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Goodwill

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

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

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

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

(f) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Property, plant and equipment and depreciation *(Continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	20% or over the unexpired terms of the leases, if less than 5 years
Furniture, fixtures and equipment	10% to 33.3%
Motor vehicles	20% to 25%
Plant and machinery	10% to 33.3%
Buildings	4%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

(g) Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

The Group as a lessee

Allocation of consideration to components of a contract

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) Leases *(Continued)*

The Group as a lessee *(Continued)*

Short-term leases and leases of low-value assets

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

Right-of-use assets

The cost of right-of-use asset includes:

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

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term 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.

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

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease liabilities

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

The lease payments include:

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

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

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

(h) Intangible assets other than goodwill

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and accumulated impairment losses, if any. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. The principal annual rate used for amortisation is as follows:

Patent	10%
Development costs	33.3%

Intangible assets with indefinite useful lives that are acquired in a business combination are initially recognised at fair value at the date of acquisition and subsequently carried at the amount initially recognised less any subsequent accumulated impairment losses.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) Intangible assets other than goodwill *(Continued)*

Intangible assets acquired separately *(Continued)*

Intangible assets with indefinite useful lives, representing eligibility rights to trade securities and future contracts on or through The Stock Exchange of Hong Kong Limited ("Stock Exchange") and The Hong Kong Futures Exchange Limited ("HKFE"), are tested for impairment annually either individually or at the cash-generating unit level. These intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss when the asset is derecognised.

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 arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for an internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and 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, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

(j) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a 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 market place.

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

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

Dividend income from financial assets at fair value through profit or loss held for trading and fair value gains or losses on financial assets at fair value through profit or loss held for trading, net which are derived from the Group's ordinary course of business are presented as revenue.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets

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

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

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

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

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9 Initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is held for trading if:

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

(i) Amortised cost and interest income

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

(ii) Equity instruments at FVTPL

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

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

(k) Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including trade receivables, other receivables, note receivable and other items (lease receivables) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 *(Continued)*

(i) Significant increase in credit risk

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

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

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

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

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

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

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

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower 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 debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 *(Continued)*

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

(iii) 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:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 *(Continued)*

(v) Measurement and recognition of ECL

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

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16 or HKAS 17 (prior to 1 January 2019).

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

- Nature of financial instruments (i.e. the Group's trade receivables, loan and interest receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for ECL on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

(l) Derecognition of financial assets

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Financial liabilities

Initial recognition and measurement

Financial liabilities, at initial recognition, are recognised at fair value.

The Group's financial liabilities include trade payables, amount due to a director, amount due to a shareholder of the Company, other payables, margin loans payable, bank and other borrowings and financial liabilities at fair value through profit or loss.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKFRS 9 are satisfied.

Financial liabilities at amortised cost

After initial recognition, the Group's financial liabilities that include trade payables, amount due to a director, amount due to a shareholder of the Company, other payables, margin loans payable and bank and other borrowings are subsequently measured at amortised cost, using the effective interest rate method.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the consolidated statement of profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Financial liabilities *(Continued)*

Subsequent measurement *(Continued)*

Convertible bonds

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative.

At the date of issue, both the debt component and derivative components are recognised at fair value. In subsequent periods, the debt component of the convertible loan notes is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible loan notes using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL. Generally, multiple embedded derivatives in a single instrument are treated as a single compound embedded derivative unless those derivatives relate to different risk exposure and are readily separate and independent of each other.

(n) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When the contractual terms of financial liability are modified such that the revised terms would result in a substantial modification from the original terms after considering qualitative factors (e.g. modifications of convertible instruments).

When the contractual terms of a convertible instrument are modified, such as extending the tenure, change in exercise price of the underlying options, the revised terms would result in a substantial modification from the original terms, after taking into account all relevant facts and circumstances including qualitative factors, such modification is accounted for as derecognition of the original financial liability and the recognition of new financial liability. The difference between the carrying amount of financial liability derecognised and the fair value of consideration paid or payable, including any liabilities assumed and derivative components recognised, is recognised in profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(o) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(p) Inventories and contract costs

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

(ii) Contract costs

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory.

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses. Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 2(t).

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(q) Contract assets and contract liabilities

A 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 ECL in accordance with the policy set out in note 2(k) 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 (see note 2(t)). 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.

(r) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

(s) Provisions and contingent liabilities

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(t) Revenue recognition

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

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

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

A. the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

B. the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

C. the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service. Revenue excludes value added taxes and is after deduction of any trade discounts.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sales of packaging products and QR code packaging products

Revenue is recognised when the customers take possession of and accept the goods. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Provision of QR code packaging solutions

Revenue is recognised at a point in time when the development of software is completed.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(t) Revenue recognition *(Continued)*

(iii) Advertising display services income

Advertising display services income is recognised over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance.

(iv) Gains or losses on trading of securities

Gains or losses on trading of securities are recognised on a trade date basis when the relevant transaction are executed.

(v) Commission income from securities broking

Commission income is recognised on the transactions dates when the relevant contract notes are executed.

(vi) Interest income

Interest income is recognised as it accrues using the effective interest method.

(vii) Dividends

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(u) Government grant

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset.

Government grants relate to income that are 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. Such grants are presented under "other income, gains and losses".

(v) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., 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. The capitalisation of such borrowing costs ceases when 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 capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(w) Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(x) Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group also operates a Mandatory Provident Fund Exempted Occupational Retirement Schemes Ordinance ("ORSO") retirement benefit scheme for those employees who are eligible to participate in the ORSO scheme. This scheme operates in a way similar to the MPF Scheme, except that when an employee leaves the scheme prior to his/her interest in the Group's employee contributions vesting fully, the ongoing contributions payable by the Group are reduced by the relevant amount of forfeited employer's contributions.

The employees of the Group's subsidiaries which operates in People's Republic of China (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(y) Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(y) Income tax *(Continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(z) Foreign currencies

These consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated to Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss and other comprehensive income are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(aa) 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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(ab) Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

(vi) the entity is controlled or jointly controlled by a person identified in (a);

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

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

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

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Significant judgement

Revenue recognition from the provision of QR code service relating to the development of software with no alternative use at a point in time

Under HKFRS 15, revenue is recognised over time when any of the criteria set out in note 2(t) is satisfied. The management assessed criteria (A) and (B) and concluded that these criteria are not met because the development is carried out in the Group's premises. In respect of criterion (C) about whether the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date, significant judgement is required in determining whether the terms of the contracts with customers gives the Group an enforceable right to payment for the Group for the work performed to date at all times during the contract period. The Group has considered the relevant local laws that apply to those relevant contracts, the customary business practice of the Group in the industry in which it operates and the relevant legal and regulatory environment. Based on the assessment by the directors of the Company on the foregoing factors, the Group does not satisfy criterion (C). Accordingly, revenue from the provision of QR code service relating to the development of software with no alternative use is considered to be performance obligation satisfied at a point in time.

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 described below.

Discount rate for lease liability

In determining the discount rate for lease liabilities, the Group is required to estimate and determine the discount rate (being the lessee's incremental borrowing rates) taking into account the nature of the underlying assets and the terms and conditions of the leases at the commencement date of lease as appropriate.

Fair value of financial instruments

Certain of the Group's unquoted equity instruments amounting to HK$178,565,000 (2021: HK$318,937,000) as at 31 December 2022 are measured at fair values with fair values being determined based on unobserved inputs using valuation techniques.

Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. See note 40 for further disclosures.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Provision for obsolete and slow-moving inventories

The Group has a general provision policy on inventories based on ageing. The Group's sales and marketing managers review the inventory ageing listing on a periodical basis for those aged inventories. This involves a comparison of the carrying values of aged inventory items with their respective net realisable values. The purpose is to ascertain whether allowance is required to be made in the financial statements for any obsolete and slow-moving items. In addition, physical counts on all inventories are carried out on a periodical basis in order to determine whether allowance needs to be made in respect of any obsolete and defective inventories identified.

Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for trade receivables. The provision rates are based on the Group's internal credit review from the Group's historical repayment pattern and the Group's groupings of various debtors that are considered to have similar credit risk. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and adjusted to reflect changes in the forward-looking information. In addition, trade receivables with significant balances and credit impaired are assessed for ECL individually.

Impairment allowances on loan and interest receivables

The Group measures the loss allowance based on an expected credit loss model. The allowance for ECL on the unsecured loan and interest receivables are calculated based on loss rates which are reference to the interest rates granted by similar money lending company and historical data, adjusted for forward-looking futures specific to the debtors and the economic environment. Specifically, a credit loss is the present value of the difference between (i) the contractual cash flows that are due to an entity under the contract and (ii) the cash flows that the entity expects to receive. Such assessment involves a high degree of estimation and uncertainty. When the actual future cash flows are less or more than expected, a material ECLs or material reversal of ECLs may arise, accordingly. As at 31 December 2022, the carrying amount of unsecured loans and advances to customers is HK$64,020,000 (2021: HK$40,043,000), and no impairment losses allowance is recognized as at 31 December 2022 and 2021.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and unsecured loan and interest receivables are disclosed in notes 41(b) and 22.

Share-based payments

The Group measures the cost of equity-settled transactions with employees and consultants who providing similar services to employees, by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payments requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield. During the year ended 31 December 2022, the Group recognised an expense of HK$6,859,000 (2021: HK$16,180,000) as equity-settled share based payments, by reference to the fair value of equity instruments at the date which they are granted. The assumptions and models used for estimating fair value for share-based payments are disclosed in note 35.

4. SEGMENT INFORMATION

The Group has four reportable segments. The segments are managed separately as each business offers different products or provides different services and requires different business strategies. No operating segments have been aggregated in arriving at the reportable segments of the Group.

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

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

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

There was no inter-segment sale or transfer during the year (2021: Nil). Central income and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the chief operating decision makers for assessment of segment performance.

4. SEGMENT INFORMATION *(Continued)*

	QR code business		Packaging products business		Treasury investment business		Chlamydomonas reinhardtii products business		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Group's revenue	**99,373**	117,636	**211,344**	172,464	**–**	–	**12,617**	1,315	**323,334**	291,415
Fair value losses on financial assets at fair value through profit or loss held for trading, net	**–**	–	**–**	–	**(9,899)**	(25,143)	**–**	–	**(9,899)**	(25,143)
Interest income from money lending business	**–**	–	**–**	–	**2,390**	3,178	**–**	–	**2,390**	3,178
Interest income from margin financing	**–**	–	**–**	–	**–**	12,672	**–**	–	**–**	12,672
Commission and service income	**–**	–	**–**	–	**–**	972	**–**	–	**–**	972
Dividend income from financial assets at FVTPL held for trading	**–**	–	**–**	–	**–**	411	**–**	–	**–**	411
Segment revenue	**99,373**	117,636	**211,344**	172,464	**(7,509)**	(7,910)	**12,617**	1,315	**315,825**	283,505
Segment results	**(8,983)**	24,164	**18,076**	7,461	**(138,085)**	(66,258)	**(9,419)**	(3,148)	**(138,411)**	(37,781)
Corporate and unallocated income, gains and losses									**(3,427)**	(30,024)
Corporate and unallocated expenses									**(35,693)**	(38,022)
Finance costs									**(21,652)**	(17,143)
Loss before tax									**(199,183)**	(122,970)

Management makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as management does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

4. SEGMENT INFORMATION *(Continued)*

	QR code business 2022 HK$'000	QR code business 2021 HK$'000	Packaging products business 2022 HK$'000	Packaging products business 2021 HK$'000	Treasury investment business 2022 HK$'000	Treasury investment business 2021 HK$'000	Chlamydomonas reinhardtii products business 2022 HK$'000	Chlamydomonas reinhardtii products business 2021 HK$'000	Total 2022 HK$'000	Total 2021 HK$'000
Other segment information:										
Capital expenditure (note)										
– operating segment	**3,012**	2,568	**–**	2	**–**	73	**9,842**	248,131	**12,854**	250,774
– unallocated									**76**	16
									12,930	250,790
Interest income										
– operating segment	**63**	118	**22**	9	**–**	–	**–**	40	**85**	167
– unallocated									**–**	6
									85	173
Depreciation of property, plant and equipment										
– operating segment	**2,744**	2,316	**530**	662	**–**	72	**8,591**	43	**11,865**	3,093
– unallocated									**22**	13
									11,887	3,106
Depreciation of right-of-use assets										
– operating segment	**3,015**	1,233	**12,054**	12,423	**–**	595	**2,191**	602	**17,260**	14,853
– unallocated									**2,735**	2,734
									19,995	17,587
Government grant										
– operating segment	**–**	–	**(759)**	–	**–**	–	**(1,728)**	–	**(2,487)**	–
– unallocated									**(248)**	–
									(2,735)	–
Research and development expenses	**18,450**	21,898	**–**	–	**–**	–	**1,830**	33	**20,280**	21,931
Amortisation of intangible assets	**1,256**	2,007	**–**	–	**–**	–	**–**	–	**1,256**	2,007
Loss on disposal/written off of property, plant and equipment	**2,753**	226	**62**	–	**–**	–	**–**	–	**2,815**	226
Provision for impairment loss/ (reversed of impairment loss) on trade receivables, net	**8,056**	587	**(152)**	(124)	**–**	–	**–**	–	**7,904**	463
Reversal of impairment loss on loan and interest receivables	**–**	–	**–**	–	**–**	(6,623)	**–**	–	**–**	(6,623)
Fair value loss of financial assets at fair value through profit or loss										
– operating segment	**(106)**	–	**–**	–	**130,072**	59,995	**–**	–	**129,966**	59,995
– unallocated									**10,300**	(5,946)
									140,266	54,049
Loss on disposal of subsidiaries	**–**	–	**–**	–	**–**	22,680	**–**	–	**–**	22,680

Note: Included in capital expenditure for the year ended 31 December 2021 was an amount of HK$163,508,000 related to acquisitions of property, plant and equipment and another amount of HK$87,282,000 (equivalent to RMB71,420,000) related to acquisitions of two leasehold lands situated in Lucheng District, Changzhi City, Shanxi Province, PRC.

