美瑞健康国际产业集团
Meilleure Health International Industry Group

Meilleure Health International Industry Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 2327)

2021 Annual Report

一份專注　兩倍用心　三倍高效　十重保障　百倍體驗　終身受益

美瑞健康——精準健康管理

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Zhou Xuzhou *(Co-Chairman)*
Dr. Zeng Wentao *(Co-Chairman)*
Ms. Zhou Wen Chuan *(Vice-Chairman and Chief Executive Officer)*

Non-Executive Director
Dr. Mao Zhenhua

Independent Non-Executive Directors
Professor Chau Chi Wai, Wilton
Mr. Gao Guanjiang
Mr. Wu Peng

AUTHORISED REPRESENTATIVES

Mr. Zhou Xuzhou
Ms. Zhou Wen Chuan

COMPANY SECRETARY

Mr. Li Shu Pai

AUDIT COMMITTEE

Professor Chau Chi Wai, Wilton *(Chairman)*
Mr. Gao Guanjiang
Dr. Mao Zhenhua

REMUNERATION COMMITTEE

Mr. Gao Guanjiang *(Chairman)*
Professor Chau Chi Wai, Wilton
Dr. Zeng Wentao

NOMINATION COMMITTEE

Mr. Zhou Xuzhou *(Chairman)*
Professor Chau Chi Wai, Wilton
Mr. Wu Peng

STRATEGIC COMMITTEE

Dr. Mao Zhenhua *(Chairman)*
Mr. Zhou Xuzhou
Dr. Zeng Wentao

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART XI OF THE COMPANIES ORDINANCE

Unit 2906
Tower 1, Lippo Centre
89 Queensway
Admiralty
Hong Kong

AUDITOR

ZHONGHUI ANDA CPA Limited
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

PRINCIPAL BANKERS

Nanyang Commercial Bank, Limited
Hang Seng Bank Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY WEBSITE

www.meilleure.com.cn

STOCK CODE

2327

CO-CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I hereby present to our shareholders the annual results of the Group for the Reporting Period.

RECENT DEVELOPMENT

Judgment and Perseverance

2021 marked the beginning of the 14th Five-Year Plan. It also represented a new starting point for the golden decade of Healthy China 2030. According to PricewaterhouseCoopers, the size of China's healthcare market reached 13 trillion dollars in 2020[1], making it the second-largest market in the world. However, there is still a long way to achieve the strategic goal of "Healthy China 2030" and further narrow the gap with developed countries regarding medical level.

At the same time, the GDP per capita of the PRC in 2021 was RMB80,976[2], equivalent to US$12,551 at the average annual exchange rate, exceeding the world per capita GDP level. According to the World Bank's indicators, the PRC's GNI per capita in 2021 was US$12,400, close to the GNI per capita threshold of US$12,700 of the high-income countries. The national gross domestic product improvement has objectively provided economic support for developing healthcare consumption. Pursuing health and anti-ageing have become popular demands.

Therefore, standing at the new starting point of the era with the synergy effects of "Healthy China 2030" and "14th Five-Year Plan", the Group is profoundly optimistic about the future development of the healthcare industry. We believe in the power of time and maintain ourselves as a long-termist in the industry. During the Reporting Period, the Group adhered to the corporate vision of "using technology and expertise to serve more people's health and beauty needs" and developed its health sector through health applications of cell therapy and cannabinoid. Meanwhile, the Group continued to conduct in-depth research on skin health and its related services and developed product and business model integrating skincare products with efficacy and cosmetic medicine for skin health management by making full use of its advantages in R&D, brand and channel in terms of skin health management.

1 Source: "Review and Outlook of China M&A activity in Healthcare Industry from 2013 to the First Half of 2021" published by PricewaterhouseCoopers

2 Source: "Statistical Communiqué of the PRC on the 2021 National Economic and Social Development" published by the National Bureau of Statistics

CO-CHAIRMAN'S STATEMENT

OVERVIEW OF OPERATIONS

Healthcare-related Business Segment – Cellular Therapy and Health Management Business

The Group made its deployment in the field of cell therapy through strategic acquisition of equity interest of Wingor Bio in 2019, a state-level high-tech enterprise, and the establishment of Mei Ai Kang in 2020. Thanks to several supportive policies on the cell industry released by the Chinese government at various levels during the Reporting Period, cellular technology's clinical research and application have entered the phase of rapid development, and the Group's cell therapy business has ushered in rapid growth. At the level of the central government, "stem cell research and organ repair" was again listed by the Ministry of Science and Technology of the PRC as the "14th Five-year" (2021-2026) National Key R&D Program. The State Council of the PRC (the "**State Council**") issued the "Implementation Opinions on Comprehensively Strengthening Drug Regulatory Capacity ", focusing on supporting cellular drugs and accelerating the R&D of new products. Besides, "research, application and industrial development of stem cells and immune cells" were mentioned several times in the documents released by the National Health Commission of the PRC and the General Office of the State Council. At the level of local governments, the Standing Committee of the Shenzhen Municipal People's Congress took the emerging field of cell genes as the focus of legislation in 2021. It also issued the "Cell and Genetic Industry Promotion Regulations of Shenzhen Special Economic Zone (Draft for Comment)" on 12 November 2021. The first-ever regulations for the translational application of cell therapy are on the horizon.

As the leading enterprise in Shenzhen's local cell treatment industry, Wingor Bio has powerful R&D innovation strength and leading professional technology in the industry after eight years of engagement in the cell therapy industry. Once the specific policies on cell treatment are implemented, Wingor Bio will be likely to realise qualitative development based on its first-mover advantage. Against such a backdrop, Wingor Bio has also achieved much progress in business during the Reporting Period.

Regarding stem cell drug R&D, with the support of years of experience in the exploration and R&D of stem cell processes, pharmaceutical processes and quality standard systems were developed that comply with requirements of the Centre for Drug Evaluation of the National Medical Products Administration according to Chinese Pharmacopoeia and the "Technical Guidelines for Pharmaceutical Research and Evaluation of Human-derived Stem Cell Products (Draft for Comment)". In addition, multiple product pipelines in fields such as nervous system diseases, autoimmune system diseases, degenerative joint diseases and metabolic diseases were developed.

In terms of the field of technology, after over three years' research, Shenzhen Key Technological Breakthrough Program – "R&D of Key Technology for Treatment of Malignant Tumors with New Chimeric Antigen Receptor T-Cell ("**CAR-T**") Technology (Z20170457)" undertaken by Wingor Bio since 2018 passed an inspection of scientific and technological programs by the Scientific and Technological Innovation Commission of Shenzhen on 11 June 2021. On 7 February 2021, Wingor Bio's new patent for invention was licensed, which was entitled B-cell Maturation Antigen ("**BCMA**") Chimeric Antigen Receptor ("**CAR**") Based on Single Domain Antibody and Its Applications. Compared with BCMA CAR derived from traditional antibodies, such an invention has a stronger binding with target cells, better killing effects and longer duration in the body. The technology has currently carried out initial exploratory clinical application research, and such a project has won the "20th Shenzhen Enterprise Innovation Record".

CO-CHAIRMAN'S STATEMENT

In terms of supporting facilities, Wingor Bio started to use a newly built production and R&D centre in March 2021. The centre is designed and constructed as per international standards such as cGMP (Current Good Manufacturing Practice), has obtained an inspection report from Guangdong Institute for Drug Control, and has the most advanced B+A level clean laboratory in the industry. It is also the "South China Comprehensive Cell Bank" and "South China Regional Cell Preparation Centre" approved by the Development and Reform Commission of Shenzhen Guangming District. The initiation of such a new production and R&D centre will further enhance the scientific research strength of Wingor Bio.

In terms of financing, Wingor Bio completed new financing rounds in 2021 and has obtained tens of millions of Renminbi invested from the Sub-Fund of Shenzhen Municipal Government Guiding Fund – Small and Medium Enterprise Development Fund (Shenzhen Nanshan Limited Partnership) (with well-known investment institution Oriental Fortune Capital as its general partner) and Hanshang Group Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600774), a Chinese A-share listed company). Thanks to advantages in policies, strength and funds, Wingor Bio may boast a new round of more vigorous growth.

During the Reporting Period, Mei Ai Kang made several achievements. It cooperated with the Fifth Medical Centre of the General Hospital of the People's Liberation Army, the Fourth People's Hospital of Nanning, Shanghai Public Health Clinical Centre and Yunnan Provincial Infectious Disease Hospital to conduct clinical studies, and it overcame the adverse effect brought forth by the Epidemic. It enrolled 17 cases in the study, improved clinical proposals, and detailed the experimental process for the convenience of application for treatment technology in future. Mei Ai Kang is currently applying for a relevant patent cluster related to the project's core technology, and a patent for a self-transfusion injector has been approved.

In terms of downstream products and services as well as high-end health management, the public demand for healthcare has been rising due to the Epidemic. The Group has been operating steadily in the health management segment. At the same time, the Group continued to grow our healthcare business and replicated the successful business model of our clinic in Shenzhen with high growth, high returns and high quality in the most promising cities across the country. Our clinic in Nanjing commenced service in March 2021.

With the gradually loosened and progressive policies, the Group will continue to leverage on its strengths in the industry chain to strengthen exploration and investment in the cell treatment field and derivative industries of cellular technology, achieve breakthroughs in R&D, clinical research and downstream markets, and expand external cooperation to establish an endogenous association between the health management business and other business segments, so as to lay the foundation for more robust endogenous growth.

Industrial Hemp Business Segment

In terms of domestic business, the Group further developed the industrial hemp industry chain by investing in the establishment of Meiray Vap in 2020 and taking a strategic stake in Mason Vap, which is a leader in atomisation technology, in 2021, to realise R&D, production and sales of high-quality CBD atomisers. During the Reporting Period, the Group sold CBD skincare products of its subordinate brand Mazhuang, achieving a good reputation and result. However, due to the strict supervision of industrial hemp extract in the PRC in the first half of 2021, ingredients related to industrial hemp were forbidden to be used as raw materials for cosmetic products in the PRC. The Group made prompt adjustments according to the new policies. At the same time, based on the insight and analysis of the global industrial hemp market, the Group continued to build and invest in CBD health consumption brands in multiple countries and different fields against the backdrop of accelerated legalisation of industrial hemp in the world.

In terms of overseas business, at the end of 2020, the United Nations Commission on Narcotic Drugs (CND) decided to lower the level of control on cannabis and cannabis-related substances. During the Reporting Period, the relaxation of the international convention led to more liberal industrial hemp policies in several countries around the world. In Europe, as early as 2019, the Group established its subsidiary Green Gold Health SA in Switzerland and organised a local professional team to expand CBD markets in Europe. In 2021, the high-end CBD health consumption brand independently developed and produced in Switzerland, AlpReleaf, was formally launched into the markets in Europe. AlpReleaf products have four series, mainly targeted at high-end customers pursuing high-quality life, and are currently available in 22 European countries. In Japan, the Group and a subsidiary of Shenzhen Gippro, a renowned health-related atomisation brand, established Meipro Biological, a subsidiary of the Company in Hong Kong. The CBD atomisation brand under Meipro Biological, CANNERGY has launched a variety of CBD atomisation products and healthcare products in Japan.

As of the end of the Reporting Period, the Group continuously made deployment in the downstream application in the industrial hemp industry chain and created an integrated industry covering domestic and international R&D, production and branding. In future, the Group will maintain the first-mover advantage, build a brand moat and create a sustainable and healthy source of revenue growth.

Healthcare-related Business Segment — Skin Health Management Business

With the iteration of the four factors: people, cognition, channels and technology, the beauty economy is rising, bringing revolutionary opportunities to the trillion-scale traditional beauty industry. Technological development has driven the iteration of skincare methods, where more effective skincare methods such as light aesthetic medicine are winning with efficacy. The number of Chinese consumers of aesthetic medicine is estimated to exceed 20 million in 2022. At the same time, the proportion of non-surgical users of aesthetic medicine continues to increase, from 72.6% to 83.1%[3].

With that in mind, based on La Clinique De Paris's 40 years of anti-ageing experience and operation and management concepts, the Group made full use of its advantages in product R&D, medical care team, operation management, brand and channel for skin health management. Through strenuous R&D, Jixiaojian was launched as a highlighted brand combining medical aesthetics and skincare during the Reporting Period.

** For identification purposes only*

3 Source: 2021 Medical Beauty Industry White Paper published by Xinyang Data Research Institute* (新氧數據顏究院) on 14 December 2021

CO-CHAIRMAN'S STATEMENT

Jixiaojian is a light aesthetic medicine brand dedicated to facial rejuvenation and a streamlined skincare product portfolio, pioneering the integration of the two fields: aesthetic medicine and effective skincare. Jixiaojian adheres to the concept of "Extremely Professional, Ultra Effective and Zero Routines", where it combines 60% light aesthetic medicine with 40% streamlined and effective skincare, uses digital tools to minimise costs, and innovates and leads scientific skincare. Not only does it provide users with light aesthetic medical services and a streamlined skincare product portfolio, but it also aims to offer a more cost-effective and worry-free one-stop "ultra-smart skincare" service.

In the field of aesthetic medical devices, during the Reporting Period, the Group has entered into a strategic cooperation agreement with Lumenis, a world-renowned laser beauty leader. Its youthful light aesthetic medicine brand has also been awarded the High-quality, Safe & Secure Medical Beauty Institution and other honours. In the field of skincare products, the Group has established close cooperative relations with BAFS and Ashland, internationally renowned raw material companies, and launched the first product line of the brand Jixiaojian—photoelectric repair series.

As at the end of the Reporting Period, the Group continued to increase investment and planning in the field of skin health management, kept optimising products and services, expanded external cooperation, and strived to create a scientific skincare brand that combines online and offline integration, aesthetic medicine and effective skincare. Besides, it is committed to recalibrating the skincare habits of the new generation and reshaping the landscape of the skincare industry, with the help of this skincare revolution arising from the iteration of people, cognition and technology.

PROSPECTS

Looking back on 2021, under the residual effect of the Epidemic and multiple changes caused by various challenges, the Group promoted innovation and upgrading to turn crisis into opportunity. Looking forward to 2022, we as mankind will continue to face the dual challenge of significant changes unseen in a century and the Epidemic and the international situation is confronted with both risks and opportunities.

Regarding assets, during the Reporting Period, the Group had current assets of HK$875.7 million, including bank and cash balances of HK$272.6 million and redeemable investments at FVTPL of HK$107.8 million. As for the business, the traditional business will continue to grow steadily and provide steady cash flow. The cell therapy, health management and industrial hemp-related businesses have maintained a good growth momentum with a comprehensive business layout. The innovative skin health management products and business models with great potential will help seek new growth points for the Group. As a result of these favourable factors, the Group has laid a solid foundation for its long-term development and gained competitive advantages, which has given the Group full confidence to deal with the uncertain economic situation. The Group is completely confident in future business development and even expansion under the trying times.

APPRECIATION

On behalf of the Board, I would like to express my deepest appreciation to all staff of the Group for their excellent contribution, thank our shareholders for their trust and acknowledge our business partners for their support.

Zhou Xuzhou
Co-Chairman

Hong Kong, 25 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Below is a summary of the financial information of the Group:

	2021	2020
	HK$'000	*HK$'000*
Revenue	**253,031**	265,135
Gross profit	**100,929**	111,251
Gross profit margin	**39.9%**	42.0%
Other income and gains, net	**21,869**	32,255
Total operating expenses *(Note)*	**42,662**	50,408
Finance costs	**8,385**	13,682
Profit before tax	**85,704**	103,587
Profit after tax	**60,456**	85,066
Profit attributable to owners of the Company	**60,323**	83,439

Note: Total operating expenses included (i) selling and distribution expenses; and (ii) administrative expenses.

Revenue

Revenue for the year ended 31 December 2021 was HK$253.0 million (2020: HK$265.1 million), mainly generated by (i) sale of CBD downstream products; (ii) healthcare management service income; (iii) healthcare-related products sale agency service income; (iv) sale of healthcare-related products; (v) aesthetic medical service income; (vi) sale of construction materials; (vii) property sales and consultancy service income; and (viii) rental income.

Revenue decreased by approximately 4.6% from HK$265.1 million for the year ended 31 December 2020 to HK$253.0 million for the year ended 31 December 2021. The decrease in revenue of HK$12.1 million was mainly due to a reduction in healthcare management service income of HK$24.4 million, resulting from the disposal of clinics in Hong Kong and Shanghai during the second half of 2020. Such a decrease was offset by an increase in the sale of construction materials of HK$12.8 million, mainly resulting from an increase in steel price in 2021.

Gross Profit and Gross Profit Margin

The Group's gross profit for the year ended 31 December 2021 was HK$100.9 million (2020: HK$111.3 million), representing a decrease of 9.3% compared to 2020. The gross profit margin for the year ended 31 December 2021 decreased to 39.9% from 42.0% for the year ended 31 December 2020.

The decrease in gross profit of HK$10.4 million was mainly due to a decline in gross profit in the healthcare-related business of HK$11.3 million, resulting from the disposal of clinics in Hong Kong and Shanghai during the second half of 2020. In addition, the reduction in gross profit margin was mainly due to an increase in the proportion of the revenue derived from the trading business to the Group's total revenue in 2021 compared to 2020, while the trading business has a lower gross profit margin compared to other business segments in the Group.

Other Income and Gains, Net

Other income and gains, net for the year ended 31 December 2021 were HK$21.9 million (2020: HK$32.3 million), representing a decrease of HK$10.4 million or 32.2% compared to 2020. Such a decrease was mainly due to unfavourable financial impact arising from foreign exchange rate changes, which changed from an exchange gain of HK$5.2 million for the year ended 31 December 2020 to an exchange loss of HK$9.9 million for the year ended 31 December 2021. Such unfavourable financial impact was offset by an increase in interest income of HK$4.2 million in 2021.

Total Operating Expenses

Total operating expenses for the year ended 31 December 2021 were HK$42.7 million (2020: HK$50.4 million), representing a decrease of HK$7.7 million or 15.3% compared to 2020. Such a decrease was mainly due to a reduction in operating expenses of HK$6.6 million in 2021, resulting from the disposal of clinics in Hong Kong and Shanghai during the second half of 2020.

Finance Costs

Finance costs for the year ended 31 December 2021 were HK$8.4 million (2020: HK$13.7 million), representing a decrease of HK$5.3 million or 38.7% compared to 2020. Such a decrease was mainly due to a reduction in interest on bank loans of HK$4.7 million, primarily resulting from a decrease in the average balance in bank borrowings in 2021 compared to 2020.

Profit After Tax

Profit after tax for the year ended 31 December 2021 was HK$60.5 million (2020: HK$85.1 million), representing a decrease of HK$24.6 million or 28.9% compared to 2020. Such a decrease was mainly due to:

(i) the absence of the one-off gain on partial disposal of investment in an associate of HK$31.7 million recorded during the year ended 31 December 2020;

(ii) the absence of the one-off gain on disposals of subsidiaries of HK$14.1 million recorded during the year ended 31 December 2020;

(iii) a decrease in other income and gains, net of HK$10.4 million;

(iv) a decrease in gross profit of HK$10.4 million; and

(v) unfavourable financial impact arising from share of results of joint ventures, which changed from share of profits of HK$0.1 million for the year ended 31 December 2020 to share of losses of HK$6.7 million for the year ended 31 December 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Such decreases were offset by (i) favourable financial impact arising from fair value changes of investment properties, which changed from a loss of HK$16.9 million for the year ended 31 December 2020 to a gain of HK$15.2 million for the year ended 31 December 2021; and (ii) the recognition of one-off gain on deemed disposals of investments in an associate and a joint venture of HK$13.3 million during the year ended 31 December 2021.

BUSINESS REVIEW

Industrial Hemp Business

The revenue derived from the industrial hemp business for the year ended 31 December 2021 was HK$26.5 million, representing an increase of 4.3% compared to HK$25.4 million for the year ended 31 December 2020. The profit derived from this segment for the year ended 31 December 2021 was HK$5.4 million, representing an increase of 35.0% compared to HK$4.0 million for the year ended 31 December 2020. Such an increase was mainly due to a rise in gross profit of HK$1.9 million, primarily resulting from an increase in the sale of CBD downstream products in 2021.

Healthcare-related Business

The revenue derived from the healthcare-related business for the year ended 31 December 2021 was HK$28.5 million, representing a decrease of 48.0% compared to HK$54.8 million for the year ended 31 December 2020. The profit derived from this segment for the year ended 31 December 2021 was HK$12.0 million, representing a decrease of 14.9% compared to HK$14.1 million for the year ended 31 December 2020. Such a decrease was mainly due to (i) the recognition of impairment loss of other receivables of HK$1.2 million during the year ended 31 December 2021; and (ii) a reduction in other income and gains, net of HK$0.8 million, primarily resulting from a decrease in government grants in 2021.

Trading Business

The revenue derived from the trading business for the year ended 31 December 2021 was HK$146.8 million, representing an increase of 9.6% compared to HK$134.0 million for the year ended 31 December 2020. The profit derived from this segment for the year ended 31 December 2021 was HK$14.7 million, representing a decrease of 35.0% compared to HK$22.6 million for the year ended 31 December 2020. Such a decrease was mainly due to (i) unfavourable financial impact arising from movements of loss allowance for trade and other receivables, which changed from reversal of impairment loss of HK$3.5 million for the year ended 31 December 2020 to impairment loss of HK$0.8 million for the year ended 31 December 2021; and (ii) a decrease in other income and gains, net of HK$2.7 million, primarily resulting from the recognition of a loss on non-substantial modification of other receivables during the year ended 31 December 2021 and a decrease in government grants in 2021.

Agency Service Business

The revenue derived from the agency service for the year ended 31 December 2021 was HK$31.8 million, representing an increase of 6.7% compared to HK$29.8 million for the year ended 31 December 2020. The profit derived from this segment for the year ended 31 December 2021 was HK$22.1 million, representing a decrease of 8.3% compared to HK$24.1 million for the year ended 31 December 2020. Such a decrease was mainly due to an increase in operating expenses of HK$1.4 million, primarily resulting from an increase in headcount during the year ended 31 December 2021 to support the Group's business development in this segment.

Property Investment and Leasing Business

The revenue derived from the property investment and leasing business for the year ended 31 December 2021 was HK$19.4 million, representing a decrease of 8.5% compared to HK$21.2 million for the year ended 31 December 2020. The profit derived from this segment for the year ended 31 December 2021 was HK$31.1 million, representing an increase of 16.3 times compared to HK$1.8 million for the year ended 31 December 2020. Such an increase was mainly due to favourable financial impact arising from fair value changes of investment properties, which changed from a loss of HK$16.9 million for the year ended 31 December 2020 to a gain of HK$15.2 million for the year ended 31 December 2021.

Property Development Business

The Group has a 100% interest in a residential development project located at Lot A & B, 626 Heidelberg Road, Alphington, VIC, 3078, Australia. The project covers a total site area of approximately 11,488 sq.m. and a total gross floor area of approximately 18,752 sq.m. During the year ended 31 December 2021, the project was progressing satisfactorily. Up to 31 December 2021, approximately 80% of civil works have been completed. Up to the date of this Annual Report, the project's civil works have already been completed, and its construction phase is scheduled to be commenced in April 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL POSITION

	2021 **HK$'000**	2020 HK$'000
Non-current Assets		
Investment properties	**593,647**	559,685
Investments at FVTPL	**81,688**	–
Investments in joint ventures	**73,044**	69,164
Investments in associates	**52,219**	47,327
Prepayments, deposits and other receivables	**22,881**	–
Goodwill	**18,500**	18,500
Equity investments at FVTOCI	**–**	28,572
Others	**19,347**	19,433
Total Non-current Assets	**861,326**	742,681
Current Assets		
Bank and cash balances	**272,591**	233,467
Properties held for sale under development	**259,064**	245,344
Prepayments, deposits and other receivables	**126,553**	348,432
Investments at FVTPL	**107,795**	47,813
Trade receivables	**91,580**	63,174
Others	**18,085**	21,949
Total Current Assets	**875,668**	960,179
Total Assets	**1,736,994**	1,702,860
Liabilities		
Bank borrowings	**168,699**	150,825
Deferred tax liabilities	**77,700**	62,974
Accruals and other payables	**30,886**	37,867
Contract liabilities	**4,303**	15,814
Others	**24,761**	32,117
Total Liabilities	**306,349**	299,597
Net Assets	**1,430,645**	1,403,263

Non-current assets of the Group as at 31 December 2021 were HK$861.3 million (2020: HK$742.7 million), representing an increase of HK$118.6 million, which was mainly due to (i) an increase in investments at FVTPL of HK$81.7 million; and (ii) an increase in investment properties of HK$34.0 million. Current assets of the Group as at 31 December 2021 were HK$875.7 million (2020: HK$960.2 million), representing a decrease of HK$84.5 million, which was mainly due to a decrease in prepayments, deposits and other receivables of HK$221.8 million, which was offset by (i) an increase in investments at FVTPL of HK$60.0 million; (ii) an increase in bank and cash balances of HK$39.1 million; (iii) an increase in trade receivables of HK$28.4 million; (iv) an increase in properties held for sale under development of HK$13.7 million.