4. SEGMENT INFORMATION *(Continued)*

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

	2022 HK$'000	2021 HK$'000
QR code business segment		
– the PRC	**99,373**	117,636
Packaging products business segment		
– Hong Kong and the PRC	**124,429**	98,218
– Europe	**68,177**	53,164
– North and South America	**8,823**	10,020
– Others	**9,915**	11,062
	211,344	172,464
Treasury investment business segment		
– Hong Kong	**(7,509)**	(7,910)
Chlamydomonas reinhardtii products business segment		
– Hong Kong and the PRC	**12,617**	1,315
Segment revenue	**315,825**	283,505

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

	2022 HK$'000	2021 HK$'000
Hong Kong	**11,094**	10,863
PRC	**370,465**	426,711
	381,559	437,574

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

Information about major customers

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

	2022 HK$'000	2021 HK$'000
Packaging products business segment:		
Customer A	**70,384**	51,560

5. REVENUE

An analysis of revenue

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

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

	2022 HK$'000	2021 HK$'000
Manufacturing and sales of packaging products	**211,344**	172,464
Provision of QR code packaging products and solutions		
QR code packaging products	**27,403**	62,171
QR code solutions	**71,970**	55,456
	99,373	117,627
Advertising display service income	**–**	9
Manufacturing and sales of Chlamydomonas reinhardtii products	**12,617**	1,315
	323,334	291,415
Fair value losses on financial assets at fair value through profit or loss held for trading, net (note (i))	**(9,899)**	(25,143)
Interest income from money lending business	**2,390**	3,178
Interest income from margin financing	**–**	12,672
Commission and service income	**–**	972
Dividend income from financial assets at fair value through profit or loss held for trading	**–**	411
	315,825	283,505

Note:

(i) During the year ended 31 December 2022, the gross proceed from the disposal of listed equity investments classified as financial assets at fair value through profit or loss for the year was nil (2021: HK$14,576,000).

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

		2022 HK$'000	2021 HK$'000
(a)	At a point of time		
	Manufacturing and sales of packaging products	**211,344**	172,464
	Provision of QR code packaging products and solutions	**99,373**	117,627
	Manufacturing and sales of Chlamydomonas reinhardtii products	**12,617**	1,315
	Commission and service income	**–**	972
		323,334	292,378
(b)	By over time		
	Advertising display service income	**–**	9
		323,334	292,387

The Group's customer base is diversified and information about major customers is disclosed in note 4. Details of concentrations of credit risk are set out in note 41(b).

Notes to Consolidated Financial Statements

31 December 2022

6. OTHER INCOME, GAINS AND LOSSES, NET

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

	Notes	2022 HK$'000	2021 HK$'000
Bank interest income		**85**	173
Rental income		**1,277**	–
Fair value gain on derivative component of CB (including changes arising from early redemption of CB)	30	**–**	273
Fair value (loss)/gain on financial assets at fair value through profit or loss (not held for trading), net			
— Unlisted equity investments	40	**(140,372)**	(54,049)
— Private equity investment fund		**106**	–
		(140,266)	(54,049)
Loss on disposal of subsidiaries	32	**–**	(22,680)
Foreign exchange differences, net		**2,760**	(1,246)
Government grant (note)		**2,735**	–
Loss on disposal/written off of property, plant and equipment, net		**(2,815)**	(226)
Others		**1,158**	3,455
		(135,066)	(74,300)

Note: Included in government grant for the year ended 31 December 2022 was an amount of HK$1,007,000 related to Employment Support Scheme provided by The Government of Hong Kong Special Administrative Region and another amount of HK$1,728,000 (equivalent to RMB1,480,000) related to subsidy granted by Changzhi Municipal People's Government, as incentives for the Group's economic contributions at Lucheng District, Changzhi City, Shanxi Province, the PRC.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 HK$'000	2021 HK$'000
Interest expense on CB	**–**	11,648
Interest on lease liabilities	**1,258**	1,009
Interest on bank and other borrowings	**20,382**	16,873
Interest on margin loans payable	**12**	2,321
Less: Interest capitalised into construction in progress (note)	**–**	(14,708)
	21,652	17,143

Note: The finance costs have been capitalised at a rate of ranging from 0.5% to 1% per month for the year ended 31 December 2021.

8. LOSS BEFORE TAX

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

	Notes	2022 HK$'000	2021 HK$'000
Auditor's remuneration		**1,630**	1,530
Cost of inventories sold (note)		**195,706**	176,451
Depreciation of property, plant and equipment	14	**11,887**	3,106
Depreciation of right-of-use assets	15	**19,995**	17,587
Amortisation of intangible assets	16	**1,256**	2,007
Short-term lease payments		**3,477**	3,842
Legal and professional fee (included in administrative expenses)		**3,249**	4,963
Local and overseas travelling expenses		**3,389**	3,349
Research and development cost (included in administrative expenses)		**20,280**	21,931
Employee benefits expenses (including Directors' remuneration (note 9)):			
Wages and salaries		**68,286**	57,705
Pension scheme contributions		**4,708**	1,655
Equity-settled share option expenses (note 35)		**3,263**	6,973
		76,257	66,333
Equity-settled share option expense (note 35):			
Other participants		**3,596**	9,207

Note: Included in cost of inventories sold are cost of materials of HK$174,898,000 (2021: HK$155,016,000).

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, Section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2022 HK$'000	2021 HK$'000
Fees	**844**	844
Other emoluments:		
Salaries, allowances and benefits in kind	**6,594**	5,887
Bonus	**–**	410
Pension scheme contributions	**35**	54
	7,473	7,195

9. DIRECTORS' REMUNERATION *(Continued)*

(a) Executive Directors and Non-executive Directors

Year ended 31 December 2022	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Bonus HK$'000	Pension scheme contributions HK$'000	Sub-total HK$'000	Share-based payments HK$'000	Total remuneration HK$'000
Executive Directors:							
Mr. Wang Liang	–	4,200	–	5	4,205	–	4,205
Mr. Du Dong	–	1,400	–	18	1,418	–	1,418
	–	5,600	–	23	5,623	–	5,623
Non-executive Directors:							
Mr. Chen Hui	–	240	–	–	240	–	240
Ms. Tian Yuze	–	120	–	–	120	–	120
Mr. Jia Wenjie	–	20	–	–	20	–	20
Mr. Zhang Lele	–	614	–	12	626	–	626
	–	994	–	12	1,006	–	1,006
	–	6,594	–	35	6,629	–	6,629

Year ended 31 December 2021	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Bonus HK$'000	Pension scheme contributions HK$'000	Sub-total HK$'000	Share-based payments HK$'000	Total remuneration HK$'000
Executive Directors:							
Mr. Wang Liang	–	3,700	200	18	3,918	–	3,918
Mr. Du Dong	–	1,280	160	18	1,458	–	1,458
Mr. Lo Yuen Wa Peter (resigned on 31 December 2021)	–	507	20	18	545	–	545
	–	5,487	380	54	5,921	–	5,921
Non-executive Directors:							
Mr. Chen Hui	–	240	–	–	240	–	240
Ms. Tian Yuze	–	120	–	–	120	–	120
Mr. Jia Wenjie	–	20	–	–	20	–	20
Mr. Zhang Lele	–	20	–	–	20	–	20
	–	400	–	–	400	–	400
	–	5,887	380	54	6,321	–	6,321

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2021: Nil).

9. DIRECTORS' REMUNERATION *(Continued)*

(b) Independent Non-executive Directors

Year ended 31 December 2022	**Fees HK$'000**	**Bonus HK$'000**	**Share-based payments HK$'000**	**Total HK$'000**
Mr. Cheung Wing Ping	**248**	**–**	**–**	**248**
Mr. Ha Kee Choy Eugene	**248**	**–**	**–**	**248**
Mr. To Shing Chuen	**248**	**–**	**–**	**248**
Mr. Hu Guohua	**100**	**–**	**–**	**100**
	844	**–**	**–**	**844**

Year ended 31 December 2021	Fees HK$'000	Bonus HK$'000	Share-based payments HK$'000	Total HK$'000
Mr. Cheung Wing Ping	248	10	–	258
Mr. Ha Kee Choy Eugene	248	10	–	258
Mr. To Shing Chuen	248	10	–	258
Mr. Hu Guohua	100	–	–	100
	844	30	–	874

There were no other emoluments payable to the Independent Non-executive Directors during the year (2021: Nil).

During the year, no emolument was paid by the Group to any of the directors of the Company as an inducement join or upon joining the Group or as compensation for loss of office (2021: Nil).

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' emoluments shown above were mainly for their services as directors of the Company or its subsidiaries. The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2021: two directors), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the three (2021: three) highest paid employees are as follows:

	2022 **HK$'000**	2021 HK$'000
Salaries, allowances and benefits in kind	**7,777**	5,244
Pension scheme contributions	**226**	240
	8,003	5,484

The number of the five highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2022	2021
HK$1,000,001 to HK$1,500,000	**1**	3
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,500,001 to HK$3,000,000	**–**	1
HK$3,000,001 to HK$3,500,000	**2**	1
HK$4,000,001 to HK$4,500,000	**1**	–

11. INCOME TAX

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

	Note	**2022** **HK$'000**	2021 HK$'000
Current tax — Hong Kong Profits Tax			
Provision for the year		**3,337**	1,081
Over-provision in respect of previous year		**(18)**	(349)
Current tax — PRC Corporate Income Tax			
Provision for the year		**154**	239
		3,473	971
Deferred tax	31	**–**	–
		3,473	971

Under the two-tiered profits tax rates regime in Hong Kong, the first HK$2,000,000 of profits of the qualifying group entity are taxed at 8.25%, and profits above HK$2,000,000 are taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime are taxed at a flat rate of 16.5%.

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

11. INCOME TAX *(Continued)*

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents: *(Continued)*

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

* *For identification purpose only*

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

	2022 **HK$'000**	2021 HK$'000
Loss before tax	**(199,183)**	(122,970)
Tax at applicable statutory tax rates	**(34,750)**	(27,937)
Tax effect of PRC preferential tax treatments	**33**	6,812
Income not subject to tax	**(1,266)**	(2,910)
Expenses not deductible for tax	**28,223**	15,242
Utilisation of tax losses brought forward	**(2,810)**	(3,068)
Tax losses not recognised	**14,061**	13,181
Over-provision in respect of previous year	**(18)**	(349)
Income tax expense	**3,473**	971

12. DIVIDEND

The directors of the Company do not recommend, declare or pay any dividend in respect of the year (2021: Nil).

13. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculations of basic and diluted loss per share attributable to owners of the Company for the years ended 31 December 2022 and 2021 are based on the following data:

	2022 **HK$'000**	2021 HK$'000
Loss for the year attributable to owners of the Company	**(198,065)**	(72,948)
	'000	'000
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**2,805,952**	2,794,954

The computation of diluted loss per share for the years ended 31 December 2022 and 2021 does not assume the exercise of share options since their assumed exercise would result in a decrease in loss per share.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Construction in progress HK$'000	Buildings HK$'000 (note)	Total HK$'000
Cost							
At 1 January 2021	5,258	45,497	4,700	24,865	133,080	–	213,400
Additions	–	467	1,236	215	161,590	–	163,508
Disposal of subsidiaries (Note 32(b))	–	(356)	–	–	–	–	(356)
Capitalisation of borrowing cost	–	–	–	–	14,708	–	14,708
Disposal/written off	–	(223)	(68)	(4,021)	(969)	–	(5,281)
Transfer upon completion of construction in progress	–	718	–	1,726	(2,444)	–	–
Exchange realignment	114	1,348	37	1,095	4,888	–	7,482
As at 31 December 2021 and 1 January 2022	**5,372**	**47,451**	**5,905**	**23,880**	**310,853**	**–**	**393,461**
Additions	**329**	**131**	**1,207**	**6,154**	**5,109**	**–**	**12,930**
Disposal/written off	**–**	**(5,122)**	**(956)**	**(11,636)**	**–**	**–**	**(17,714)**
Transfer upon completion of construction in progress	**–**	**12,530**	**–**	**102,630**	**(282,498)**	**167,338**	**–**
Exchange realignment	**(369)**	**(4,214)**	**(214)**	**(2,196)**	**(32,814)**	**–**	**(39,807)**
At 31 December 2022	**5,332**	**50,776**	**5,942**	**118,832**	**650**	**167,338**	**348,870**
Accumulated depreciation and impairment							
At 1 January 2021	5,190	44,046	3,587	10,194	–	–	63,017
Depreciation provided for the year	67	547	399	2,093	–	–	3,106
Disposal of subsidiaries (Note 32(b))	–	(78)	–	–	–	–	(78)
Written back on disposals/written off	–	(218)	(11)	(1,550)	–	–	(1,779)
Exchange realignment	115	1,318	26	375	–	–	1,834
As at 31 December 2021 and 1 January 2022	**5,372**	**45,615**	**4,001**	**11,112**	**–**	**–**	**66,100**
Depreciation provided for the year	**55**	**1,049**	**767**	**6,608**	**–**	**3,408**	**11,887**
Written back on disposals/written off	**–**	**(5,062)**	**(963)**	**(7,725)**	**–**	**–**	**(13,750)**
Exchange realignment	**(352)**	**(4,110)**	**(85)**	**(1,173)**	**–**	**(217)**	**(5,937)**
At 31 December 2022	**5,075**	**37,492**	**3,720**	**8,822**	**–**	**3,191**	**58,300**
Carrying amount							
At 31 December 2022	**257**	**13,284**	**2,222**	**110,010**	**650**	**164,147**	**290,570**
At 31 December 2021	–	1,836	1,904	12,768	310,853	–	327,361

Note: As at 31 December 2022, the ownership certificates for buildings with carrying amounts of HK$164,147,000 (equivalent to RMB150,168,000) have not been obtained. Besides, these buildings with carrying amounts of HK$164,147,000 (equivalent to RMB150,168,000) were pledged as securities of the Group's other borrowings as at 31 December 2022, as further detailed in note 28(a) to the consolidated financial statements.

15. RIGHT-OF-USE ASSETS

	Leasehold lands (note (i)) HK$'000	Office buildings (note (ii)) HK$'000	Office equipment (note (ii)) HK$'000	Total HK$'000
As at 31 December 2022				
Carrying amount	76,159	14,553	–	90,712
As at 31 December 2021				
Carrying amount	86,893	21,696	–	108,589
For the year ended 31 December 2022				
Depreciation charge	1,667	18,328	–	19,995
For the year ended 31 December 2021				
Depreciation charge	384	17,193	10	17,587

	Year ended 31 December 2022 HK$'000	Year ended 31 December 2021 HK$'000
Expense relating to short-term leases and other leases with lease terms end within 12 months	**3,477**	2,507
Total cash outflow for leases	**22,706**	20,688
Additions to right-of-use assets (note (iii))	**21,306**	104,852
Derecognised upon lease termination	**9,772**	–
Disposal of subsidiaries (note 32(b))	**–**	(416)

Notes:

(i) The Group has obtained the land use right certificates in relation to two parcels of leasehold lands situated in Lucheng District, Changzhi City, Shanxi Province, PRC, on 27 August 2021 and 22 October 2021, respectively. The costs of these two leasehold lands are HK$29,615,000 (equivalent to RMB24,233,000), with lease term of 50 years; and HK$57,667,000 (equivalent to RMB47,187,000), with lease term of 50 years, respectively, as at dates of acquisition.

As at 31 December 2022, the Group's leasehold lands with carrying amounts of HK$76,159,000 (equivalent to RMB69,673,000) were pledged as securities of the Group's other borrowings, as further detailed in note 28(a) to the consolidated financial statements.

(ii) For both years, the Group leases various offices and equipment for its operations. Lease contracts are entered into for fixed terms of 1 year to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Besides, the Group leases certain of its office premises and car parks under lease arrangements. The leases for the office premises and car parks are negotiated for a term of one year.

(iii) Amount includes right-of-use assets resulting from new leases entered into of HK$17,570,000 and payments for leasehold lands of HK$87,282,000 (approximately to RMB71,420,000) during the year ended 31 December 2021.

16. INTANGIBLE ASSETS

	Patent HK$'000	Development costs (note) HK$'000	Securities trading/ brokerage license HK$'000	Total HK$'000
Cost				
At 1 January 2021	2,994	26,286	6,500	35,780
Disposal of subsidiaries (Note 32(b))	–	–	(6,500)	(6,500)
Exchange realignment	107	942	–	1,049
At 31 December 2021 and 1 January 2022	**3,101**	**27,228**	**–**	**30,329**
Exchange realignment	**(327)**	**(2,874)**	**–**	**(3,201)**
At 31 December 2022	**2,774**	**24,354**	**–**	**27,128**
Accumulated amortisation				
At 1 January 2021	1,769	23,975	–	25,744
Provided for the year	602	1,405	–	2,007
Exchange realignment	72	882	–	954
At 31 December 2021 and 1 January 2022	**2,443**	**26,262**	**–**	**28,705**
Provided for the year	**333**	**923**	**–**	**1,256**
Exchange realignment	**(279)**	**(2,831)**	**–**	**(3,110)**
At 31 December 2022	**2,497**	**24,354**	**–**	**26,851**
Carrying amount				
At 31 December 2022	**277**	**–**	**–**	**277**
At 31 December 2021	658	966	–	1,624

Note: The development costs are internally generated for the QR code business.

17. GOODWILL

	2022 HK$'000	2021 HK$'000
Cost		
1 January	**569,947**	570,457
Disposal of subsidiaries (Note 32(b))	**–**	(510)
31 December	**569,947**	569,947
Accumulated impairment losses		
1 January	**569,947**	569,947
Impairment loss for the year	**–**	–
31 December	**569,947**	569,947
Net carrying amount		
31 December	**–**	–

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

QR Code CGUs

The allocated goodwill of QR Code CGUs was fully impaired in previous years and accordingly there was nil carrying amount of goodwill from QR Code CGUs as of 31 December 2022 and 31 December 2021.

Hope Group CGUs

The allocated goodwill of Hope Group CGUs was disposed of during the year ended 31 December 2021, as further detailed in note 32(b) to the consolidated financial statements.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 HK$'000	2021 HK$'000
Non-current assets		
Unlisted equity investments, at fair value (note (i))		
Company A (note (ii))	**35,690**	59,708
Company B (note (iii))	**–**	–
Company C (note (iv))	**20,276**	27,000
Company D (note (v))	**14,371**	29,504
Company E (note (vi))	**70,000**	144,479
Company F (note (vii))	**22,946**	33,246
Company G (note (viii))	**15,282**	25,000
	178,565	318,937
Private equity investment fund (note (xi))	**5,564**	–
	184,129	318,937
Current assets		
Listed equity investment held for trading, at fair value (note (ix))	**7,521**	17,600
Wealth management products (note (x))	**8,635**	16,156
	16,156	33,756

Notes:

(i) As at 31 December 2022, the unlisted equity investments relate to investments in seven private entities (2021: seven), which were intended to be held for long-term strategic purpose at the time of acquisition. The investee private entities are engaged in the provision of advisory and financial services, property holding, research and development and marketing of micro-algae products, securities brokerage and assets management, investment in securities trading and money lending. Details of the fair value measurement are disclosed in note 40.

(ii) As at 31 December 2022, the Group's equity interest in Company A was approximately 2.56% (2021: 2.56%).

(iii) As at 31 December 2022, the Group's equity interest in Company B was approximately 2.95% (2021: 2.95%).

(iv) As at 31 December 2022, the Group's shareholding was diluted to 0.50% (2021: 0.55%) as Company C issued additional shares to other investors during the year ended 31 December 2022.

(v) As at 31 December 2022, the Group's equity interest in Company D was approximately 12.12% (2021: 12.12%).

(vi) As at 31 December 2022, the Group's equity interest in Company E was approximately 17.61% (2021: 17.61%).

(vii) On 28 January 2021, the Company entered into a series B-3 preference share purchase agreement with Company F, an independent third party, pursuant to which Company F has agreed to sell and issue 1,215,278 new shares to the Company and the Company has agreed to subscribe the 1,215,278 new shares of Company F at a consideration of US$3,500,000 (equivalent to approximately HK$27,300,000). Company F is engaged in research and development and marketing of micro-algae products in the United States of America. 1,215,278 new shares, when issued, represented approximately 3.73% equity interest in Company F. As at 31 December 2022, the Group's equity interest in Company F was approximately 3.73% (2021: 3.73%).

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Notes: *(Continued)*

(viii) On 2 December 2021, Era Bright Limited ("Era Bright"), an indirect non-wholly-owned subsidiary of the Group, entered into a subscription agreement with Company G, an independent third party, pursuant to which Company G has agreed to allot and issue 17,000,000 new shares to Era Bright and Era Bright has agreed to subscribe the 17,000,000 new shares of Company G at a consideration of HK$25,000,000. 17,000,000 new shares, when issued, represented approximately 2.97% of the existing issued share capital of Company G.

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

As at 31 December 2022, the Group's equity interest in Company G was approximately 2.97% (2021: 2.97%).

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

As at 31 December 2022, the Group held 5,000,000 (2021: 5,000,000) shares of China Evergrande New Energy Vehicle Group Ltd. ("Evergrande Vehicle") (stock code: 0708), and the fair value of the Group's investment in Evergrande Vehicle amounted to HK$7,521,000 was based on the valuation technique as detailed below (2021: HK$17,600,000 was based on quoted prices). The Securities and Futures Commission issued a direction to suspend trading in the shares of Evergrande Vehicle on the Stock Exchange with effect from 1 April 2022. As at 31 December 2022, the listing of the shares of Evergrande Vehicle remained suspended. The directors assessed the fair value of Evergrande Vehicle as at 31 December 2022 to be HK$7,521,000 and adopted the market approach with reference to comparable companies engaged in the similar businesses as Evergrande Vehicle in arriving at the fair value. Significant assumptions on parameters used in the valuation, such as changes in market capitalization of comparable companies and adjusted for discounts to reflect trading suspension from 1 April 2022 to 31 December 2022, and discount for lack of marketability associated with the investment.

(x) Included in wealth management products ("WMPs") are the Group's investments in two WMPs provided by financial institutions in the PRC, of fair value of approximately HK$2,951,000 (equivalent to RMB2,700,000) and HK$5,684,000 (equivalent to RMB5,200,000) (2021: two WMPs, of which were approximately to HK$11,146,000 (equivalent to RMB9,120,000) and HK$5,010,000 (equivalent to RMB4,100,000)), respectively as at 31 December 2022.

These WMPs had no maturity dates and the Group could sell them back to the issuing financial institutions at market value any time after the date of subscription. WMPs being held by the Group as at 31 December 2021 had been sold during the current year ended 31 December 2022, and the Group had purchased another two WMPs close to year ended date. Investment portfolio of WMPs held by the Group as at 31 December 2022 included mainly of securities investments in banking sector in the PRC, local currency/foreign currency fixed deposits at other financial institutions and bonds.