As at 31 December 2021, the Group's total liabilities were HK$306.3 million (2020: HK$299.6 million), representing an increase of HK$6.7 million mainly due to an increase in bank borrowings of HK$17.9 million, which was offset by a decrease in contract liabilities of HK$11.5 million.

NET ASSET VALUE

As at 31 December 2021, the Group's total net assets amounted to HK$1,430.7 million (2020: HK$1,403.3 million), representing an increase of HK$27.4 million, which was mainly due to profit for the year ended 31 December 2021 of HK$60.5 million, and exchange gain arising from the translation of foreign operations of HK$13.7 million, which were offset by the repurchase of shares of HK$40.7 million and fair value losses of equity investments at FVTOCI of HK$8.7 million.

LIQUIDITY AND FINANCIAL RESOURCES

	2021 ***HK$'000***	2020 *HK$'000*
Net cash (used in)/generated from operating activities	**(83,270)**	70,805
Net cash generated from investing activities	**161,564**	108,138
Net cash used in financing activities	**(38,220)**	(108,877)
Net increase in cash and cash equivalents	**40,074**	70,066
Effect of foreign exchange rate changes	**(950)**	7,172
Cash and cash equivalents at 1 January	**233,467**	156,229
Cash and cash equivalents at 31 December	**272,591**	233,467

As at 31 December 2021, the total cash and cash equivalents of the Group were HK$272.6 million (2020: HK$233.5 million), of which approximately 55.8% was denominated in AUD, 28.4% was in HKD, 14.2% was in RMB, 0.9% was in JPY, 0.6% was in USD, and 0.1% was in CHF (2020: 76.6% was in RMB, 17.6% was in HKD, 2.4% was in USD, 2.1% was in AUD, 1.2% was in JPY and 0.1% was in CHF).

Net cash used in operating activities for the year ended 31 December 2021 was HK$83.3 million, which was mainly used to satisfy the Group's working capital required for daily operation during the year ended 31 December 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Net cash generated from investing activities was HK$161.6 million, which was mainly contributed to (i) the net amount of acquisition and redemption of fund investment and investment in financial products of HK$154.6 million; (ii) deferred considerations received in respect of disposals of subsidiaries in the prior year of HK$58.8 million; (iii) interest income received amounting to HK$12.4 million. Such cash inflows were offset by considerations paid for acquiring listed and unlisted equity investments of HK$63.2 million.

Net cash used in financing activities was HK$38.2 million, which was mainly represented a net amount of (i) payments for shares repurchase of HK$40.7 million; (ii) proceeds received from new bank borrowings of HK$36.2 million; (iii) repayment of bank borrowings of HK$23.5 million; and (iv) payment of loan interest of HK$8.3 million.

As at 31 December 2021, the total bank borrowings of the Group were HK$168.7 million (2020: HK$150.8 million), which are mainly used as working capital of the Group. The Group has no unutilised banking facilities as at 31 December 2021 (2020: the unutilised banking facilities were HK$31.7 million).

The following table illustrates the composition of the Group's bank borrowings:

	2021	2020
	HK$'000	*HK$'000*
Floating rate RMB bank loan	**131,892**	140,137
Fixed rate RMB bank loan	**36,807**	10,688
	168,699	150,825

The following table illustrates the maturity profile of the Group's bank borrowings:

	2021	2020
	HK$'000	*HK$'000*
Within one year	**58,337**	30,575
In the second year	**21,106**	19,629
In the third to fifth years, inclusive	**57,420**	54,837
Beyond five years	**31,836**	45,784
	168,699	150,825

Based on the Group's steady cash flow, coupled with sufficient bank and cash balances and the remaining unutilised proceeds raised from placing of shares in prior years and considering the potential impact of the outbreak of the Pandemic on the Group's operation, the Group has adequate liquidity and financial resources to meet its future capital expenditures, daily operations and working capital requirements in the next financial year.

CAPITAL STRUCTURE OF THE GROUP

The capital structure of the Group consists of equity attributable to owners of the Company (i.e. issued share capital and reserves).

TREASURE POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year ended 31 December 2021. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 11 April 2019, a total of 360,000,000 new shares were successfully placed by the placing agent to not less than six placees, who and whose ultimate beneficial owners were independent third parties, at the placing price of HK$0.91 per placing share pursuant to the terms and conditions of the placing agreement under the general mandate and the placing of new shares raised net proceeds, after deducting related placing commission, professional fees and all related expenses, of HK$325.7 million (with a net price of approximately HK$0.905 per placing share) which was intended to be used for investing in the industrial hemp CBD extraction and application businesses and as general working capital of the Group.

As at 31 December 2021, the net proceeds have been used in the following manner:

	HK$ million
Net proceeds unutilised as at 31 December 2020	225.2
Net proceeds utilised up to 31 December 2021	
Working capital for the development of residential properties	(30.5)
Working capital for the operation of industrial hemp business	(1.0)
Capital injected to Meiray Vap	(3.3)
Net proceeds unutilised as at 31 December 2021	190.4

As at 31 December 2021, net proceeds unutilised of approximately HK$190.4 million were kept in the Group's bank accounts and used as general working capital.

GEARING RATIO

The Group's gearing ratio, expressed as the percentage of net debts (includes bank borrowings, trade payables, contract liabilities, accruals and other payables and amounts due to related parties, less bank and cash balances) over the sum of equity attributable to owners of the Company and net debt, was negative (i.e. -4.5%) (2020: -1.4%).

As at 31 December 2021, the Group had net cash (i.e. negative net debt) of HK$61.1 million (2020: net cash of HK$19.8 million), while the equity attributable to owners of the Company amounted to HK$1,428.0 million (2020: HK$1,400.9 million).

CAPITAL EXPENDITURE

During the year ended 31 December 2021, the expenditure on purchasing intangible assets, namely computer systems, was HK$35,000 (2020: HK$52,000), while the expenditure on purchasing property, plant and equipment amounted to HK$2,609,000 (2020: HK$365,000).

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENTS

As at 31 December 2021, the Group had capital commitments of HK$11.5 million (2020: HK$35.3 million) in respect of (i) capital contribution payable to an associate; and (ii) acquisition of property, plant and equipment (2020: (i) capital contributions payable to a joint venture, an associate and an unlisted long-term investment; and (ii) acquisition of equity interest of an unlisted long-term investment), which are contracted for but not provided for in the consolidated financial statements.

CHARGES ON GROUP ASSETS

The following table sets forth the net book value of assets under pledges for certain banking facilities and outstanding futures contracts as at the dates indicated:

	2021	2020
	HK$'000	*HK$'000*
Investment properties	**355,214**	338,680
Restricted deposit	**369**	–
	355,583	338,680

CONTINGENT LIABILITIES

As at 31 December 2020 and 2021, the Group did not have any significant contingent liabilities.

GENERAL DESCRIPTION OF THE GROUP'S INVESTMENT STRATEGIES

With continued accelerations of the legalisation of industrial hemp in the overseas markets in recent years, cannabinoids, with CBD as their representative product, will have increasingly broad applications in healthcare and consumer goods fields. In addition, standing at the new starting point of the era with the synergy effects of "Healthy China 2030" and "14th Five-Year Plan", the Group is profoundly optimistic about the future development of the healthcare industry. The Group adheres to the corporate vision of "using technology and expertise to serve more people's health and beauty needs". Therefore, the Group manages its investment portfolio with a primary objective to capture market opportunities in the healthcare industry, including but not limited to the increasingly wider health applications of industrial hemp and cell therapy as well as the continuous growth in the market scale of medical aesthetics.

On the other hand, in order to preserve liquidity and enhance interest yields, the Group had allocated certain resources to fund investments and various investments in financial products in order to maximise the return on its unutilised funds before the Group utilises the funds to invest in the industrial hemp and other healthcare-related businesses.

MATERIAL ACQUISITIONS AND DISPOSALS

Saved as disclosed elsewhere in this Annual Report, there was no material acquisition or disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2021 and up to the date of this Annual Report.

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2021, the investment portfolio of the Group amounted to HK$315.0 million (2020: HK$193.1 million) as recorded in the consolidated statement of financial position under various categories, including:

– investments in associates and joint ventures, which are accounted for by using the equity method;

– equity investments at FVTOCI;

– investments at FVTPL; and

– derivative financial instruments.

There was no single investment in the Group's investment portfolio that was considered a significant investment, given that none of the investments has a carrying amount accounting for more than 5% of the Group's audited total assets as at 31 December 2021.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Saved as disclosed in the section "Capital Commitments" above, these were no other plans authorised by the Board for material investments or additions of capital assets as at 31 December 2021.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGE

The revenue, expenses and monetary assets and liabilities of the Group are mainly denominated in RMB, HKD and AUD.

The Group did not enter into any foreign currency forward contract during the year ended 31 December 2021. As at 31 December 2021 and 2020, the Group did not have any unrealised gain or loss in respect of the foreign currency forward contracts.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had approximately 138 employees (2020: 116 employees). Staff costs (including Directors' emoluments) charged to profit or loss amounted to HK$30.4 million (2020: HK$32.3 million) for the year ended 31 December 2021.

The Group's remuneration policies are in line with prevailing market practice and formulated on the basis of the performance and experience of individual employees (including Directors). Apart from base salaries, other staff benefits included pension and medical schemes. The remuneration policy and remuneration packages of the Directors and members of the senior management of the Group are reviewed by the Remuneration Committee.

The Company adopted a share option scheme pursuant to which eligible persons may be granted options to subscribe for the shares of the Company.

DIRECTORS' REPORT

The Board is pleased to present this Annual Report together with the audited consolidated financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Details of the principal activities of the principal subsidiaries are set out in note 23 to the consolidated financial statements.

BUSINESS REVIEW

The business review and performance analysis of the Group for the year ended 31 December 2021 and a discussion on the Group's future business development are set out in the sections headed "Co-Chairman's Statement" and "Management Discussion and Analysis" on pages 3 to 8 and 9 to 18 of this Annual Report respectively.

Key Risks and Uncertainties

The Group's results and operations are subject to various factors, with the key risks summarised below:

COVID-19

Given the development of the Pandemic in early 2022, a series of tightened precautionary and control measures have been and have continued to be implemented across the PRC. The Group will pay close attention to the development of the Pandemic and evaluate its impact on the financial position and operating results of the Group. Subsequent to 31 December 2021 and up to the date of this Annual Report, the Group was not aware of any material adverse effects on the financial statements as a result of the Pandemic.

Macroeconomic Changes

The Group's business is sensitive to the general economic conditions and other factors like consumer credit.

Legal, Regulatory and Compliance Risk

Changes in government policies, relevant regulations and guidelines established by the regulatory authorities would have an impact on the business operation of the Group. Failure to comply with the rules and requirements may lead to penalties or suspension of the business operation by the authorities.

Reputation and Performance Risk

The Group's business is dependent on the reputation and quality of its products and service, and the Group may lose potential business if its products and quality of service are called into question.

Financial Risks

The principal financial risks are set out in note 5 to the consolidated financial statements.

Environmental Policies and Performance

Discussion details on the Group's environmental policies and performance are set out in the section headed "Environmental, Social and Governance Report" on pages 53 to 96 of this Annual Report.

Compliance with Laws and Regulations

The Group's operations are mainly carried out by the Company's subsidiaries in the PRC, Hong Kong, Australia, Japan and Switzerland, while the Company is a holding company incorporated in Bermuda with its shares listed on the Main Board of the Stock Exchange. Accordingly, our establishments and operations shall comply with relevant laws and regulations in the PRC, Hong Kong, Australia, Japan, Switzerland and Bermuda. In 2021, our businesses were in compliance with all the relevant laws and regulations in the PRC, Hong Kong, Australia, Japan, Switzerland and Bermuda in all material aspects.

Relationship with Key Stakeholders

The Group fully understands that employees, customers and partners are the keys to our sustainable and stable development. We are committed to establishing a close relationship with our employees, enhancing cooperation with our partners and providing high-quality products/services to our customers so as to ensure the Group's sustainable development.

Employees

Our staff is regarded as the most important resource of the Group. The Group has been endeavouring to provide our staff with a range of competitive compensation packages, attractive promotion opportunities, comprehensive training courses and a professional working environment. In order to assist us in attracting, retaining and motivating our key employees, the Group has adopted share option schemes, pursuant to which share options will be granted to eligible employees. The Group provides ongoing training to our employees.

Customers

We uphold the principle of providing high-quality products/services throughout our operation, which we believe is vital to achieving customer satisfaction and maintaining our reputation.

Suppliers

We firmly believe that our suppliers are equally important in providing high-quality products/services. When selecting suppliers, we consider, among other things, their product/service offerings, pricing, reputation, product/service quality and delivery schedule. We conduct regular reviews of our suppliers and remove any suppliers who do not meet our supply standards or requirements from our list of approved suppliers. We usually have more than one supplier for each kind of our supply so as to ensure we maintain sufficient inventory levels and bargaining power to deal with price fluctuations. We had stable business relationships with our suppliers in 2021.

RESULTS AND APPROPRIATIONS

The financial performance of the Group for the year ended 31 December 2021 and the Group's financial position as at that date are set out in the consolidated financial statements on pages 104 to 212. The Board has resolved not to declare any dividend for the year ended 31 December 2021 (2020: Nil).

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out on page 213. This summary does not form part of the audited financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 41 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the subsection headed "Share Option Scheme" below, no equity-linked agreements were entered into by the Group or existed during the year ended 31 December 2021.

SHARE OPTION SCHEME

Particulars of the share option scheme of the Company are set out in note 45 to the consolidated financial statements contained in this Annual Report.

In order to provide incentives and rewards to the eligible employees and participants, the Company approved and adopted a share option scheme at the 2020 SGM. The 2019 Share Option Scheme became effective on 28 June 2019, being the date on which the Stock Exchange approved the listing of, and permission to deal in, the shares falling to be issued pursuant to the exercise of options under the 2019 Share Option Scheme. The 2019 Share Option Scheme is subject to the requirements under Chapter 17 of the Listing Rules. The following table discloses movements in the Company's share options held by each of the Directors, the employees of the Company, and other eligible participants in aggregate granted under the 2019 Share Option Scheme during the year ended 31 December 2021:

	Category of participants	Date of grant *(Note 1)*	Exercise period	Exercise price HK$	Number of share options: Outstanding as at 1.1.2021	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Transfer from employees to others during the year	Outstanding as at 31.12.2021	Closing price per share immediately before the date of grant HK$
(a)	**DIRECTORS**											
	Dr. Zeng Wentao	12.5.2020 *(Note 2)*	12.5.2021 – 11.5.2030 *(Note 4)*	0.33	10,002,000	–	–	–	–	–	10,002,000	0.32
	Ms. Zhou Wen Chuan	24.6.2020 *(Note 3)*	24.6.2021 – 23.6.2030 *(Note 5)*	0.33	18,000,000	–	–	–	–	–	18,000,000	0.345
	Total for Directors				28,002,000	–	–	–	–	–	28,002,000	
(b)	**EMPLOYEES**											
	In aggregate	12.5.2020 *(Note 2)*	12.5.2021 – 11.5.2030 *(Note 4)*	0.33	4,008,000	–	–	(501,000)	–	–	3,507,000	0.32
		12.5.2020 *(Note 2)*	12.5.2022 – 11.5.2030 *(Note 6)*	0.33	3,000,000	–	–	–	–	–	3,000,000	0.32
		12.5.2020 *(Note 2)*	12.5.2022 – 11.5.2030 *(Note 7)*	0.33	2,004,000	–	–	–	–	–	2,004,000	0.32
		12.5.2020 *(Note 2)*	12.5.2021 – 11.5.2030 *(Note 8)*	0.33	11,238,000	–	–	(708,000)	–	(4,002,000)	6,528,000	0.32
		12.5.2020 *(Note 2)*	12.5.2022 – 11.5.2030 *(Note 9)*	0.33	2,820,000	–	–	(504,000)	–	(300,000)	2,016,000	0.32
		12.5.2020 *(Note 2)*	12.5.2020 – 11.5.2030 *(Note 10)*	0.33	996,000	–	–	–	–	–	996,000	0.32
	Total for Employees				24,066,000	–	–	(1,713,000)	–	(4,302,000)	18,051,000	
(c)	**OTHERS** *(Note 11)*											
	In aggregate	12.5.2020 *(Note 2)*	12.5.2021 – 11.5.2030 *(Note 4)*	0.33	5,004,000	–	–	–	–	–	5,004,000	0.32
		12.5.2020 *(Note 2)*	12.5.2022 – 11.5.2030 *(Note 6)*	0.33	1,998,000	–	–	–	–	–	1,998,000	0.32
		12.5.2020 *(Note 2)*	12.5.2021 – 11.5.2030 *(Note 8)*	0.33	13,056,000	–	–	(10,780,500)	–	4,002,000	6,277,500	0.32
		12.5.2020 *(Note 2)*	12.5.2022 – 11.5.2030 *(Note 9)*	0.33	504,000	–	–	–	–	300,000	804,000	0.32
		12.5.2020 *(Note 2)*	12.5.2020 – 11.5.2030 *(Note 10)*	0.33	6,006,000	–	–	–	–	–	6,006,000	0.32
	Total for Others				26,568,000	–	–	(10,780,500)	–	4,302,000	20,089,500	
	Total for Scheme				78,636,000	–	–	(12,493,500)	–	–	66,142,500	

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.

2. On 12 May 2020, the Company granted 61,248,000 share options to certain eligible participants pursuant to the 2019 Share Option Scheme. Further details are set out in the announcement of the Company dated 12 May 2020 and the circular of the Company dated 3 June 2020.

3. On 12 May 2020, the Company proposed to grant 18,000,000 share options to Ms. Zhou Wen Chuan pursuant to the 2019 Share Option Scheme. At the 2020 SGM, the resolution in respect of approving the proposed grant of share options to Ms. Zhou Wen Chuan was duly passed by the independent shareholders of the Company by way of poll. Further details are set out in the announcements of the Company dated 12 May 2020 and 24 June 2020 and the circular of the Company dated 3 June 2020.

4. Subject to the fulfilment of certain annual performance targets as determined by the Board, the share option granted shall be vested during the relevant periods in 4 tranches: (i) 25% of which shall be vested after 12 months of the Date of Acceptance; (ii) another 25% of which shall be vested after 24 months of the Date of Acceptance; (iii) another 25% of which shall be vested after 36 months of the Date of Acceptance; and (iv) the remaining 25% of which shall be vested after 48 months of the Date of Acceptance.

5. Subject to the fulfilment of certain annual performance targets as determined by the Board, the share option granted shall be vested during the relevant periods in 4 tranches: (i) 25% of which shall be vested after 12 months of the date of 2020 SGM; (ii) another 25% of which shall be vested after 24 months of the date of 2020 SGM; (iii) another 25% of which shall be vested after 36 months of the date of 2020 SGM; and (iv) the remaining 25% of which shall be vested after 48 months of the date of 2020 SGM.

6. Subject to the fulfilment of certain annual performance targets as determined by the Board, the share option granted shall be vested during the relevant periods in 3 tranches: (i) one-third of which shall be vested after 24 months of the Date of Acceptance; (ii) another one-third of which shall be vested after 36 months of the Date of Acceptance; and (iii) the remaining one-third of which shall be vested after 48 months of the Date of Acceptance.

7. Subject to the fulfilment of certain annual performance targets as determined by the Board, the share option granted shall be vested during the relevant periods in 4 tranches: (i) 25% of which shall be vested after 24 months of the Date of Acceptance; (ii) another 25% of which shall be vested after 36 months of the Date of Acceptance; (iii) another 25% of which shall be vested after 48 months of the Date of Acceptance; and (iv) the remaining 25% of which shall be vested after 60 months of the Date of Acceptance.

8. The share option granted shall be vested during the relevant periods in 4 tranches: (i) 25% of which shall be vested after 12 months of the Date of Acceptance; (ii) another 25% of which shall be vested after 24 months of the Date of Acceptance; (iii) another 25% of which shall be vested after 36 months of the Date of Acceptance; and (iv) the remaining 25% of which shall be vested after 48 months of the Date of Acceptance.

9. The share option granted shall be vested during the relevant periods in 4 tranches: (i) 25% of which shall be vested after 24 months of the Date of Acceptance; (ii) another 25% of which shall be vested after 36 months of the Date of Acceptance; (iii) another 25% of which shall be vested after 48 months of the Date of Acceptance; and (iv) the remaining 25% of which shall be vested after 60 months of the Date of Acceptance.

10. The share option granted shall be vested immediately upon the fulfilment of certain vesting conditions, including the achievement of certain R&D milestones for certain pharmaceutical products, completion of designated tasks and satisfactory business performance of the relevant entities (subject to the Board's opinion).

11. As of 31 December 2021, there were a total of 20,089,500 share options granted to 24 grantees, who are non-employees of the Group, pursuant to the 2019 Share Option Scheme (the "**Share Option(s)**"). The 24 grantees can be divided into three categories. Details of the number of the Share Options granted to each category of grantees and the Board's reasons for granting the Share Options to each category of grantees are as follows:

DIRECTORS' REPORT

(i) Directors and senior management of invested entities

As of 31 December 2021, there were a total of 15,528,000 share options granted to 11 directors and senior management, namely Ms. Jiang Shu (姜舒), Mr. Peng Shijian (彭世鍵), Mr. Tian Liangrui (田良鋭), Ms. Wu Chengqin (吳成琴), Mr. Jiang Xiong (江雄), Mr. Cen Piaoshang (岑飄尚), Mr. Zhang Jinfeng (張金鋒), Mr. Cheng Jianfeng (程建峰), Mr. Zheng Jun (鄭俊), Mr. Dai Wei (戴蔚) and Mr. Jin Lei (金磊), of two invested entities of the Group, namely Wingor Bio and Meiray Vap. These directors and senior management, who are all PRC nationals, include key management personnel who oversee the operations of the invested entities.

To the best of the knowledge, information and belief of the Directors, these 11 directors and senior management of Wingor Bio and Meiray Vap are third parties independent of the Company and its connected persons.

The Group has invested in Wingor Bio since February 2019. The size of the investment in Wingor Bio as calculated by the carrying amount of investment in Wingor Bio as at 31 December 2021, which is HK$69,939,000, divided by the Group's total assets as at 31 December 2021, which is HK$1,736,994,000, is 4.0%, which the Board considers to be significant. In addition, the Group has a 35.20% stake in Wingor Bio as at 31 December 2021, and hence, the business performance of Wingor Bio could have a significant impact on the business performance of the Group. Wingor Bio is engaged in the R&D of stem cell products and the provision of health management consulting and medical treatment services. The Group and Wingor Bio may explore cross-selling opportunities, which will generate synergy for both parties. As such, the Company considers Wingor Bio to be an important investment with significant strategic value.

The Group has invested in Meiray Vap since December 2019. The size of the investment in Meiray Vap as calculated by the carrying amount of investment in Meiray Vap as at 31 December 2021, which is HK$3,105,000, divided by the Group's total assets as at 31 December 2021, which is HK$1,736,994,000, is 0.2%. Notwithstanding the relatively small size of this investment in money terms, this investment is important for the Group. The business of Meiray Vap is mainly the manufacturing and sales of vapour equipment, and the Company considers that vapour equipment has great potential and will be one of the business focuses of the Group in the future. In particular, the Group intends to explore the opportunities associated with CBD vapour equipment and intends to sell CBD vapour equipment to overseas markets. Therefore, the Company believes that the Group's investment in Meiray Vap will bring strategic value to the Group. The Group has a 45% stake in Meiray Vap as at 31 December 2021, and the business growth of Meiray Vap could significantly improve the business performance of the Group.

Both Wingor Bio and Meiray Vap are accounted for in the Company's accounts using the equity method of accounting.

Given the importance of Wingor Bio and Meiray Vap to the Group and the key roles and responsibilities performed by the 11 grantees in Wingor Bio and Meiray Vap, the Board considers that it is desirable to grant Share Options to these grantees to incentivise them to improve their performance efficiency and align their interests with those of the Group.

Of the 15,528,000 share options granted to these grantees, the vesting and exercise of an aggregate of 13,008,000 share options granted to two directors of the invested entities are subject to the satisfaction of certain performance targets of Wingor Bio and Meiray Vap, respectively, including annual performance targets for the years ending 31 December 2020, 2021, 2022 and 2023 of Wingor Bio and Meiray Vap and the achievement of certain R&D milestones for certain pharmaceutical products developed by Wingor Bio. Such pharmaceutical products are stem cell products, and the successful R&D and commercialisation of these products mark a significant breakthrough in the stem cell field. They could significantly improve the financial performance of Wingor Bio, thereby improving the financial performance of the Group. These performance targets tie the performance of the invested entities with the benefits to be received by these directors, thereby motivating them to improve the performance of the invested entities.