(xi) On 22 November 2022, 上海透雲物聯網科技有限公司, an indirect wholly-owned subsidiary of the Group, entered into a fund contract with 中信証券股份有限公司 (the "Custodian") and 上海靈鶴資產管理合夥企業(有限合夥) (the "Investment Manager"), pursuant to which 上海透雲物聯網科技有限公司 agreed to subscribe for 5,000,000 shares of a private equity investment fund (the "Fund") at a consideration of RMB5,000,000 (equivalent to approximately HK$5,466,000). The Fund was governed by contractual relationships between and among 上海透雲物聯網科技有限公司, the Custodian and the Investment Manager with no legal entity was formed 上海透雲物聯網科技有限公司 can sell shares of the Fund to the Investment Manager at market value any time after one year from the date of subscription. The Fund was established on 17 November 2022 and would be expired on 16 November 2032, with return in dividend derived from investments in financial products.

19. INVENTORIES

	2022 **HK$'000**	2021 HK$'000
Raw materials	**2,709**	3,492
Work in progress	**1,969**	5,328
Finished goods	**30,935**	23,946
	35,613	32,766

20. TRADE RECEIVABLES

	2022 HK$'000	2021 HK$'000
Trade receivables	**51,348**	68,286
Less: Impairment loss allowance (note 41(b))	**(9,903)**	(1,999)
	41,445	66,287

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

An aged analysis of the trade receivables at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2022 HK$'000	2021 HK$'000
Within 1 month	**23,792**	28,547
1 to 2 months	**6,417**	16,266
2 to 3 months	**8,996**	12,569
Over 3 months	**2,240**	8,905
	41,445	66,287

Further details on the Group's credit policy and credit risk arising from trade debtors are set out in note 41(b).

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 HK$'000	2021 HK$'000
Prepayments	**3,986**	3,120
Deposits	**6,198**	5,914
Value added tax recoverable	**21,991**	24,191
Other receivables	**4,502**	1,942
	36,677	35,167

22. LOANS AND INTEREST RECEIVABLES

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

	2022 HK$'000	2021 HK$'000
Unsecured loan and interest receivables	**64,020**	40,043
Analysed for reporting purpose as:		
Current portion	**64,020**	40,043

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

As at 31 December 2022, unsecured loan and interest receivables of approximately HK$64,020,000 (2021: HK$40,043,000) are unsecured and will mature within one year (2021: mature within one year).

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

	Effective interest rate per annum 2022	 2021
Unsecured loan and interest receivables	**7.5%-8%**	3%

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

	HK$'000
Balance at 1 January 2021	6,623
Reversal of impairment losses recognised for unsecured loan and interest receivables	(6,623)
Balance at 31 December 2021 and 31 December 2022	–

23. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents

	2022 **HK$'000**	2021 HK$'000
Cash and bank balances	**128,098**	60,198

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$71,929,000 (2021: HK$6,976,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's major liabilities arising from financing activities, including both cash and non-cash changes.

	Lease liability (Note 27) HK$'000	Bank and other borrowings (Note 28(a)) HK$'000	Amount due to a director (Note 28(b)) HK$'000	Amount due to a shareholder of the Company (Note 28(b)) HK$'000	Margin loans payable (Note 29) HK$'000	Total HK$'000
At 1 January 2022	22,535	292,611	92,630	–	3,633	411,409
Financing cash flow						
Repayment of lease liabilities	(19,229)	–	–	–	–	(19,229)
Advance from a director	–	–	2,903	–	–	2,903
Advance from a shareholder of the Company	–	–	–	11,000	–	11,000
New bank and other borrowings raised, net	–	104,590	–	–	–	104,590
Margin loan repaid, net	–	–	–	–	(3,633)	(3,633)
	(19,229)	104,590	2,903	11,000	(3,633)	95,631
Other changes						
Interest expenses	1,258	20,382	–	–	12	21,652
Interest paid	–	(18,749)	–	–	(12)	(18,761)
New leases	21,306	–	–	–	–	21,306
Derecognised upon lease termination	(9,932)	–	–	–	–	(9,932)
Exchange difference	(1,037)	(18,721)	–	–	–	(19,758)
	11,595	(17,088)	–	–	–	(5,493)
At 31 December 2022	14,901	380,113	95,533	11,000	–	501,547

23. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(Continued)*

(b) Reconciliation of liabilities arising from financing activities *(Continued)*

	Debt component of the convertible bond (Note 30) HK$'000	Lease liabilities (Note 27) HK$'000	Derivative embedded in the convertible bond (Note 30) HK$'000	Bank and other borrowings (Note 28(a)) HK$'000	Amount due to a director (Note 28(b)) HK$'000	Margin loans payable (Note 29) HK$'000	Total HK$'000
At 1 January 2021	112,229	22,344	273	59,580	98,900	28,470	321,796
Financing cash flow							
Redemption of CB	(110,604)	–	–	–	–	–	(110,604)
Repayment of lease liabilities	–	(18,181)	–	–	–	–	(18,181)
Repayment to a director	–	–	–	–	(6,270)	–	(6,270)
New other borrowings raised, net	–	–	–	230,097	–	–	230,097
Margin loan repaid, net	–	–	–	–	–	(10,253)	(10,253)
	(110,604)	(18,181)	–	230,097	(6,270)	(10,253)	84,789
Changes in fair values	–	–	(273)	–	–	–	(273)
Other changes							
Interest expenses	11,648	1,009	–	2,165	–	2,321	17,143
Capitalisation of borrowing cost	–	–	–	14,708	–	–	14,708
Interest paid	(13,273)	–	–	(15,464)	–	(2,321)	(31,058)
New leases	–	17,570	–	–	–	–	17,570
Disposal of subsidiaries (note 32)	–	(431)	–	–	–	(14,584)	(15,015)
Exchange difference	–	224	–	1,525	–	–	1,749
	(1,625)	18,372	–	2,934	–	(14,584)	5,097
At 31 December 2021	–	22,535	–	292,611	92,630	3,633	411,409

24. TRADE PAYABLES

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

	2022 HK$'000	2021 HK$'000
Within 1 month	**36,785**	28,306
1 to 2 months	**1,634**	6,719
2 to 3 months	**931**	1,434
Over 3 months	**6,874**	1,416
	46,224	37,875

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

25. CONTRACT LIABILITIES

	2022 HK$'000	2021 HK$'000
Contract liabilities		
Billings in advance of performance		
— QR code business (note)	**9,138**	16,245
— Packaging products business	**8,046**	7,232
	17,184	23,477

Note: QR code business include the sales of QR code related equipment and made-to-order software development service.

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

Sales of QR code related equipment

The Group typically receives a deposit on acceptance of the customers' order. The amount of deposits on acceptance of orders is assessed on a case by case basis before work commences.

The remainder of the consideration is payable on the earlier of the delivery of the finished goods and notice from the customer to cancel the order.

When the Group receives a deposit before the Group's relevant activity commences, this will give rise to contract liabilities at the start of a contract until the revenue is recognised.

Made-to-order software development service

The Group receives upfront deposit or initial payments from customers before the development activity commences according to the stage payment schedules in the contract. The upfront deposit or initial payments on acceptance of orders is assessed on a case by case basis before work commences. The amount received from customers gave rise to contract liabilities until revenue is recognised when the performance obligation is satisfied.

Packaging products

The Group receives payments from new customers on acceptance of new order. The remainder of the consideration is payable on the earlier of the delivery of the finished goods and the notice from the customer to cancel the order. If the customer cancels the order, then the Group is immediately entitled to receive payment for work done to date.

Movements in contract liabilities are as follows:

	2022 HK$'000	2021 HK$'000
At 1 January	**23,477**	28,079
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(23,477)**	(28,079)
Increase in contract liabilities as a result of billing in advance	**9,062**	13,723
Increase in contract liabilities as a result of receiving forward sales deposits during the year	**8,122**	9,754
At 31 December	**17,184**	23,477

The amount of billings in advance of performance and forward sales deposits and instalments received are expected to be recognised as income within one year.

26. OTHER PAYABLES AND ACCRUALS

	2022 **HK$'000**	2021 HK$'000
Other payables	**19,605**	50,606
Accruals	**15,493**	12,149
	35,098	62,755

Other payables and accruals are non-interest-bearing and are normally settled within three months. Included in other payables are construction payables of HK$18,854,000 (2021: HK$45,461,000), for the construction of the Chlamydomonas reinhardtii and related products facilities in Lucheng District, Changzhi City, Shanxi Province, PRC.

27. LEASE LIABILITIES

	2022 **HK$'000**	2021 HK$'000
Lease liabilities		
Within one year	**12,001**	14,413
Within a period of more than one year but not more than two years	**2,900**	8,122
Within a period of more than two years but not more than five years	**–**	–
	14,901	22,535
Less: Amount due for settlement within 12 months shown under current liabilities	**(12,001)**	(14,413)
Amount due for settlement after 12 months shown under non-current liabilities	**2,900**	8,122

28. BANK AND OTHER BORROWINGS/AMOUNT DUE TO A DIRECTOR/A SHAREHOLDER OF THE COMPANY

(a) Bank and other borrowings

	2022 **HK$'000**	2021 HK$'000
Secured bank borrowings	**59,645**	–
Unsecured other borrowings	**320,468**	292,611
	380,113	292,611

28. BANK AND OTHER BORROWINGS/AMOUNT DUE TO A DIRECTOR/A SHAREHOLDER OF THE COMPANY *(Continued)*

(a) Bank and other borrowings *(Continued)*

Details of the repayment schedule in respect of the bank and other borrowings, are as follows:

	2022 **HK$'000**	2021 HK$'000
Within one year or on demand	**188,821**	292,611
Within a period of more than one year but not more than two years	**21,862**	–
Within a period of more than two years but not more than three years	**169,430**	–
	380,113	292,611
Less: Amounts due for settlement within 12 months shown under current liabilities	**(188,821)**	(292,611)
Amounts due for settlement after 12 months shown under non-current liabilities	**191,292**	–

Movements in bank and other borrowings are as follows:

	2022 **HK$'000**	2021 HK$'000
At 1 January	**292,611**	59,580
New bank and other borrowings raised	**315,904**	348,641
Interest expenses	**20,382**	2,165
Repayment of bank and other borrowings	**(211,314)**	(118,544)
Capitalisaton of borrowing cost	**–**	14,708
Interest paid	**(18,749)**	(15,464)
Exchange realignment	**(18,721)**	1,525
At 31 December	**380,113**	292,611

The Group's secured bank borrowings as at 31 December 2022 are secured by way of the following:

a. mortgages over the Group's buildings which had an aggregate carrying value at the end of the reporting period of HK$164,147,000 (equivalent to RMB150,168,000); and

b. mortgages over the Group's leasehold lands which had an aggregate carrying value at the end of the reporting period of HK$76,159,000 (equivalent to RMB69,673,000).

Secured bank borrowings carry interest ranging from 0.42% to 0.70% per month and are repayable within one to three years. Unsecured other borrowings carry interest ranging from 0.42% to 1.00% per month (2021: 0.50% to 1.00% per month) and are repayable within one to three years (2021: repayable within one year).

28. BANK AND OTHER BORROWINGS/AMOUNT DUE TO A DIRECTOR/A SHAREHOLDER OF THE COMPANY *(Continued)*

(a) Bank and other borrowings *(Continued)*

As at 31 December 2021, certain of the Group's unsecured other borrowings were either past due or repayable on demand, and hence were due for immediate payment as at 31 December 2021. The amounts past due and were immediately repayable by the Group, taking into account (a) outstanding principal, and (b) interests accrued but unpaid, were approximately HK$94,102,000 (equivalent to RMB77,000,000) and HK$1,409,000 (equivalent to RMB1,153,000), respectively ("Overdue Borrowings"). Subsequent to 31 December 2021 and up to 14 April 2022, other than the Overdue Borrowings, the Group defaulted in repayment of additional other borrowings and the respective overdue principal amounts payable by the Group were approximately HK$106,934,000 (equivalent to RMB87,500,000) ("Additional Overdue Borrowings").