Of the 15,528,000 share options, 2,520,000 share options granted to nine directors and senior management of the invested entities are not subject to the satisfaction of any performance targets. The nine directors and senior management are employees of Meiray Vap, and they are all members of the team led by a Meiray Vap director (the "**Meiray Vap Director**") who is among the two directors that are subject to the performance targets. Given that performance targets have been set for the Meiray Vap Director and these nine directors and senior management assist the Meiray Vap Director's work and taking into account the small number of Share Options granted to these directors and senior management, the Board has decided not to set any performance targets for the nine directors and senior management of Meiray Vap.

Although the Share Options granted to the nine directors and senior management are not subject to any performance targets, such Share Options will incentivise them to improve their performance efficiency for the benefit of Meiray Vap and, eventually, for the benefit of the Group, given the Group's stake in Meiray Vap. Meanwhile, as performance targets have been set for the Meiray Vap Director, the Company believes that the Meiray Vap Director will urge the nine directors and senior management to improve their performance so as to assist him in achieving the performance targets. Therefore, the grant of Share Options to the nine directors and employees can achieve the purpose of the 2019 Share Option Scheme.

(ii) Management consultant

As of 31 December 2021, there were a total of 2,052,000 share options granted to 3 management consultants of the Group, namely Mr. Wei Jing (魏靖), Mr. Yu Jianke (于建科) and Mr. Kuang Liping (況利平), who provide management consultancy services to the Group by the Board. The 3 management consultants are PRC nationals who live in different parts of China.

For two of the management consultants of the Group, namely Mr. Yu Jianke (于建科) and Mr. Kuang Liping (況利平), the Share Options held by them were reclassified from Employees Category to Others Category after they were resigned as employees of the Group and then engaged as management consultants of the Group during the year ended 31 December 2021.

Prior to the engagements as management consultants by the Group, all of the management consultants of the Group worked as management personnel of the Group. During such time, they were responsible for project procurement, business development, management of working teams and assisting the Chief Executive Officer in the accomplishment of strategic plans of the Company.

To the best of the knowledge, information and belief of the Directors, the management consultants are third parties independent of the Company and their respective connected persons.

The management consultants have expertise and skills in respect of the business operations of the Group, including strategic planning, financial management and control, financing, marketing, team management, internal coordination, and government relations. They have played an important role in enabling the Group to achieve smooth operations. The Board considers that it is desirable to (i) grant Share Options to them or (ii) retain Share Options previously granted to them as employees of the Group as rewards for their past contributions to the Group and as incentives to retain them and to motivate them to improve their performances for the benefit of the Group and to align their interests with that of the Group.

No performance target is set for the management consultants. As the management consultants are responsible for overseeing certain aspects of the business operations of the Group, the Board considers that setting a performance target for them is not as meaningful as for employees of the Group. Notwithstanding this, the Board considers that the grant of Share Options to the management consultants is fair and reasonable to the Company and its shareholders as a whole, given that the management consultants' contributions and potential contributions to the Group and considering the fact that the size of the grant is relatively insignificant given the management consultants' roles and duties in the Group and the fact that the Share Options will be vested in four equal instalments in four years' time. Additionally, the Share Options will help align the interests of the management consultants with those of the Company and its shareholders.

The grant of Share Options to the management consultants can also meet the purpose of the 2019 Share Option Scheme, notwithstanding no performance target is set. The Share Options can serve as a reward for the management consultants' past contributions. As the Share Options granted to them will vest on them in four equal instalments in the next four years, the grant of Share Options will also help retain their services. It can align their interests with those of the Company and its shareholders; therefore, it can also serve as an incentive for the management consultants to improve their performances for the benefit of the Group.

DIRECTORS' REPORT

(iii) Sales agents

As of 31 December 2021, there were a total of 2,509,500 Share Options granted to 10 sales agents of the Group, namely Mr. Guo Leifeng (郭磊峰), Mr. Liu Lailin (劉來臨), Mr. Hu Hao (胡浩), Mr. Zhou Shengjun (周 升俊), Mr. Chen Yihui (陳益輝), Mr. Chen Xu(陳旭), Mr. Wang Huihai (王慧海), Ms. Du Jing (杜靜), Ms. Liu Jian (劉建) and Mr. Fang Yubin (方玉彬). These sales agents procure customers for the Group's healthcare products and services.

The 10 sales agents are PRC nationals who live in different parts of China. They have been engaged as sales agents by the Group due to their strong local connections, which enable them to have an extensive customer base for the healthcare products and services of the Group.

These sales agents are management personnel of U-Home Group Limited* (宇業集團有限公司), a company controlled by the Controlling Shareholder, Mr. Zhou Xuzhou. One of the sales agents is Mr. Liu Lailin (劉來臨), a former Executive Director who resigned from the position in May 2019 and has ceased to be a core connected person of the Company and does not have any other relationship with the Company and its connected persons. Notwithstanding such relationships, the Group has engaged them as sales agents solely because of their strong ability to bring in customers for the Group, and Share Options were granted to them solely in their capacity as the sales agents of the Group, and no consideration has been given to their relationships with U-Home Group Limited.

Save as disclosed above, to the best of the knowledge, information and belief of the Directors, the 10 sales agents are third parties independent of the Company and its connected persons.

These 10 sales agents have strong connections with the local society. Some of them are influential in the relevant business fields. Four of the 10 sales agents hold important positions in various industry associations, such as the executive chairman of the Jiangsu Provincial Hunan Chambers of Commerce, the vice-chairman of Anhui Centre of Society of Entrepreneurs & Ecology, SSE, and the acting vice-chairman of Jiangsu Siyang Real Estate Institute, which enable them to have a large potential customer base. The engagement of these sales agents by the Group will significantly increase the Group's customer reach for its healthcare business. The customers procured by these sales agents are important sources of revenue for the healthcare business of the Group, and these sales agents are expected to bring in an increasingly larger number of customers. The Board considers that it is desirable to grant Share Options to these sales agents as rewards for their past contributions and as incentives to motivate them to bring in more customers and to align their interests with those of the Group.

No performance target is set for the vesting and exercise of the Share Options by these sales agents after taking into consideration their contributions and potential contributions to the Group and the relatively small number of Share Options granted to them.

Given the above, and considering that the fees payable to these sales agents are relatively low and the size of the grant of Share Options is not significant, also considering the fact that the Share Options will be vested in four equal instalments in four years' time, the Board considers that the grant of Share Options to the 10 sales agents is fair and reasonable to the Company and its shareholders as a whole. Additionally, the Share Options will help align the interests of the sales agents with those of the Company and its shareholders, thereby enabling the sales agents to act in the best interests of the Company and its shareholders.

The total number of shares of the Company issuable pursuant to the 2019 Share Option Scheme on the date of its adoption was 427,175,263 shares of the Company, representing approximately 10% of the issued share capital of the Company as at the date of this Annual Report.

** For identification purposes only*

VALUATION OF SHARE OPTIONS

The valuation of share options is set out in note 45 to the consolidated financial statements contained in this Annual Report.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in note 44(b) to the consolidated financial statements and the consolidated statement of changes in equity on page 108 in this Annual Report, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the aggregate amount of the Company's reserves available for distribution to its owners, calculated under the Companies Act 1981 of Bermuda (as amended), was HK$361,216,000 (2020: HK$342,662,000).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws or the applicable laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2021, the Company repurchased a total of 91,350,000 shares on the Stock Exchange at an aggregate consideration (before expenses) of HK$40,535,610. All the repurchased shares were subsequently cancelled. The Directors believe that the repurchases of shares would lead to an enhancement of the net assets value per share and/or earnings per share.

Particulars of the repurchases are as follows:

Month of repurchase	Total number of shares repurchased	Purchase price per share		Aggregate consideration (before expenses)
		Highest	Lowest	
		HK$	*HK$*	*HK$*
September	25,992,000	0.46	0.42	11,530,950
October	22,350,000	0.455	0.42	9,777,510
November	12,348,000	0.46	0.42	5,371,440
December	30,660,000	0.48	0.425	13,855,710
	91,350,000			40,535,610

Saved as disclosed above, during the year ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

DIRECTORS' REPORT

PROPERTY, PLANT AND EQUIPMENT

The movements of property, plant and equipment of the Group for the year ended 31 December 2021 are set out in note 18 to the consolidated financial statements.

DIRECTORS

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

Executive Directors

Mr. Zhou Xuzhou
Dr. Zeng Wentao
Ms. Zhou Wen Chuan

Non-Executive Director

Dr. Mao Zhenhua

Independent Non-Executive Directors

Mr. Gao Guanjiang
Professor Chau Chi Wai, Wilton
Mr. Wu Peng

Pursuant to the Bye-law 87(1) of the Company, each Director is required to retire by rotation once every three years, and that one-third (or the number nearest to one-third but not less than one-third) of the Directors shall retire from office by rotation at each AGM of the Company. Accordingly, Dr. Mao Zhenhua, Mr. Gao Guanjiang and Professor Chan Chi Wai, Wilton will retire and, being eligible, offer themselves for re-election at the forthcoming AGM.

DIRECTOR'S SERVICE CONTRACTS

Mr. Zhou Xuzhou and Ms. Zhou Wen Chuan have entered into service contracts with the Company respectively for a term of three years commencing on 30 August 2019. Such contracts are determinable by either party serving not less than three months' notice in writing to the other.

Dr. Zeng Wentao has been re-designated as an Executive Director since 27 May 2019. Dr. Zeng Wentao has entered into a service contract with the Company for a term of three years commencing on 27 May 2019. Such contract is determinable by either party serving not less than three months' notice in writing to the other.

Mr. Gao Guanjiang and Professor Chau Chi Wai, Wilton have been appointed as Independent Non-Executive Directors since 30 August 2013. Mr. Gao Guanjiang and Professor Chau Chi Wai, Wilton entered into a service contract with the Company for a term of one year commencing on 30 August 2021, and such agreements are determinable by either party serving not less than two months' notice in writing to the other.

Dr. Mao Zhenhua has been appointed as a Non-Executive Director since 5 October 2015. Dr. Mao Zhenhua entered into a service contract with the Company for a term of one year commencing on 5 October 2021, and such agreement is determinable by either party serving not less than three months' notice in writing to the other.

Mr. Wu Peng has been appointed as an Independent Non-Executive Director since 27 May 2019. Mr. Wu Peng entered into a service contract with the Company for a term of 3 years commencing on 27 May 2019, and such agreement is determinable by either party serving not less than two months' notice in writing to the other.

Save as disclosed above, none of the Directors has entered into a service contract with the Company which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

CHANGES TO INFORMATION OF DIRECTORS AND CHIEF EXECUTIVE

Saved as disclosed in this Annual Report, there has been no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of Rule 13.51 (2) of the Listing Rules that required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The Directors and chief executive of the Company who held offices as at 31 December 2021 had the following interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code required to be disclosed in accordance with Listing Rules:

(a) Interests in Issued Shares

Name of Director	Personal interests *(Note 1)*	Corporate interests *(Note 1)*	Total number of shares held *(Note 1)*	% of total issued shares
Mr. Zhou Xuzhou *(Notes 2, 3)*	127,412,470 (L)	2,124,122,291(L)	2,251,534,761 (L)	53.43%
	–	1,263,825,530 (S)	1,263,825,530 (S)	29.99%
Dr. Zeng Wentao *(Note 3)*	75,000,000 (L)	–	75,000,000 (L)	1.78%
Ms. Zhou Wen Chuan *(Note 3)*	31,938,000 (L)	–	31,938,000 (L)	0.76%
Dr. Mao Zhenhua *(Note 4)*	–	113,890,000 (L)	113,890,000 (L)	2.70%

DIRECTORS' REPORT

Notes:

1. The letter "L" denotes the person's long position in the shares, whereas the letter "S" denotes the person's short position in the shares.

2. These shares are held by U-Home Group International Limited, U-Home Group Investment Limited and Zhongjia U-Home Investment Limited.

3. Mr. Zhou Xuzhou, Ms. Zhou Wen Chuan and Dr. Zeng Wentao are Executive Directors.

4. 113,890,000 shares are beneficially owned by Honour Goal Investments Limited. Honour Goal Investments Limited is wholly owned by Zhongchengxin (HK) Investment Services Limited ("**Zhongchengxin HK**"), a company incorporated in Hong Kong with limited liability. Zhongchengxin HK is wholly owned by Zhongchengxin Investment Group Company Limited* (中誠信投資集團有限公司) ("**Zhongchengxin Investment**"), a company established in the PRC with limited liability. Zhongchengxin Investment is owned as to 80% by Hubei East Asia Enterprise Company Limited* (湖北東亞實業有限公司) ("**Hubei East Asia**"), a company established in the PRC with limited liability. Hubei East Asia is owned as to 80% by Wuhan Huabing Real Estate Company Limited* (武漢華兵置業有限公司) ("**Huabing Real Estate**"), a company established in the PRC with limited liability. Huabing Real Estate is owned as to 99% by Dr. Mao Zhenhua, a Non-Executive Director.

(b) Interests in Share Options

Name of Director	Number of options directly beneficially owned Name of Director *(Note 1)*
Dr. Zeng Wentao *(Note 2)*	10,002,000 (L)
Ms. Zhou Wen Chuan *(Note 2)*	18,000,000 (L)

Notes:

1. The letter "L" denotes the person's long position in the underlying shares.

2. Dr. Zeng Wentao and Ms. Zhou Wen Chuan, Executive Directors, have been granted share options under the 2019 Share Option Scheme, details of which are set out in the sub-section "Share Option Scheme" above.

Save as disclosed above, none of the Directors and chief executive of the Company or their respective associates had any interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code as at 31 December 2021.

** For identification purposes only*

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2021, the Company had been notified by the following person (other than the Directors or chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of GMs or who were recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO or had otherwise notified the Company:

Interests in Issued Shares

Name of substantial shareholder	Capacity	Total interests *(Note 1)*	% of total issued shares
U-Home Group International Limited *(Note 2)*	Beneficial owner	964,172,530 (L) 764,172,530 (S)	22.88% 18.13%
U-Home Group Investment Limited *(Note 3)*	Beneficial owner	499,653,000 (L) 499,653,000 (S)	11.86% 11.86%
Yuhua Enterprises Company Limited *(Note 3)*	Interest in controlled corporation	499,653,000 (L) 499,653,000 (S)	11.86% 11.86%
Anhui Yuhua Enterprises Company Limited* (安徽宇華實業有限公司) *(Note 3)*	Interest in controlled corporation	499,653,000 (L) 499,653,000 (S)	11.86% 11.86%
Yee Sheng Enterprises Company Limited *(Note 3)*	Interest in controlled corporation	499,653,000 (L) 499,653,000 (S)	11.86% 11.86%
Kambert Enterprises Limited *(Note 3)*	Interest in controlled corporation	499,653,000 (L) 499,653,000 (S)	11.86% 11.86%
U-Home Property (Group) Limited *(Note 3)*	Interest in controlled corporation	499,653,000 (L) 499,653,000 (S)	11.86% 11.86%
Zhongjia U-Home Investment Limited *(Note 4)*	Beneficial owner	660,296,761 (L)	15.67%
Shunda Investment Limited *(Notes 2, 3, 4)*	Interest in controlled corporation	2,124,122,291 (L) 1,263,825,530 (S)	50.41% 29.99%
Mr. Zhou Xuzhou *(Notes 2, 3, 4)*	Interest in controlled corporation	2,124,122,291 (L) 1,263,825,530 (S)	50.41% 29.99%
	Beneficial owner	127,412,470 (L)	3.02%
Haitong UT Leasing HK Limited	Person having a security interest in share	1,263,825,530 (L)	29.99%

** For identification purposes only*

Notes:

1. The letter "L" denotes the person's long position in the shares, whereas the letter "S" denotes the person's short position in the shares.

2. U-Home Group International Limited is wholly and beneficially owned by Shunda Investment Limited, which in turn is wholly and beneficially owned by Mr. Zhou Xuzhou.

3. U-Home Group Investment Limited is wholly and beneficially owned by Yuhua Enterprises Company Limited. Yuhua Enterprises Company Limited is wholly and beneficially owned by Anhui Yuhua Enterprises Company Limited. Anhui Yuhua Enterprises Company Limited is wholly and beneficially owned by Yee Sheng Enterprises Company Limited. Kambert Enterprises Limited and Mr. Zhou Xuzhou owned 100 ordinary shares and 1,000 non-voting deferred shares of Yee Sheng Enterprises Company Limited, respectively. Kambert Enterprises Limited is wholly and beneficially owned by U-Home Property (Group) Limited. U-Home Property (Group) Limited is wholly and beneficially owned by Shunda Investment Limited, which in turn is wholly and beneficially owned by Mr. Zhou Xuzhou.

4. Zhongjia U-Home Investment Limited is wholly and beneficially owned by Shunda Investment Limited, which in turn is wholly and beneficially owned by Mr. Zhou Xuzhou.

Save as disclosed above, the Company has not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of GM or who were recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO or had otherwise notified the Company as at 31 December 2021.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year, the Company and the Group had the following continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules. Further details of the transactions are included in note 48 to the consolidated financial statements.

Continuing Connected Transactions

(i) Property Sale and Consultancy Services Framework Agreement

On 15 September 2020, the Company and U-Home Group Limited, a company wholly owned by Mr. Zhou Xuzhou, a Co-chairman, an Executive Director and the Controlling Shareholder, entered into a framework agreement.

Pursuant to the framework agreement, the Group will provide the property sales and consultancy services to U-Home Group Limited, and both parties agreed that the maximum annual aggregate amounts for the service fees payable by U-Home Group Limited to the Group in respect of the property sales and consultancy services under the framework agreement will not exceed RMB40,000,000 (equivalent to approximately HK$45,268,000) for each of the three years ending 31 December 2023, respectively.

(ii) Supply of Services and Products Framework Agreement

On 19 November 2021, the Company entered into a framework agreement with Mr. Zhou Xuzhou, a Co-Chairman, an Executive Director and the Controlling Shareholder.

Pursuant to the framework agreement, the Group will provide healthcare management services and supply healthcare products to Mr. Zhou Xuzhou and his associates (including but not limited to Ms. Zhou Wen Chuan) and the companies respectively controlled by each of them (collectively "**ZXZ Group**") and both parties agreed that the maximum annual aggregate amounts for the total amount payable by ZXZ Group to the Group in respect of the provision of the healthcare management services and supply of the healthcare products under the framework agreement will not exceed HK$8,000,000, HK$13,000,000 and HK$13,000,000 for the three years ending 31 December 2023, respectively.

The Independent Non-Executive Directors have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

ZHONGHUI ANDA CPA Limited, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA. ZHONGHUI ANDA CPA Limited have issued their unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Save as disclosed above, the Group had not entered into any connected transactions and any other continuing connected transactions during the year ended 31 December 2021, which are required to be disclosed under Chapter 14A of the Listing Rules.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the year is as follows:

	Approximate percentage of the Group's total	
	Sales	**Purchase**
The largest customer	14%	
Five largest customers in aggregate	41%	
The largest supplier		29%
Five largest suppliers in aggregate		87%

Other than property sale and consultancy service income and healthcare management service income paid by fellow subsidiaries of the Group and sales to the fellow subsidiaries of the Group as disclosed in note 48(a) to the consolidated financial statements, at no time during the year have the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interests in these major customers and suppliers.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Director's and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622, Laws of Hong Kong) when the Directors' Report prepared by the Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance (Chapter 622, Laws of Hong Kong).

RETIREMENT BENEFIT SCHEMES

Details of the Group's retirement benefit schemes for the year ended 31 December 2021 are set out in note 15 to the consolidated financial statements.

During the years ended 31 December 2020 and 2021, there were no contributions forfeited by the Group on behalf of its employees who left the plan prior to vesting fully in such contribution, nor had there been any utilisation of such forfeited contributions to reduce future contributions. As at 31 December 2020 and 2021, no forfeited contributions were available for utilisation by the Group to reduce the existing level of contributions as described in paragraph 26(2) of Appendix 16 to the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company had maintained a sufficient public float of more than 25% of the Company's issued share capital as required under the Listing Rules as of the date of this Annual Report.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the date of this Annual Report, save for Mr. Zhou Xuzhou, who held shareholding or other interests and/or directorships in U-Home Group Limited that engaged in the businesses of property investment and leasing in the PRC and Ms. Zhou Wen Chuan, who is an associate of Mr. Zhou Xuzhou, none of the Directors or their respective associate(s) is considered to have interests in business which compete or are likely to compete, either directly or indirectly, with the business of the Group which require disclosure under the Listing Rules. The nature of the investment properties held by U-Home Group Limited comprises shops, parking spaces, residential buildings, office buildings and hotels, all of which are located in Yueyang, Changsha, Kunshan and Nanjing of the PRC. The latest annual rental income from these investment properties held by U-Home Group Limited amounted to approximately RMB58.6 million, with a carrying amount of approximately RMB2,178.0 million.

The power to make material business decisions for the Group is vested in the Board. Whenever the Board considers that there may be a conflict of interest between the Group and any Director, such Director and his/her associate will be required to abstain from voting. Therefore, the Board is capable of carrying on the Group's business independently of, and at arm's length, from the business of Mr. Zhou Xuzhou.

DIRECTORS' RIGHT TO ACQUIRE SHARES OF DEBENTURES

Other than as disclosed in the sub-section headed "Share Option Scheme" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or were the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACT

Save as disclosed in the sub-section headed "Connected Transactions and Continuing Connected Transactions" above, no Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, the holding company of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the businesses of the Company were entered into or existed during the year ended 31 December 2021.

EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any event having a significant effect on the Group after the end of the Reporting Period and up to the date of this Annual Report.

MATERIAL LEGAL PROCEEDINGS

As at 31 December 2021, the Group was not involved in any material litigation or arbitration, and no material litigation or claim was pending or threatened or made against the Group as far as the Board was aware of.

DIRECTORS' REPORT

TAX RELIEF AND EXEMPTION

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

CHANGE IN THE INDEPENDENT AUDITORS FOR THE PAST THREE YEARS

Ernst & Young, who acted as the auditor of the Company since 2017, retired on 24 June 2020, and ZHONGHUI ANDA CPA Limited was appointed as the auditor of the Company on 24 June 2020.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2021 have been audited by ZHONGHUI ANDA CPA Limited, who shall retire and, being eligible, offer themselves for re-appointment in the forthcoming AGM. A resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming AGM.

ANNUAL GENERAL MEETING

The 2022 AGM of the Company will be held at 11:00 a.m. on Friday, 24 June 2022 at Room 901–905, 9/F., China Insurance Group Building, 141 Des Voeux Road Central, Central, Hong Kong and a notice of AGM will be published and dispatched in due course.

CLOSURE OF REGISTER OF MEMBERS TO ASCERTAIN SHAREHOLDERS' ENTITLEMENT TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING

The register of members of the Company for the 2022 AGM will be closed from Monday, 20 June 2022, to Friday, 24 June 2022, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attendance at the 2022 AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 17 June 2022.

On behalf of the Board
Zhou Wen Chuan
Executive Director and Chief Executive Officer

Hong Kong, 25 March 2022

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board considers that good corporate governance practices are crucial to the effective management of the Group. The Company is committed to the transparency, accountability and independence highlighted by the principles of the code provisions in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules to protect the rights of shareholders and stakeholders, enhance shareholder value and ensure proper management of corporate assets.

The Board is of the opinion that during the financial year ended 31 December 2021, the Company had adopted the principles and complied with all the applicable code provisions of the CG Code as set out in Appendix 14 of the Listing Rules.

DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted the Model Code contained in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors. On specific enquiries made, all Directors have confirmed that, for the year ended 31 December 2021, they have complied with the required standard set out in the Model Code.

BOARD OF DIRECTORS

Composition of the Board

As at the date of this Annual Report, the Board comprised three Executive Directors, one Non-Executive Director and three Independent Non-Executive Directors.

Save as disclosed under the section headed "Biography of Directors and Senior Management" of this Annual Report, there is no other financial, business, family or other material/relevant relationship between the Directors and the Board, which comprised the following:

Executive Directors

Mr. Zhou Xuzhou *(Co-Chairman)*
Dr. Zeng Wentao *(Co-Chairman)*
Ms. Zhou Wen Chuan *(Vice-Chairman)*

Non-Executive Director

Dr. Mao Zhenhua

Independent Non-Executive Directors

Professor Chau Chi Wai, Wilton
Mr. Gao Guanjiang
Mr. Wu Peng

CORPORATE GOVERNANCE REPORT

Four board meetings were held for the year ended 31 December 2021. Details of Directors' attendance at the shareholders' GM and Board meetings held during the year ended 31 December 2021 are set out in the following table:

Members of the Board	Meeting attendance/held	
	Board Meeting	AGM[1]
Executive Directors		
Mr. Zhou Xuzhou *(Co-Chairman)*	3/4	1/1
Dr. Zeng Wentao *(Co-Chairman)*	3/4	1/1
Ms. Zhou Wen Chuan *(Vice-Chairman)*	4/4	1/1
Non-Executive Director		
Dr. Mao Zhenhua	4/4	1/1
Independent Non-Executive Directors		
Professor Chau Chi Wai, Wilton	4/4	1/1
Mr. Gao Guanjiang	4/4	1/1
Mr. Wu Peng	4/4	1/1

Note:

1. The AGM was held on 24 June 2021.

Apart from the Board meetings above, consent and/or approvals of the Board were also obtained by way of written resolutions on a number of matters.