During the year ended 31 December 2022, principal and interest repayment were made by the Group in respect of the Overdue Borrowings and Additional Overdue Borrowings amounting to of HK$121,240,000 (equivalent to RMB91,500,000) and HK$1,409,000 (equivalent to RMB1,153,000), respectively, and HK$79,796,000 (equivalent to RMB73,000,000) of principal amount of Overdue Borrowings and Additional Overdue Borrowings remained outstanding. As at 31 December 2022, undertaking letter had been received from the independent third party lender that it would not demand repayment of HK$25,141,000 (equivalent to RMB23,000,000) until the Group had excess cash to repay, while remaining HK$54,655,000 (equivalent to RMB50,000,000) was extended to 31 March 2023 for repayment.

(b) Amount due to a director/a shareholder of the Company

The amounts are unsecured, non-interest bearing and repayable on demand.

29. MARGIN LOANS PAYABLE

As at 31 December 2021, the margin loans payable were secured by the listed equity securities held under the margin accounts, with a total market value of approximately HK$17,600,000 (note 18).

	2022		2021	
	HK$'000	**Effective interest rate (%) p.a.**	HK$'000	Effective interest rate (%) p.a.
Within one year	–	–	3,633	12%–24%

The Group's variable-rate margin loans payable as at 31 December 2021 were mainly subject to interest ranging from 12% to 24%. The range of effective interest rates were equal to contractual interest rates.

30. CONVERTIBLE BOND

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

30. CONVERTIBLE BOND *(Continued)*

The CB was secured by the share capital or registered capital of certain subsidiaries of the Group and personal guarantee provided by Mr. Wang Liang, a director and a shareholder of the Company. The CB bore interest from and including the Issue Date at the rate of 7.0% per annum, payable semi-annually. The CB matured on the date falling on the second anniversary of the Issue Date (i.e. 10 November 2019) (the "Maturity Date") and the Company had failed to satisfy certain conditions for automatically extending the maturity date to the third anniversary of the Issue Date (i.e. 10 November 2020).

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

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

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

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

	Debt component HK$'000	Derivative component HK$'000	Total HK$'000
At 1 January 2021	112,229	273	112,502
Finance cost-interest paid	(13,273)	–	(13,273)
Redemption/repayment of CB	(110,604)	–	(110,604)
Finance cost-interest charge	11,648	–	11,648
Change in fair value	–	(273)	(273)
Carrying amount at 31 December 2021	–	–	–

31. DEFERRED TAX LIABILITIES

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2022 **HK$'000**	2021 HK$'000
Deferred tax assets	**–**	–
Deferred tax liabilities	**–**	–
	–	–

The movements in the deferred income tax (assets)/liabilities are as follows:

	Tax losses HK$'000	**Fair value adjustment on intangible assets acquired on business combination** HK$'000	**Total** HK$'000
At 1 January 2021	(908)	908	–
Debited/(credited) to profit or loss during the year	908	(908)	–
At 31 December 2021 and 31 December 2022	**–**	**–**	**–**

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in PRC in respect of earnings generated from 1 January 2008.

At 31 December 2022 and 2021, no deferred tax liabilities has been recognised for withholding taxes as the Group's subsidiaries established in PRC do not have any unremitted retained earnings as at 31 December 2022 and 2021.

The Group has tax losses arising in Hong Kong of HK$475,619,000 (2021: HK$447,865,000) (subject to agreement by the Inland Revenue Department) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in the PRC of HK$303,791,000 (2021: HK$277,106,000) that will expire in one to five years for offsetting against future taxable profits. No deferred tax assets have been recognised in respect of tax losses for the year ended 31 December 2022 and 2021 as it is not considered probable that there would be sufficient future taxable profits to utilise such tax losses.

32. DISPOSAL OF SUBSIDIARIES

(a) On 29 October 2021, Galaxy Vantage entered into a sale and purchase agreement with Planetree (BVI) Capital Limited (the "Purchaser"), an independent third party, to dispose of its 90.10% shareholding of Genius Spring Limited ("Genius Spring") for a consideration of HK$40,000,000. Genius Spring is company incorporated in the BVI with limited liability and is currently owned as to 90.10% by Galaxy Vantage and 9.90% by an independent third party. The principal activities of Genius Spring is investment and trading in securities listed in Hong Kong. The Purchaser is a company incorporated in the BVI with limited liability and is an indirect wholly-owned subsidiary of Planetree International Development Limited, an independent third party whose shares are listed on the Main board of the Stock Exchange of Hong Kong Limited with Stock Code of 0613 and is an investment holding company.

The net assets of Genius Spring at 29 October 2021, the date of disposal were as follows:

	HK$'000
Consideration received in cash and cash equivalents	40,000

Analysis of assets and liabilities of over which control was lost:

	29 October 2021 HK$'000
Financial assets at fair value through profit or loss	62,796
Other receivables	48
Cash and cash equivalents	14
Margin loans payable	(14,584)
Net assets disposed of	48,274

Loss on disposal of Genius Spring:

	HK$'000
Consideration received in cash and cash equivalents	40,000
Net assets disposed of	(48,274)
Professional fees and expenses incurred on disposal	(24)
Loss on disposal	(8,298)

The loss on disposal is included in "Other income, gains and losses, net" in the consolidated statement of profit or loss and other comprehensive income.

Net cash inflow arising on disposal:

	HK$'000
Consideration received in cash and cash equivalents	40,000
Less: Cash and cash equivalents disposed of	(14)
Professional fees and expenses incurred on disposal	(24)
	39,962

32. DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) On 1 November 2021, Galaxy Vantage entered into another sale and purchase agreement with Mr. Ki, David, Cordoba Homes Limited, China Resources Enterprise Ltd. and First Avenue Limited, to dispose of its 100% shareholding in Hope Capital and its subsidiary for a consideration of HK$160,000,000 (the "Disposal of Hope"). Cordoba Homes Limited, China Resources Enterprise Ltd. and First Avenue Limited are parties independent to the Group; while Mr. Ki, David is a substantial shareholder of Galaxy Vantage.

Hope Capital is a company incorporated in the BVI with limited liability and is an investment holding company. Hope Securities Limited, a subsidiary of Hope Capital, is a licensed corporation under the Securities and Futures Ordinance to carry out regulated activities in Type 1 "Dealing in Securities", Type 2 "Dealing in Future Contracts", Type 4 "Advising on Securities", Type 5 "Advising on Future Contracts" and Type 9 "Asset Management".

The net assets of Hope Capital and its subsidiary at 1 November 2021, the date of disposal were as follows:

	HK$'000
Consideration received in cash and cash equivalents	160,000

Analysis of assets and liabilities of over which control was lost:

	1 November 2021 HK$'000
Property, plant and equipment	278
Right-of-use assets	416
Intangible assets	6,500
Goodwill	510
Trade receivables — margin financing	117,365
Prepayment and deposits	1,901
Cash and cash equivalents	47,789
Accruals	(42)
Lease liabilities	(431)
Net assets disposed of	174,286

Loss on disposal of Hope Group:

	HK$'000
Consideration received in cash and cash equivalents	160,000
Net assets disposed of	(174,286)
Professional fees and expenses incurred on disposal	(96)
Loss on disposal	(14,382)

The loss on disposal is included in "Other income, gains and losses, net" in the consolidated statement of profit or loss and other comprehensive income.

Net cash inflow arising on disposal:

	HK$'000
Consideration received in cash and cash equivalents	160,000
Less: Cash and cash equivalents disposed of	(47,789)
Professional fees and expenses incurred on disposal	(96)
	112,115

Notes to Consolidated Financial Statements

31 December 2022

33. SHARE CAPITAL

	Number of shares		Share capital	
	2022	2021	**2022**	2021
	'000	'000	**HK$'000**	HK$'000
Ordinary share of HK$0.04 each				
Authorised:				
At beginning and end of year	**12,500,000**	12,500,000	**500,000**	500,000
Issued and fully paid:				
At beginning of year	**2,805,592**	2,773,652	**112,238**	110,946
Exercise of share option (note (i))	**–**	2,300	**–**	92
Share subscription (note (ii))	**–**	30,000	**–**	1,200
At end of year	**2,805,952**	2,805,952	**112,238**	112,238

Notes:

(i) During the year ended 31 December 2021, a total of 2,300,000 new shares were issued as a result of exercise of 2,300,000 share options by certain employees. The proceeds from the exercises of share options are HK$3,081,000 and are applied as general working capital of the Group.

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

34. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(a) Share premium

The application of share premium account is governed by section 40 of the Companies Act 1981 of Bermuda.

(b) Capital reserve

The Group's capital reserve represents the followings:

(i) the deemed capital contribution from the then controlling shareholder pursuant to the reorganisation in 2012;

(ii) the deemed capital contribution to a non-wholly owned subsidiary; and

(iii) the difference between the carrying amount of the non-controlling interests and the fair value of non-controlling interests pursuant to the acquisition of Hope Capital Limited in 2020.

(c) Contributed surplus

The contributed surplus of the Group represents the difference between the capital contributions from the equity holders of the subsidiaries now comprising the Group before the completion of the reorganisation in 2012 and the par value of the Company's shares issued to the then controlling shareholder for the acquisition of a subsidiary pursuant to the reorganisation.

(d) Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire after the vesting period.

35. SHARE OPTION SCHEME

The Company operates a share option scheme (the "2012 Scheme") which became effective on 18 May 2012 for the purposes of, among others, (i) motivating eligible participants, including but not limited to the Directors, employees and consultants of the Group, and optimising their performance and efficiency for the benefit of the Group; (ii) attracting and retaining or otherwise maintaining on-going business relationships with the eligible participants whose contributions are, will or expected to be beneficial to the Group; and (iii) aligning the interests of the eligible participants and shareholders of the Company. Eligible participants of the 2012 Scheme include (i) any director, officer, employee, consultant, professional, customer, supplier (whether of goods or services), agent, partner or adviser of or contractor to any member of the Group or its Related Group or a company in which the Group holds an interest or a subsidiary of such company (collectively the "Eligible Group"); or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include the Eligible Group; or (iii) a company beneficially owned by the Eligible Group. The 2012 Scheme was expired on 17 May 2022.

On 2 June 2022, a new share option scheme (the "2022 Scheme") was passed by way of an ordinary resolution in the annual general meeting. The 2022 Scheme does not impose minimum period requirement, each grant will be considered on an individual basis to achieve the purpose of the 2022 Scheme including retaining human resources that are valuable to the growth and development of the Group if the grantees are required to hold the Share Options for a certain period of time prior to vesting.

35. SHARE OPTION SCHEME *(Continued)*

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

The maximum number of unexercised share options currently permitted to be granted under the 2012 Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue on the date of approval of the refreshment of the 2012 Scheme mandate limit on 20 October 2016. The maximum number of shares issuable under the 2012 Scheme to each eligible participant within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a Director or substantial shareholder of the Company, or to any of their associate, are subject to approval in advance by the Independent Non-executive Directors. In addition, any share options granted to a substantial shareholder or an Independent Non-executive Directors of the Company, or to any of their associate, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 14 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, save that such period shall not be more than 10 years from the date of offer of the share options.

The exercise price of share options is determinable by the Directors, but may not be less than the highest of (i) The Stock Exchange of Hong Kong Limited (the "Stock Exchange") closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of an issued ordinary share of the Company on the date of offer of the share options.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

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

Date of grant	Number of share options granted	Exercise price/ Adjusted exercise price
25/1/2017	29,925,000	1.34
12/12/2017	24,437,500	1.34
21/2/2019	126,000,000	0.48
8/10/2020	47,000,000	0.40
16/11/2020	68,900,000	0.60
25/04/2022	14,314,750	1.34

35. SHARE OPTION SCHEME *(Continued)*

As at the date of this report, an aggregate of 178,552,250 shares, representing approximately 6.36% of the total number of issued shares as at the date of this report, may be issued upon full exercise of all vested and unvested share options granted and outstanding under the 2022 Scheme, out of which 87,033,326 shares immediately exercisable and issuable, representing approximately 3.10% of the total number of issued shares as at the date of this report, and 91,518,924 shares will be exercisable and issuable upon fully vested of share options, representing approximately 3.26% of the total number of issued shares as at the date of this report. Movements of the options granted under the 2022 Scheme, during the year were as follows:

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

As at 31 December 2022, no shares options were exercisable (2021: 8,947,500).

Date of grant	Exercise price* HK$	Exercisable period	Number of options outstanding at 1 January 2021	Exercised during the year	Lapsed/ cancelled during the year	Number of options outstanding at 31 December 2021	Lapsed/ cancelled during the year	Number of options outstanding at 31 December 2022
Employees								
12/12/2017	1.34	10/06/2019 to 09/06/2023	2,095,625	(12,500)	(241,250)	1,841,875	(8,125)	1,833,750
12/12/2017	1.34	10/06/2020 to 09/06/2023	2,095,625	(7,500)	(243,750)	1,844,375	(8,125)	1,836,250
12/12/2017	1.34	10/06/2021 to 09/06/2023	2,095,625	–	(247,500)	1,848,125	(8,125)	1,840,000
12/12/2017	1.34	10/06/2022 to 09/06/2023	2,095,625	–	(247,500)	1,848,125	(8,125)	1,840,000
			8,382,500	(20,000)	(980,000)	7,382,500	(32,500)	7,350,000
Directors								
12/12/2017	1.34	10/06/2019 to 09/06/2023	1,281,250	–	(93,750)	1,187,500	–	1,187,500
12/12/2017	1.34	10/06/2020 to 09/06/2023	1,281,250	–	(93,750)	1,187,500	–	1,187,500
12/12/2017	1.34	10/06/2021 to 09/06/2023	1,281,250	–	(93,750)	1,187,500	–	1,187,500
12/12/2017	1.34	10/06/2022 to 09/06/2023	1,281,250	–	(93,750)	1,187,500	–	1,187,500
			5,125,000	–	(375,000)	4,750,000	–	4,750,000

As at 31 December 2022, 12,100,000 (2021: 9,096,875) share options were exercisable.

35. SHARE OPTION SCHEME *(Continued)*

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

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

As at 31 December 2022, 54,000,000 (2021: 36,000,000) share options were exercisable.

Date of grant	Exercise price HK$	Exercisable period	Number of options outstanding at 1 January 2021	Lapsed/ cancelled during the year	Number of options outstanding at 31 December 2021	Lapsed/ cancelled during the year	Number of options outstanding at 31 December 2022
Employees							
08/10/2020	0.40	8/10/2023 to 7/10/2028	11,750,000	–	11,750,000	(2,750,000)	9,000,000
08/10/2020	0.40	8/10/2024 to 7/10/2028	11,750,000	–	11,750,000	(2,750,000)	9,000,000
08/10/2020	0.40	8/10/2025 to 7/10/2028	11,750,000	–	11,750,000	(2,750,000)	9,000,000
08/10/2020	0.40	8/10/2026 to 7/10/2028	11,750,000	–	11,750,000	(2,750,000)	9,000,000
			47,000,000	–	47,000,000	(11,000,000)	36,000,000

As at 31 December 2022, no share options were exercisable.

35. SHARE OPTION SCHEME *(Continued)*

Date of grant	Exercise price HK$	Exercisable period	Number of options outstanding at 1 January 2021	Lapsed/ cancelled during the year	Number of options outstanding at 31 December 2021	Lapsed/ cancelled during the year	Number of options outstanding at 31 December 2022
Employees							
16/11/2020	0.60	16/11/2022 to 15/11/2027	6,299,991	(1,199,999)	5,099,992	(833,332)	4,266,660
16/11/2020	0.60	16/11/2023 to 15/11/2027	6,299,991	(1,199,999)	5,099,992	(833,332)	4,266,660
16/11/2020	0.60	16/11/2024 to 15/11/2027	6,300,018	(1,200,002)	5,100,016	(833,336)	4,266,680
			18,900,000	(3,600,000)	15,300,000	(2,500,000)	12,800,000
Other participants *(Note)*							
16/11/2020	0.60	16/11/2022 to 15/11/2027	16,666,666	–	16,666,666	–	16,666,666
16/11/2020	0.60	16/11/2023 to 15/11/2027	16,666,666	–	16,666,666	–	16,666,666
16/11/2020	0.60	16/11/2024 to 15/11/2027	16,666,668	–	16,666,668	–	16,666,668
			50,000,000	–	50,000,000	–	50,000,000

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

As at 31 December 2022, 20,933,326 share options were exercisable.

Date of grant	Exercise price HK$	Exercisable period	Number of options outstanding at 1 January 2021	Lapsed/ cancelled during the year	Number of options outstanding at 31 December 2021	Granted during the year	Lapsed/ cancelled during the year	Number of options outstanding at 31 December 2022
Employees								
25/4/2022	1.34	25/4/2023 to 24/4/2026	–	–	–	4,314,750	(412,500)	3,902,250
25/4/2022	1.34	25/4/2023 to 24/4/2027	–	–	–	2,500,000	(25,000)	2,475,000
25/4/2022	1.34	25/4/2024 to 24/4/2027	–	–	–	2,500,000	(25,000)	2,475,000
25/4/2022	1.34	25/4/2025 to 24/4/2027	–	–	–	2,500,000	(25,000)	2,475,000
25/4/2022	1.34	25/4/2026 to 24/4/2027	–	–	–	2,500,000	(25,000)	2,475,000
			–	–	–	14,314,750	(512,500)	13,802,250

As at 31 December 2022, no share options were exercisable.

35. SHARE OPTION SCHEME *(Continued)*

The fair value of the share options granted on 25 January 2017, 12 December 2017, 21 February 2019, 8 October 2020 and 16 November 2020 and 25 April 2022 are determined using the Binomial Option Pricing Model (the "Model"), was HK$17,892,000, HK$17,950,000, HK$27,504,000, HK$12,731,000, HK$25,407,000 and HKS6,929,000 respectively. The inputs into the Model and the estimated fair value of the share options are as follows:

	25 January 2017	12 December 2017	21 February 2019	8 October 2020	16 November 2020	25 April 2022
Closing price of the shares	HK$1.14*	HK$1.22*	HK$0.42*	HK$0.36	HK$0.53	HK$0.90
Exercise price	HK$1.34*	HK$1.34*	HK$0.48*	HK$0.40	HK$0.60	HK$1.34
Dividend yield	Nil	Nil	Nil	Nil	Nil	Nil
Expected volatility	93.19%	87.92%	94.36%	92.04%	94.06%	85.88% to 92.38%
Risk-free interest rate	1.289%	1.582%	1.423%	0.42%	0.33%	2.52% to 2.57%
Fair value per share option	HK$0.572* to HK$0.612*	HK$0.716* to HK$0.744*	HK$0.216* to HK$0.22*	HK$0.255 to HK$0.283	HK$0.348 to HK$0.386	HK$0.451 to HK$0.545

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

During the year ended 31 December 2022, the Group recognised an expense of approximately HK$6,859,000 (2021: HK$16,180,000) as equity-settled share based payments in the consolidated statement of profit or loss with reference to their respective vesting period.

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

36. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business		Proportion of ownership interests and voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
					HK$'000	HK$'000	**HK$'000**	HK$'000
Era Bright	**Hong Kong**	Hong Kong	**26.55%**	20.78%	**(4,591)**	805	**19,550**	17,128
Galaxy Vantage	**BVI**	BVI	**–**	39.00%	**–**	(43,455)	**–**	–
Genius Spring	**BVI**	BVI	**–**	–	**–**	(8,343)	**–**	–
Individually immaterial subsidiaries with non-controlling interests					**(4,591)**	(50,993)	**19,550**	17,128

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

36. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

Era Bright and subsidiaries

a.

	2022 **HK$'000**	2021 HK$'000
Current assets	**152,311**	158,042
Non-current assets	**41,190**	68,526
Current liabilities	**(117,028)**	(139,346)
Non-current liabilities	**(2,840)**	(4,416)
Equity attributable to owners of the Company	**(54,083)**	(65,678)
Non-controlling interests of Era Bright	**19,550**	17,128

b.

	2022 **HK$'000**	2021 HK$'000
Revenue	**203,673**	39,844
Expenses	**(217,960)**	(35,970)
(Loss)/profit for the year	**(14,287)**	3,874
(Loss)/profit attributable to owners of the Company	**(9,696)**	3,069
(Loss)/profit attributable to the non-controlling interests	**(4,591)**	805
(Loss)/profit for the year	**(14,287)**	3,874

c.

	2022 **HK$'000**	2021 HK$'000
Net cash inflow from operating activities	**13,068**	76,816
Net cash inflow from investing activities	**–**	3,763
Net cash outflow from financing activities	**(9,240)**	(34,589)
Net cash inflow	**3,828**	45,990

d. On 7 November 2022, Era Bright issued 10,600 shares to Blue River Enterprises Limited for the consideration of HK$7,000,028. The share issuance diluted the Group's interest in Era Bright, reducing its continuing interest to 73.45%. The consideration was received in cash. An amount of HK$7,013,000 (being the proportionate share of the carrying amount of the net assets of Era Bright) has been transferred to non-controlling interests. The difference of HK$13,000 between the increase in the non-controlling interests and the consideration received has been recognised in retained earnings.

36. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

Galaxy Vantage and subsidiaries

a.

	2021 HK$'000
Current assets	–
Non-current assets	–
Current liabilities	–
Non-current liabilities	–
Equity attributable to owners of the Company	–
Non-controlling interests of Galaxy Vantage	–
Non-controlling interests of Galaxy Vantage's subsidiary	–

b.

	2021 HK$'000
Revenue	(14,035)
Expenses	(94,388)
Loss for the year	(108,423)
Loss attributable to owners of the Company	(56,625)
Loss attributable to the non-controlling interests	(43,455)
Loss attributable to the non-controlling interests of the subsidiary of the Company	(8,343)
Loss for the year	(108,423)

c.

	2021 HK$'000
Dividends paid to non-controlling interest of Galaxy Vantage	92,884

d. **Change in ownership interest in a subsidiary**

On 23 February 2021, Galaxy Vantage issued 31,500 shares to Blue River Investments Limited for the consideration of HK$100,000,000. The share issuance diluted the Group's interest in Galaxy Vantage, reducing its continuing interest to 61%. The consideration was received in cash. An amount of HK$97,983,000 (being the proportionate share of the carrying amount of the net assets of Galaxy Vantage) has been transferred to non-controlling interests. The difference of HK$2,017,000 between the increase in the non-controlling interests and the consideration received has been recognised in retained earnings.

36. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

Genius Spring

a.

	2021 HK$'000
Current assets	–
Current liabilities	–
Equity attributable to owners of the Company	–
Non-controlling interests of Genius Spring	–

b.

	2021 HK$'000
Revenue	(27,678)
Expenses	(56,596)
Loss for the year	(84,274)
Loss attributable to owners of the Company	(75,931)
Loss attributable to the non-controlling interests	(8,343)
Loss for the year	(84,274)

c. **Change in ownership interest in a subsidiary**

On 29 October 2021, Galaxy Vantage disposed of its 90.10% shareholding of Genius Spring for a consideration of HK$40,000,000 (Note 32(a)), and HK$5,304,000, was debited to non-controlling interests as a result of the proportionate share of net assets of Genius Spring being disposed of.

37. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Save as disclosed elsewhere in the consolidated financial statements, the following transactions with related parties took place during the year:

(a) Key management compensation

During both years, compensation of key management personnel represents directors' remuneration and those of senior staff as stated in notes 9 and 10 respectively.

(b) Outstanding balance

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	2022 **HK$'000**	2021 HK$'000
Amount due to a director (note (i)) (Note 28(b))	**95,533**	92,630
Amount due to a shareholder of the Company (note (ii)) (Note 28(b))	**11,000**	–

Notes:

(i) Balance represents amount due to Mr. Wang Liang, director and substantial shareholder of the Company.

(ii) Balance represents amount due to Ms. Qiao Yanfeng, shareholder of the Company with approximately 5.35% equity interest in the Company.

(c) Transactions

The Group had entered into the following transactions with a related company of which a director of the Company is a controlling shareholder during the year ended 31 December 2021 (note (i)).

	2021 HK$'000
Interest income (note (ii))	100
Technical service income	394
Equipment rental income	1
Repair and maintenance expenses	(405)
Research and development expenses	(578)
Consultancy services fee	(35)

Notes:

(i) The related company was held as to 90% by Mr. Jia Wenjie ("Mr. Jia"), a Non-executive Director of the Company, and as to 10% by Ms. Qiang Yuzhen, who is a family member of Mr. Jia. Mr. Jia held no equity interest in the Company as at 31 December 2021.