The Company has appointed sufficient numbers of Independent Non-Executive Directors in accordance with the Listing Rules, including those with appropriate professional qualifications or accounting or related financial management expertise. They have dedicatedly provided the Company with professional advice with respect to the steady operation and development of the Company. They also exercise supervision and coordination to safeguard the interests of the Company and its shareholders.

The Company has received written annual confirmation from each Independent Non-Executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all Independent Non-Executive Directors to be independent in accordance with independence guidelines set out in the Listing Rules.

The operation of the Board

The Board oversees the Group's strategic development and determines the objectives, strategies and policies of the Group. The Board also monitors and controls operating and financial performance in pursuit of the Group's strategic objectives. All Board members have access to appropriate business documents and information about the Group on a timely basis. All Directors and members of Board committees have access to external legal counsel and other professionals for independent advice at the Group's expense if they require it.

Four Board committees, namely the audit committee, remuneration committee, nomination committee and strategic committee, have been established to oversee particular aspects of the Group's affairs. The Board has delegated the day-to-day management and operations of the Group's businesses to the management of the Company and its subsidiaries.

The Board had met four times during the year ended 31 December 2021 to discuss and formulate overall strategies for the Group, review the financial performance, as well as other significant matters when Board decisions were required.

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established, and the Board is responsible for performing the following corporate governance duties:

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

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

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

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

(v) to review the Company's compliance with the CG Code and disclosures in the corporate governance report of the Company (the "**Corporate Governance Report**").

The major works performed by the Board included the following:

1. reviewed and monitored the Company's policies and practices in compliance with legal and regulatory requirements;

2. reviewed the terms of reference of the Audit Committee, the Nomination Committee, the Strategic Committee and the Remuneration Committee;

3. reviewed the Company's compliance with the CG Code and disclosures in this Corporate Governance Report;

CORPORATE GOVERNANCE REPORT

4. reviewed the dividend policy (the "**Dividend Policy**");

5. arranged suitable training for Directors, placing an appropriate emphasis on the roles, functions and duties of a listed company director;

6. reviewed and approved the financial results of the Company and announcements thereof; and

7. reviewed the board diversity policy (the "**Board Diversity Policy**").

CO-CHAIRMEN AND CHIEF EXECUTIVE OFFICER

Mr. Zhou Xuzhou and Dr. Zeng Wentao are the Co-Chairmen and are mainly responsible for the management of the Board. Ms. Zhou Wen Chuan is the Chief Executive Officer and is delegated with authority and is responsible for the day-to-day management of the Group's business and the implementation of the approved strategies in achieving the overall business objectives.

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTOR

Non-Executive Director has entered into a service contract with the Company for a term of one year or till retirement by rotation in accordance with the Bye-laws of the Company, whichever is earlier.

PROFESSIONAL DEVELOPMENT

To assist the Directors' continuing professional development, the Company encouraged the Directors to attend relevant seminars to develop and refresh their knowledge and skills. All Directors also participate in continuous professional development programmes such as external seminars organised by qualified professionals to develop and refresh their knowledge and skills in relation to their contribution to the Board. A record of the training received by the respective Directors is kept and updated by the Company Secretary.

All the Directors understand the importance of continuous professional development and are committed to participating in any suitable training to develop and refresh their knowledge and skills. During the year ended 31 December 2021, the Directors participated in the kinds of training as follows to develop and refresh their knowledge so as to ensure their contributions to the Board:

	Reading Regulatory Updates	Attending expert briefings/seminars/ conferences relevant to the business or Directors' duties
Executive Directors		
Mr. Zhou Xuzhou	✔	✔
Dr. Zeng Wentao	✔	✔
Ms. Zhou Wen Chuan	✔	✔
Non-Executive Director		
Dr. Mao Zhenhua	✔	✔
Independent Non-Executive Directors		
Professor Chau Chi Wai, Wilton	✔	✔
Mr. Gao Guanjinag	✔	✔
Mr. Wu Peng	✔	✔

REMUNERATION COMMITTEE

As at 31 December 2021, the Remuneration Committee comprised one Executive Director and two Independent Non-Executive Directors, namely Dr. Zeng Wentao, Mr. Gao Guanjiang and Professor Chau Chi Wai, Wilton. Mr. Gao Guanjiang is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee have been reviewed with reference to the CG Code. The terms of reference of the Remuneration Committee are posted on the websites of the Company and the Stock Exchange and are also available from the Company Secretary on request.

The primary function of the Remuneration Committee is to make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management. The remuneration packages include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment.

The main functions of the Remuneration Committee include:

1. to make recommendations to the Board on the Company's policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

2. to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

3. to make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, which include benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment);

4. to make recommendations to the Board on the remuneration of Non-Executive Directors;

5. to review the proposals for the award of share options to Executive Directors and senior management based on their performance and contribution to the Company from time to time;

6. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure they are consistent with contractual terms and are otherwise reasonable and appropriate;

7. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

8. to review and approve compensation payable to the Executive Directors and the senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

9. to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration; and

10. to recommend to the Board the structure of long-term incentive plans for Executive Directors and certain senior management.

The details of the remuneration payable to the Directors are set out in note 13 to the consolidated financial statements contained in this Annual Report.

During the year ended 31 December 2021, the Remuneration Committee had held one meeting. Attendance of each individual member was as follows:

Committee member	Meeting attended/held
Mr. Gao Guanjiang	1/1
Professor Chau Chi Wai, Wilton	1/1
Dr. Zeng Wentao	1/1

The major works performed by the Remuneration Committee included the following:

1. reviewed and recommended the remuneration and bonus of Executive Directors and senior management;

2. conducted an annual review of the remuneration packages for Executive Directors, Non-Executive Director and senior management based on their performance; and

3. reviewed the terms of reference of the Remuneration Committee.

NOMINATION COMMITTEE

As at 31 December 2021, the Nomination Committee comprised one Executive Director and two Independent Non-Executive Directors, namely Mr. Zhou Xuzhou, Professor Chau Chi Wai, Wilton and Mr. Wu Peng. Mr. Zhou Xuzhou is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee have been reviewed with reference to the CG Code. The terms of reference of the Nomination Committee are posted on the websites of the Company and the Stock Exchange and are also available from the Company Secretary on request.

The primary duties of the Nomination Committee are to develop and maintain a formal and transparent process for the appointment and re-appointment of members of the Board. The Nomination Committee also reviews and assesses Board composition and its effectiveness on an annual basis.

The main functions of the Nomination Committee include:

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

2. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

3. to establish a policy concerning the diversity of Board members;

4. to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular, the chairman and the chief executive; and

5. to assess the independence of the Independent Non-Executive Directors.

During the year ended 31 December 2021, the Nomination Committee had held one meeting. Attendance of each individual member was as follows:

Committee member	**Meeting attended/held**
Mr. Zhou Xuzhou	1/1
Professor Chau Chi Wai, Wilton	1/1
Mr. Wu Peng	1/1

The major works performed by the Nomination Committee included the following:

1. reviewed and updated the Board Diversity Policy;

2. reviewed and assessed the structure, size and composition (including the skills, knowledge and experience) of the Board and its effectiveness;

3. assessed the independence of Independent Non-Executive Directors and confirmed that all independent non-executive Directors are considered independent;

4. reviewed the terms of reference of the Nomination Committee;

5. proposed the Directors for re-election at the 2021 AGM; and

6. reviewed the nomination policy (the "**Nomination Policy**").

AUDIT COMMITTEE

As at 31 December 2021, the Audit Committee comprised one Non-Executive Director and two Independent Non-Executive Directors, namely Dr. Mao Zhenhua, Professor Chau Chi Wai, Wilton and Mr. Gao Guanjiang. Professor Chau Chi Wai, Wilton is the chairman of the Audit Committee. None of the members of the Audit Committee is a member of the former or external auditor of the Company.

The terms of reference of the Audit Committee have been reviewed with reference to the CG Code. The terms of reference of the Audit Committee are posted on the websites of the Company and the Stock Exchange and are also available from the Company Secretary on request.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group.

The main functions of the Audit Committee include:

1. to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, any questions of its resignation or dismissal;

2. to develop and implement policy on engaging an external auditor to supply non-audit services;

3. to review the Group's financial and accounting policies and practices;

4. to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

5. to review the Group's financial controls, and unless expressly addressed by a separate board risk committee or by the Board itself, to review the Group's risk management and internal control systems;

6. to discuss the risk management and internal control system with management to ensure that management has performed its duty to have an effective system;

7. where an internal audit function exists, to ensure coordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Group, and to review and monitor its effectiveness;

8. to monitor the integrity of the Company's financial statements and Annual Report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them;

9. to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

10. to consider other topics, as defined by the Board;

11. to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

12. to report to the Board on the matters contained in the code provision of the CG Code;

13. to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;

14. to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters; and

15. to act as the key representative body for overseeing the Company's relations with the external auditor.

During the year ended 31 December 2021, the Audit Committee had held three meetings. Attendance of each individual member was as follows:

Committee member	**Meeting attended/held**
Professor Chau Chi Wai, Wilton	3/3
Mr. Gao Guanjiang	3/3
Dr. Mao Zhenhua	3/3

Apart from the meetings above, consent and/or approvals of the Audit Committee were also obtained by way of written resolutions on a number of matters.

The major works performed by the Audit Committee included the following:

1. reviewed the Group's draft annual audited financial statements for the year ended 31 December 2020 and the interim financial statements for the six months ended 30 June 2021, including the accounting principles and accounting standards adopted with recommendations for presentation to the Board for its consideration and approval;

2. reviewed the enhancements to the 2021 audit planning process;

3. approved the audit and non-audit services provided by ZHONGHUI ANDA CPA Limited;

CORPORATE GOVERNANCE REPORT

4. reviewed the fees proposal of ZHONGHUI ANDA CPA Limited for the 2021 audit work for the Group;

5. discussed, examined and reviewed 2021 annual accounting and financial reporting issues;

6. reviewed and monitored the external auditor's independence and objectivity and the effectiveness of the audit process;

7. reviewed the terms of reference of the Audit Committee; and

8. discussed, assessed and reviewed the reports of internal control and risk management system as well as its effectiveness for the year.

STRATEGIC COMMITTEE

As at 31 December 2021, the Strategic Committee comprised two Executive Directors and one Non-Executive Director, namely Mr. Zhou Xuzhou, Dr. Zeng Wentao and Dr. Mao Zhenhua. Dr. Mao Zhenhua is the chairman of the Strategic Committee.

The terms of reference of the Strategic Committee are posted on the websites of the Company and the Stock Exchange and are also available from the Company Secretary on request.

The primary function of the Strategic Committee is to conduct research and submit proposals to the Board concerning the long-term developing strategic and material investment decisions of the Company.

During the year ended 31 December 2021, the Strategic Committee had not held any meeting.

REMUNERATION OF SENIOR MANAGEMENT

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors) whose particulars are contained in the section headed "Biography of Directors and Senior Management" in this Annual Report for the year ended 31 December 2021 by bands is set out below:

Remuneration band	Number of individuals
HK$1,500,001 to HK$2,000,000	1

AUDITOR'S REMUNERATION

For the year ended 31 December 2021, the Group engaged ZHONGHUI ANDA CPA Limited, auditors of the Company, to perform audit service. The services provided by ZHONGHUI ANDA CPA Limited and the fees thereof were as follows:

Nature of services	For the year ended 31 December 2021 *HK$'000*
Audit services	1,150
Non-audit services *(note a)*	300
	1,450

Note:

(a) Fees for non-audit services in 2021 consisted of fees incurred to ZHONGHUI ANDA CPA Limited in connection with the review of interim financial statements, the annual results announcement and the continuing connected transactions of the Group.

RESPONSIBILITY FOR FINANCIAL REPORTING

Management provides financial information with explanations to the Board to assist the Board in assessing the financial position of the Group.

The Board acknowledges its responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and to present a balanced, clear and understandable assessment in the Company's annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules and reports to the regulators as well as to information required to be disclosed pursuant to the statutory requirements. The Board is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern.

A discussion and analysis of the Group's performance, an explanation of the basis on which the Company generates or preserves value over the longer term and the strategy for delivering the Company's objectives have been prepared and included in the sections headed "Co-Chairman's Statement" and "Management Discussion and Analysis" on pages 3 to 8 and 9 to 18 of this Annual Report.