(ii) On 28 October 2021, Shanghai Toushang Information Technology Co., Ltd.* (上海透商信息科技有限公司) (the "Lender"), a wholly-owned subsidiary of the Group, advanced a short-term loan in the principal amount of RMB4,150,000 to a related company of which a director of the Company is a controlling shareholder (the "Borrower"). The loan has a term commencing on 28 October 2021 and expiring on 27 December 2021 and the Lender is entitled to an interest of 12% per annum on the principal amount, which is payable by the Borrower upon maturity of the loan.

* Direct translation from the Chinese name which is for identification purpose only.

38. OPERATING LEASE ARRANGEMENTS

As lessee

Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term as follows:

	2022 HK$'000	2021 HK$'000
Within one year	**3,871**	4,708

39. FINANCIAL INSTRUMENTS BY CATEGORY AND FAIR VALUE OF FINANCIAL INSTRUMENTS

As at 31 December 2022 and 2021, except for financial assets at fair value through profit or loss as set out in note 18, financial assets and financial liabilities of the Company and the Group are measured at amortised cost.

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, loan and interest receivables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, margin loans payable, bank and other borrowings, and amount due to a director/a shareholder of the Company, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by a director is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the directors and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the directors. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The fair values of the financial assets and liabilities are included at the amounts at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

As at 31 December 2022, the fair value of listed equity investment without an active market classified in Level 3 of the fair value measurement hierarchy was estimated by the market approach with reference to comparable companies engaged in the similar businesses as the investee in arriving at the fair value. Significant assumptions on parameters used in the valuations, such as changes in market capitalization of comparable companies and adjusted for discounts to reflect trading suspension from 1 April 2022 to 31 December 2022, and discount for lack of marketability associated with the investment. Its fair value was determined by the management based on the valuation from an independent professional qualified valuer. The fair value of listed equity investment was based on quoted market price as at 31 December 2021.

The fair value of private equity investment fund classified in Level 2 of the fair value measurement hierarchy was determined with reference to recent transaction prices and amounted to RMB5,090,000 (equivalent to approximately HK$5,564,000).

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

The fair values of one (2021: one) unlisted equity security without an active market classified in Level 3 of the fair value measurement hierarchy was estimated on the basis of an analysis of the investee's financial position and results, risk profile and prospects and other factors, and further adjusted by a number of significant unobservable inputs including the market value of invested capital-to-total assets multiple, price-to-net assets multiple, and adjustment for a lack of marketability associated with the investment. Its fair value was amounting to HK$70,000,000 and was determined by the management based on the valuation from an independent professional qualified valuer (2021: HK$144,479,000 and was determined by the directors of the Company).

The fair value of one (2021: one) unlisted equity securities without an active market classified in Level 3 of the fair value measurement hierarchy was estimated on the basis of an analysis of the investee's financial position and results, risk profile and prospects and other factors, and further adjusted by a number of significant unobservable inputs including the market value of invested capital-to-total assets multiple, price-to-net assets multiple and adjustment for a lack of marketability associated with the investment. Its fair value was amounting to HK$20,276,000 (2021: HK$27,000,000) and was determined by the management based on the valuation from an independent professional qualified valuer as at 31 December 2022 and 2021.

The fair value of one (2021: one) unlisted equity security without an active market classified in Level 3 of the fair value measurement hierarchy was estimated by option pricing method, using a number of significant unobservable inputs including risk free rate, expected volatility and adjustment for a lack of marketability associated with the investment. Its fair value was amounting to HK$22,946,000 (2021: HK$33,246,000) and was determined by the management based on the valuation from an independent professional qualified valuer as at 31 December 2022 and 2021.

The fair values of remaining four (2021: four) unlisted equity securities were without an active market classified in Level 3 of the fair value measurement hierarchy were estimated on the basis of an analysis of the investee's financial position and results, risk profile and prospects and other factors, and further adjusted by a number of significant unobservable inputs including the market value of invested capital-to-total assets multiple, price-to-net assets multiple, and adjustment for a lack of marketability associated with the investment. The fair values were amounting to HK$15,282,000 (2021: HK$25,000,000), HK$14,371,000 (2021: HK$29,504,000), HK$35,690,000 (2021: HK$59,708,000) and Nil (2021: Nil), respectively, and were determined by the directors of the Company as at 31 December 2022 and 2021.

The directors believe that the estimated fair values, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss and other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The following table represents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation techniques as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured using Level 2 i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: Fair value measured using significant unobservable inputs.

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

As at 31 December 2022

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Financial assets at fair value through profit or loss:				
Listed equity instrument	**–**	**–**	**7,521**	**7,521**
Wealth management products (note)	**–**	**8,635**	**–**	**8,635**
Private equity investment fund	**–**	**5,564**	**–**	**5,564**
Unlisted equity instruments	**–**	**–**	**178,565**	**178,565**

Note: The fair value of wealth management products is determined with reference to the mark-to-market statements published by the issuing bank as at the end of the reporting period.

As at 31 December 2021

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Financial assets at fair value through profit or loss:				
Listed equity instrument	17,600	–	–	17,600
Wealth management products (note)	–	16,156	–	16,156
Unlisted equity instruments	–	–	318,937	318,937

Note: The fair value of wealth management products is determined with reference to the mark-to-market statements published by the issuing bank as at the end of the reporting period.

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Information of level 3 fair value measurements

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2022 and 2021:

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of fair value to the inputs
Listed equity instrument	The value is based on changes in market capitalization of comparable companies and adjusted for discounts to reflect trading suspension, and discount for lack of marketability	Change in market capitalization	41.14%	5% increase in market capitalization of comparable companies would result in increase in fair value by HK$308,000
		Discount for trading suspension	41.33%	5% increase in discount for trading suspension would result in decrease in fair value by HK$642,000
		Lack of marketability discount	25.7%	5% increase in lack of marketability discount would result in decrease in fair value by HK$507,000
Unlisted equity instruments	The value is based on market value of invested capital-to-total asset and price-to-net assets	Market value of invested capital-to-total asset multiple	0.56 to 0.76 (2021: 0.62 to 0.7)	5% increase in market value of invested capital-to-total asset multiple would result in increase in fair value by HK$3,803,000 (2021: 1% increase in market value of invested capital-to-total asset multiple would result in increase in fair value by HK$230,000)
		Price-to-net assets multiple	0.42 to 0.56 (2021: 0.6 to 0.7)	5% increase in price-to-net assets multiple would result in increase in fair value by HK$2,122,000 (2021: 1% increase in price-to-net assets multiple would result in increase in fair value by HK$163,000)
		Lack of marketability discount	15.8% (2021: 16% to 25%)	5% increase in lack of marketability discount would result in decrease in fair value by HK$3,791,000 (2021: 1% increase in lack of marketability discount would result in decrease in fair value by HK$351,000)
	Option pricing method. The value is relied on the Black-Scholes option pricing model, which requires various inputs including time to maturity, volatility and risk free rate under consideration of probability for liquidation and probability for initial public offerings ("IPO"). Implied equity value is back-solved by using the Black-Scholes option pricing model, calculated by enterprise value-to-sales ratio of comparable companies.	Probability for liquidation	80% (2021: 80%)	5% increase in probability for liquidation would result in increase in fair value by HK$780,000 (2021: 1% increase in probability for liquidation would result in increase in fair value by HK$152,000)
		Probability for IPO	20% (2021: 20%)	5% increase in probability for IPO would result in decrease in fair value by HK$780,000 (2021: 1% increase in probability for IPO would result in decrease in fair value by HK$153,000)
		Enterprise value-to-sales ratio	5.12% (2021: 5.32%)	5% increase in enterprise value-to-sales ratio would result in increase in fair value by HK$681,000 (2021: 1% increase in enterprise value-to-sales ratio would result in increase in fair value by HK$225,000)
		Time to maturity	1.08 years (2021: 2.08 years)	5% increase in time to maturity would result in decrease in fair value by HK$124,000 (2021: 1% increase in time to maturity would result in decrease in fair value by HK$39,000)
		Volatility	77.91% (2021: 88.68%)	5% increase in volatility would result in decrease in fair value by HK$293,000 (2021: 1% increase in volatility would result in decrease in fair value by HK$82,000)
		Risk free rate	4.598% (2021: 0.96%)	5% increase in risk free rate would result in decrease in fair value by HK$487,000 (2021: 1% increase in risk free rate would result in decrease in fair value by HK$196,000)

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy

	Assets Listed and unlisted equity instruments HK$'000	**Liabilities Derivatives embedded in the CB** HK$'000
At 1 January 2021	320,686	(273)
Acquisitions	52,300	–
Net (loss)/gain from fair value adjustment recognised in profit or loss	(54,049)	273
At 31 December 2021 and 1 January 2022	318,937	–
Transfers into level 3	**17,600**	**–**
Net loss from fair value adjustment, recognised in profit or loss		
— Unlisted equity instruments	**(140,372)**	**–**
— Listed equity instrument	**(10,079)**	**–**
At 31 December 2022	**186,086**	**–**

During the year, there were no transfers of fair value measurement between Level 1 and Level 2 and one transfer into Level 3 for financial assets (2021: None).

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include cash and cash equivalents, trade receivables, deposits and other receivables, financial assets at fair value through profit or loss, loan and interest receivables, bank and other borrowings, trade payables and other payables, margin loans payable and amount due to a director/a shareholder of the Company. Details of the major financial instruments and the Group's relevant accounting policies are disclosed in note 2 to the consolidated financial statements.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk, liquidity risk, equity price risk and interest rate risk. The directors review and agree policies for managing each of these risks and they are summarised below.

(a) Foreign currency risk

The Group operates in both Hong Kong and the PRC and sells its products internationally. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily through cash and bank balances arising from sales and purchases, deposits, trade and other receivables, and trade and other payables that are denominated in a currency other than the functional currency of the operations in which they relate. The currencies giving rise to this risk are primarily US$, and RMB.

RMB is not a freely convertible currency. Future exchange rates of RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of RMB. The appreciation or depreciation of RMB against HK$ may have impact on the operating results of the Group. The Group's exposure to currency risk arising from US$ against HK$ is considered by the directors as insignificant since HK$ is pledged to US$.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Foreign currency risk *(Continued)*

There are limited hedging instruments available to the Group to reduce the Group's exposure to exchange rate fluctuations between RMB and other currencies. The Group may decide to enter into hedging transactions in the future and management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised monetary assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2022		2021	
	US$	**RMB**	US$	RMB
	HK$'000	**HK$'000**	HK$'000	HK$'000
Trade and other receivables	**4,847**	**194**	12,869	308
Bank balances and cash	**17,052**	**1**	9,854	21
Trade and other payables	**–**	**(1,377)**	–	(1,377)
Overall net exposure	**21,899**	**(1,182)**	22,723	(1,048)

The following table demonstrates the sensitivity to a reasonably possible changes in the exchange rates, with all other variables held constant, of the Group's loss after tax.

	2022		2021	
	Increase/ (decrease) in rates	**Increase/ (decrease) in loss after tax HK$'000**	Increase/ (decrease) in rates	Increase/ (decrease) in loss after tax HK$'000
If HK$ weakens against RMB	**3%**	**(30)**	3%	(26)
If HK$ strengthens against RMB	**–3%**	**30**	–3%	26
If HK$ weakens against US$	**1%**	**183**	1%	190
If HK$ strengthens against US$	**-1%**	**(183)**	–1%	(190)

(b) Credit risk

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, bank balances, other receivables, and loan and interest receivables. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the settlement of certain trade receivables is backed by bills issued by reputable financial institutions. The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, trade and other receivable balances are monitored on an ongoing basis to ensure that follow-up action is taken to recover overdue debts and the Group's exposure to bad debts is not significant. The Group's maximum exposures to credit risk are the carrying amounts of trade receivables, as disclosed in note 20 to the consolidated financial statements. In addition, the Group reviews the recoverable amount of each individual debtor at the end of the reporting period to ensure that adequate impairment losses have been made for irrecoverable amounts.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Credit risk *(Continued)*

Credit risk arising from trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of reporting period, 22% (2021: 22%) and 51% (2021: 51%) of the total trade receivable were due from the Group's largest customer and the five largest customers respectively.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2022 and 2021:

	2022			2021		
	Expected loss rate %	**Gross carrying amount HK$'000**	**Loss allowance HK$'000**	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Trade receivables						
Current (not past due)	**0.12%**	**27,782**	**34**	0.47%	50,109	238
1–30 days past due	**0.33%**	**9,011**	**30**	2.17%	6,118	133
31–180 days past due	**15.86%**	**5,605**	**889**	10.77%	11,690	1,259
181–365 days past due	**100%**	**2,783**	**2,783**	100%	9	9
More than 365 days past due	**100%**	**6,167**	**6,167**	100%	360	360
		51,348	**9,903**		68,286	1,999

Expected loss rates are based on actual loss experience over the past 2 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Credit risk *(Continued)*

Credit risk arising from trade receivables *(Continued)*

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	Trade receivables HK$'000
Balance at 1 January 2021	1,536
Impairment losses recognised during the year	463
Balance at 31 December 2021 and 1 January 2022	**1,999**
Impairment losses recognised during the year	**7,904**
Balance at 31 December 2022	**9,903**

Credit risk arising from bank balances

Credit risk on bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. Therefore, the ECL on bank balances is considered to be insignificant.

Credit risk arising from loan and interest receivables

The directors of the Company regularly review and assess the credit quality of the counterparties. The Group uses lifetime ECL to assess the loss allowance of loan and interest receivables. Since these receivables are assessed as good credit quality, are not past due, and there has no historical default record, the directors consider that the Group's credit risk in not significant after considering the financial background and condition of the counterparties. Accordingly, the directors of the Company consider to recognise the ECL for loan and interest receivables amounted to HK$Nil (2021: Nil).

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(c) Liquidity risk

The Group managed the risk by matching the raising of loans or equity funding to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

The maturity profile of the Group's financial liabilities and lease liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	Weighted average interest rate	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years HK$'000	Total HK$'000	Carrying amount HK$'000
At 31 December 2022						
Trade payables	–	46,224	–	–	46,224	46,224
Other payables	–	19,605	–	–	19,605	19,605
Lease liabilities	5%	12,705	2,963	–	15,668	14,901
Amount due to a director	–	95,533	–	–	95,533	95,533
Amount due to a shareholder of the Company	–	11,000	–	–	11,000	11,000
Bank and other borrowings	5–12%	192,153	22,972	169,567	384,692	380,113
		377,220	25,935	169,567	572,722	567,376

	Weighted average interest rate	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years HK$'000	Total HK$'000	Carrying amount HK$'000
At 31 December 2021						
Trade payables	–	37,875	–	–	37,875	37,875
Other payables	–	50,606	–	–	50,606	50,606
Lease liabilities	4.9%	15,356	8,242	–	23,598	22,535
Margin loans payable	12%	3,633	–	–	3,633	3,633
Amount due to a director	–	92,630	–	–	92,630	92,630
Bank and other borrowings	6%–12%	296,503	–	–	296,503	292,611
		496,603	8,242	–	504,845	499,890

The amounts disclosed in the table are the contractual undiscounted cash flows, which may differ from the carrying values of the liabilities at the balance sheet date.

Although the Group has a considerable amount of financial liabilities to be settled within the next twelve month from the end of the reporting period, the directors of the Company are of the view that the Group can manage the associated liquidity risks taking into account the financial resources and the Group's cash flow projections.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(d) Equity price risk

Equity price risk is the risk that the fair values of equity investments decrease as a result of changes in the levels of equity indices and the values of individual securities. The Group was exposed to equity price risk arising from individual equity investments classified as financial assets at fair value through profit or loss (note 18) for both years.

The Group's listed equity investments are listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting period.

All of the Group's unquoted investments are held for long term strategic purposes. Their performance is assessed at least bi-annually against performance of similar listed entities, based on the limited information available to the Group, together with an assessment of their relevance to the Group's long term strategic plans.

The market equity index for the Stock Exchange, at the close of business of the nearest trading day in the year to the end of the reporting period, and its respective highest and lowest points during the year were as follows:

	31 December 2022	High/low 2022	1 January 2022
Hong Kong — Hang Seng Index	19,781	25,051/14,597	23,112

The Group manages its exposure by closely monitoring the price movements and the changes in market conditions that may affect the value of these equity investments.

The following table demonstrates the sensitivity to a reasonably possible change in the fair values of the equity investments, excluding financial assets at fair value through profit or loss (not held for trading) as at 31 December 2021 with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

Sensitivity analysis of equity securities with fair value measured categorised within Level 3 were disclosed in note 40.

	Carrying amount of financial investments HK$'000	Increase/ (decrease) in price %	Increase/ (decrease) in profit after tax and retained profit HK$'000	Increase/ (decrease) in other components of equity HK$'000
2021				
Equity securities listed in Hong Kong:				
Held-for-trading	17,600	37.58%	5,523	–
Held-for-trading	17,600	(37.58%)	(5,523)	–

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(e) Interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate cash at bank. The Group's cash flow interest rate results mainly from the fluctuations of market interest rates. The directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant. The Group is exposed to fair value interest rate risk in relation to fixed-rate loan and interest receivables, lease liabilities and other borrowings. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Total interest income from financial assets that are measured at amortised cost is as follows:

	2022 **HK$'000**	2021 HK$'000
Interest income		
Financial assets at amortised cost	**2,475**	16,023

Interest expense on financial liabilities not measured at FVTPL:

	2022 **HK$'000**	2021 HK$'000
Interest expense		
Financial liabilities at amortised cost	**21,652**	17,143

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(f) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern in order to provide returns to the shareholders, to procure adequate financial resources from shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 2021.

The Group monitors capital using a net debt-to-equity ratio, which is net debt divided by equity attributable to owners of the parent. Net debt includes trade payables, other payables and accruals, amount due to a director, amount due to a shareholder of the Company, bank and other borrowings, lease liabilities and margins loans payable, less cash and cash equivalents and excludes assets of a disposal group classified as held for sale and liabilities directly associated with the assets classified as held for sale. The net debt-to-equity ratios as at the end of the reporting periods were as follows:

	Group	
	2022	2021
	HK$'000	HK$'000
Trade payables	**46,224**	37,875
Other payables and accruals	**35,098**	62,755
Amount due to a director	**95,533**	92,630
Amount due to a shareholder of the Company	**11,000**	–
Lease liabilities	**14,901**	22,535
Bank and other borrowings	**380,113**	292,611
Margin loans payable	**–**	3,633
Less: Cash and cash equivalents	**(128,098)**	(60,198)
Net debt	**454,771**	451,841
Equity attributable to owners of the parent	**263,959**	469,917
Net debt-to-equity ratio	**172%**	96%

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	Notes	2022 HK$'000	2021 HK$'000
Non-current assets			
Financial assets at fair value through profit or loss		**22,946**	33,246
Investments in subsidiaries	(a)	**80**	80
Total non-current assets		**23,026**	33,326
Current assets			
Prepayments and other receivables		**302**	302
Amounts due from subsidiaries	(a)	**156,935**	167,506
Amount due from a director		**179**	–
Cash and cash equivalents		**9,194**	5,910
Total current assets		**166,610**	173,718
Current liabilities			
Other payables and accruals		**4,530**	2,094
Loan from a subsidiary		**1,651**	1,632
Amounts due to subsidiaries		**80,806**	79,951
Total current liabilities		**86,987**	83,677
Net current assets		**79,623**	90,041
Net assets		**102,649**	123,367
Equity			
Issued capital		**112,238**	112,238
Reserves	(b)	**(9,589)**	11,129
Total equity		**102,649**	123,367

Wang Liang
Director

Du Dong
Director

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

Notes:

(a) During the year ended 31 December 2022, reversal of impairment loss on amounts due from subsidiaries of HK$847,000 was recognised. During the year ended 31 December 2021, loss on deregistration of a subsidiary of HK$47,812,000 and an impairment loss on amounts due from subsidiaries of HK$554,070,000 was recognised for the investments in subsidiaries and amounts due from subsidiaries respectively, in view of the deregistration of a subsidiary and decrease in the net assets value of subsidiaries.

(b) A summary of the Company's reserves is as follows:

	Share premium account HK$'000 (note 34(a))	**Contributed surplus** HK$'000 (note 34(c))	**Share option reserve** HK$'000 (note 34(d))	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 January 2021	1,876,302	13,387	31,703	(1,463,589)	457,803
Total comprehensive loss for the year	–	–	–	(492,827)	(492,827)
Share subscription	26,984	–	–	–	26,984
Equity settled share-based transactions	–	–	16,180	–	16,180
Share option exercised	4,372	–	(1,383)	–	2,989
Share option lapsed	–	–	(1,690)	1,690	–
At 31 December 2021 and 1 January 2022	1,907,658	13,387	44,810	(1,954,726)	11,129
Total comprehensive loss for the year	**–**	**–**	**–**	**(27,577)**	**(27,577)**
Share subscription	**–**	**–**	**–**	**–**	**–**
Equity settled share-based transactions	**–**	**–**	**6,859**	**–**	**6,859**
Share option lapsed	**–**	**–**	**(5,369)**	**5,369**	**–**
At 31 December 2022	**1,907,658**	**13,387**	**46,300**	**(1,976,934)**	**(9,589)**

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the reorganisation on 29 December 2011 over the previous nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda, a company may make distributions to its members out of the contributed surplus in certain circumstances.

43. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2022 are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal Activities
Apex Capital Business Limited	BVI	Ordinary US$100	100 (2021: 100)	–	Investment holding
Era Bright Limited	Hong Kong	Ordinary HK$93,844,885 (2021: HK$86,844,859)	–	73.45 (2021: 79.22)	Money lending
Qualipak Manufacturing Limited	Hong Kong	Ordinary HK$100 Non-voting deferred HK$22,303,857^	–	73.45 (2021: 79.22)	Manufacture and sale of watch boxes, jewellery boxes, eyewear cases, bags and pouches and display units
Joy Forever Limited	Hong Kong	Ordinary HK$1	–	100 (2021: 100)	Provision of corporate management services
Shanghai TY Technology Co. Ltd. *# (上海透雲物聯網科技有限公司)	PRC	Registered RMB600,000,000 and paid up RMB302,451,020	–	100 (2021: 100)	Provision of QR codes on product packaging and business intelligence IT solutions, and online advertising display services
TY Technology (Beijing) Co., Ltd.* 透雲物聯網科技(北京)有限公司)	PRC	Registered and paid-up RMB67,000,000	–	100 (2021: 100)	Provision of QR codes on product packaging
Victor Choice Global Limited	BVI	Ordinary US$100	–	100 (2021: 100)	Investment holding
Shanxi Touyun Biotechnology Co., Ltd. 山西透雲生物科技有限公司*#	PRC	Registered and paid up USD12,000,000	–	100 (2021: 100)	Production and sale of Chlamydomonas reinhardtii, micro-algae and related products

Notes:

Registered as a wholly-owned foreign enterprise under the PRC law
* Direct translation from the Chinese name which is for identification purposes only
^ The non-voting deferred shares have restricted rights on the distribution of profits, capital and voting

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

44. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 27 March 2023.

Five-Year Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out below.

RESULTS

The summary of the consolidated results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, has been extracted from the published audited financial statements.

	Years ended 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue from sales of goods and services rendered	**323,334**	291,415	218,805	329,979	349,630
Revenue from treasury investment					
Fair value losses/(gains) on financial assets at fair value through profit or loss held for trading, net	**(9,899)**	(25,143)	(14,205)	10,074	(1,307)
Interest income from money lending business	**2,390**	3,178	1,745	1,250	–
Dividend income from financial assets at FVTPL held for trading	**–**	411	170	1,393	447
Interest income from margin financing	**–**	12,672	262	–	–
Commission and service income	**–**	972	9	–	–
Loss before tax	**(199,183)**	(122,970)	(171,983)	(194,896)	(251,974)
Income tax	**(3,473)**	(971)	(6)	(4,213)	(1,989)
Loss for the year	**(202,656)**	(123,941)	(171,989)	(199,109)	(253,963)
Attributable to:					
Owners of the Company	**(198,065)**	(72,948)	(168,776)	(200,513)	(253,877)
Non-controlling interests	**(4,591)**	(50,993)	(3,213)	1,404	(86)
	(202,656)	(123,941)	(171,989)	(199,109)	(253,963)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**887,697**	1,024,728	971,940	886,401	1,043,704
Total liabilities	**(604,188)**	(537,683)	(415,571)	(341,834)	(316,456)
Non-controlling interests	**(19,550)**	(17,128)	(68,326)	(3,362)	(456)
	263,959	469,917	488,043	541,205	726,792

The summary of the consolidated results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, has been extracted from the published audited financial statements.