The reporting responsibilities of ZHONGHUI ANDA CPA Limited, the Company's auditor, are stated in the Independent Auditor's Report on pages 100 to 103 of this Annual Report.

NOMINATION POLICY

1. Purpose

The Nomination Policy sets out the process and criteria for identifying potential candidates for the Company. The Nomination Committee should ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

2. Selection Criteria

The Nomination Committee shall consider the following selection criteria in evaluating and selecting candidates for directorships:

- character and integrity;
- qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- willingness to devote adequate time to discharge duties as a Board member and other directorships and significant commitments;
- requirement for the Board to have Independent Non-Executive Directors in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in the Listing Rules;
- succession planning or strategies for the ongoing effective performance of the Board as a whole;
- Board Diversity Policy and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board; and
- such other perspectives appropriate to the Company's business.

These factors are for reference only and are not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person as it considers appropriate.

3. Nomination Process

3.1 Appointment of New Director

3.1.1 The Nomination Committee shall, upon receipt of the proposal for the appointment of a new director and the biographical information (or relevant details) of the candidate, evaluate and assess such candidate based on the selection criteria as set out in section 2 to determine whether such candidate is qualified for directorship.

3.1.2 If there are one or more desirable candidates, the Nomination Committee shall rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

3.1.3 The Nomination Committee shall then recommend appointing the appropriate candidate for directorship.

3.1.4 For any person that is nominated by a shareholder for election as a director at the GM of the Company, the Nomination Committee shall evaluate such candidate based on the criteria as set out in section 2 to determine whether such candidate is qualified for directorship and where appropriate, the Nomination Committee and/or the Board shall make a recommendation to shareholders in respect of the proposed election of director at the GM.

4. Re-Election of Director at General Meeting

4.1 The Nomination Committee shall review the overall contribution and service to the Company of the retiring director, including his/her attendance of Board meetings and, where applicable, GM and the level of participation and performance on the Board.

4.2 The Nomination Committee shall also review and determine whether the retiring director continues to meet the criteria as set out in section 2.

4.3 The Board, with the recommendation from Nomination Committee, shall then make a recommendation to shareholders in respect of the proposed re-election of the director at the GM.

5. Ultimate Responsibility for Selection and Appointment

The nomination of directors is also subject to any restrictions under the Bermuda law and the Company's Bye-laws. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any GM.

6. Monitoring and Reporting

The Nomination Committee will disclose the Nomination Policy and the progress made towards achieving the objectives set out in the Nomination Policy in the Corporate Governance Report in the Annual Report.

BOARD DIVERSITY POLICY

1. Vision

The Company sees diversity at the Board level as an important element in maintaining a high standard of corporate governance. The Company is committed to a diverse Board, so Directors from diverse backgrounds could present the Company effectively to various constituencies and bring different and inspiring perspectives into the boardroom.

CORPORATE GOVERNANCE REPORT

2. Policy Statement

2.1 The Company aspires to maintain an appropriate range and balance of skills, experience and background on the Board. In determining the optimum composition of the Board, differences in the skills, regional and industry experience, background, ethnicity, gender and other qualities of Directors shall be considered. All Board appointments are made on merits, in the context of the skills and experience the Board as a whole requires to be effective, with due regard for the benefits of diversity on the Board.

2.2 The Nomination Committee will review and assess Board composition and its effectiveness on an annual basis. When there is a vacancy on Board, the Nomination Committee will recommend suitable candidates for appointment to the Board on merits, based on the terms of reference of the Nomination Committee, with due regard to the Company's own circumstances.

3. Measurable Objectives

The selection of candidates will be based on a range of diverse perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

4. Monitoring and Reporting

4.1 The Nomination Committee will report annually in the Corporate Governance Report contained in the Annual Report on the composition of the Board (including gender, age, length of service, education background, working experience) and monitor the implementation of the Board Diversity Policy.

4.2 The Nomination Committee will monitor the implementation of the Board Diversity Policy by conducting a review of the Board's composition at least once annually, taking into account the benefits of all relevant diversity aspects, and adhering to the Board Diversity Policy when making recommendations any Board appointments.

The Nomination Committee reviewed the Board's composition and considered the Board Diversity Policy during the year ended 31 December 2021. The Board currently comprises experts from diversified professions such as accounting, finance and management, and was diversified in terms of gender, age, duration of service, which effectively improved the ability of the Board in decision making and strategic management.

DIVIDEND POLICY

1. The Dividend Policy sets out the structure of dividend payout to the shareholders of the Company.

2. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend or make a distribution out of contributed surplus if:

   (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

   (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

3. The Company may distribute dividends by way of (1) Cash; (2) Shares.

4. The Board may, from time to time, pay to the shareholders such interim dividends as appear to the Board to be justified by the position of the Company.

5. According to the Company's Bye-laws, the Company in GM may declare dividends in any currency, but no dividends shall exceed the amount recommended by the Board.

6. The Company's ability to pay dividends is also subject to the requirements of the Listing Rules and all relevant applicable laws, rules and regulations in Bermuda, Hong Kong and the Bye-laws of the Company.

7. In proposing any dividend payout, the Board shall also take into account, inter alia:

   (a) the Company's actual and expected financial performance;

   (b) retained earnings of the Company and each of the members of the Group;

   (c) the level of the Group's debts to equity ratio, return on equity and the relevant financial covenants;

   (d) any restrictions on the payment of dividends that may be imposed by the Group's lenders, if any;

   (e) the Group's expected working capital requirements and future expansion plans;

   (f) general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and

   (g) any other factors that the Board deem appropriate.

8. Any final dividend for a financial year will be subject to shareholders' approval.

COMPANY SECRETARY

The Company Secretary, Mr. Li Shu Pai, is responsible for advising the Board on governance matters and also facilitates induction and professional development of Directors. The Company Secretary reports to the Co-Chairman. All Directors have access to the advice and services of the Company Secretary to ensure that Board procedures, all applicable laws, rules and regulations are followed. The Company Secretary's biography is set out in the section headed "Biography of Directors and Senior Management" of this Annual Report.

The Company Secretary has taken no less than 15 hours of relevant professional training to comply with Rule 3.29 of the Listing Rules for the year ended 31 December 2021.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for maintaining a sound and effective internal control system in order to safeguard the Group's assets and shareholders' interests and reviewing the effectiveness of the Company's internal control and risk management systems on a regular basis so as to ensure that internal control and risk management systems in place are adequate.

CORPORATE GOVERNANCE REPORT

The Group's internal control system includes a well-established organisational structure with clearly defined lines of responsibility and authority. The day-to-day departmental operations are entrusted to the individual department which is accountable for its own conduct and performance and is required to operate its own department's business within the scope of the delegated authority and to implement and strictly adhere to the strategies and policies set by the Board from time to time. Each department is also required to keep the Board informed of material developments of the department's business and the implementation of the policies and strategies set by the Board on a regular basis.

Our risk management activities are performed by management on an ongoing process. The effectiveness of our risk management framework will be evaluated at least annually, and periodic management meeting is held to update the progress of risk monitoring efforts. Management is committed to ensuring that risk management forms part of the daily business operation processes in order to align risk management with corporate goals in an effective manner.

Pursuant to C.2.1 of the CG Code, the Group engages an independent professional advisor to conduct an annual review of the effectiveness of the Group's risk management and internal control system in various material aspects, including financial, operational and compliance controls. The risk management report and internal control report are submitted and reviewed by the Audit Committee at least once a year. Summary of findings and recommendations are discussed at the Audit Committee meeting with a view to improving the Group's operations.

There is currently no internal audit function within the Group. The Board has reviewed the need for an internal audit function and is of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost-effective to appoint independent external professionals to perform the internal audit function for the Group in order to meet its needs. Nevertheless, the Board will continue to review at least annually the need for an internal audit function. The Company considers that our risk management and internal control systems are effective and adequate.

SHAREHOLDERS' RIGHTS

Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at GM of the Company shall at all times have the right, by written requisition sent to the Company Secretary, to require a SGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

(i) Shareholder(s) of the Company holding not less than one-twentieth of the total voting rights of all shareholders having the right to vote at the GM; or (ii) not less than 100 shareholders can submit a written request to the Company Secretary stating the resolution intended to be moved at the GM or a 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 a particular GM.

The above procedures are subject to the Company's Bye-laws, the Bermuda Companies Act 1981 and applicable legislation and regulation (as amended from time to time). Shareholders who have enquiries about the above procedures or have enquiries to put to the Board may write to the Company Secretary at the principal place of business of the Company at Unit 2906, Tower 1, Lippo Centre, 89 Queensway, Admiralty, Hong Kong or by e-mail to information@meilleure.com.cn for the attention of the Company Secretary.

COMMUNICATION WITH SHAREHOLDERS

To enhance transparency and effectively communicate with the investment community, the Executive Directors and senior management of the Company actively maintain close communications with various institutional investors, financial analysts and financial media. Investors are welcome to share their views with the Board by sending enquiries to information@meilleure.com.cn.

CHANGE IN CONSTITUTIONAL DOCUMENTS

There were no changes in constitutional documents of the Company during the year ended 31 December 2021.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

We are pleased to present our Environmental, Social and Governance ("**ESG**") Report ("**Report**").

The reporting boundary for this Report is consistent with the scope used in this Annual Report. This Report covers the Group's major operations in six reportable business segments and its operational headquarter office in Hong Kong during the Reporting Period. Details of business segments and respective operational regions are shown below:

Business Segment/Function	Operational Region
Industrial Hemp Business	The PRC Japan Switzerland
Healthcare-related Business[1]	The PRC
Trading Business	The PRC
Agency Service Business	The PRC
Property Investment and Leasing Business	The PRC
Property Development Business	Australia
Operational Headquarter Office	Hong Kong

Among the above business segments, the Industrial Hemp Business and Healthcare-related Business (together referred to as the "**Core Business**") are deemed as the major focus of the Group's corporate vision – "using technology and expertise to serve the health and beauty needs of more people". The revenue of these two business segments during the Reporting Period was HK$26.5 million and HK$28.5 million, which account for 10% and 11% of the Group's total revenue respectively. In consideration of their financial threshold and the derivative impact on the economic, environmental and social aspects, this Report mainly discloses the ESG practices of the Group's Core Business.

[1] During the Reporting Period, there were two main businesses (i.e., cellular therapy and health management business, and skin health management business) under this business segment. In light of information availability, this Report only discloses the ESG practices of the skin health management business, where ESG data and policies were well-recorded.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This Report aims to communicate the Group's ESG policies, performance, achievements, as well as areas of improvement with its stakeholders in a transparent manner. It is prepared in accordance with the "mandatory disclosure requirements" and the "comply or explain" provisions of the Environmental, Social and Governance Reporting Guide ("**ESG Reporting Guide**") set out in Appendix 27 of the Listing Rules. We strictly adhere to the following reporting principles:

Materiality	This Report is structured and compiled based on the ESG issues that are considered material to our business activities, investors, suppliers and other stakeholders. For more information, please refer to subsections "Stakeholder Engagement" and "Materiality Assessment" under the section "Sustainability at Meilleure Health".
Quantitative	This Report discloses quantitative key performance indicator(s) ("**KPI**" or "**KPIs**") and quantitative ESG targets. Due to data availability, the scope of each KPI and ESG target may not cover the six business segments. Specifically, ESG targets are set primarily based on the "materiality" principle. Information on the KPIs scopes, standards, methodologies, assumptions and calculations tools used are further disclosed in the sections "Greening Our Environment" and "KPIs Summary".
Balance	This Report provides an unbiased picture of the Group's ESG performance in a transparent manner, which includes both achievements and areas of improvement. All disclosures are based on the Group's existing policies and practices relating to material ESG issues.
Consistency	The number of business segments disclosed in this Report is consistent with the last Reporting Period, while entities in the Healthcare-related Business have expanded to four subsidiaries in the PRC (2020: two). ESG practices in new subsidiaries have been further disclosed in corresponding sections. In order to allow for meaningful comparisons of ESG data over time, changes of methodology for calculation scopes, methods, references, KPIs used, or any other relevant factors or statements affecting a meaningful comparison are fully disclosed in the section "KPIs Summary".

The Group highly values your comments and opinions regarding this Report and other ESG issues. You are welcome to share your thoughts at: information@meilleure.com.cn. For details about the Group's financial performance and corporate governance, please refer to the official website of the Company (http://www.meilleure.com.cn) and this Annual Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT MEILLEURE HEALTH

Meilleure Health is an international healthcare industrial group listed on the main board of the Stock Exchange. Headquartered in Hong Kong, the Group has branches across the PRC, Japan, Australia, and Switzerland. Apart from its Core Business that focuses on CBD downstream product application and healthcare management, the Group is also involved in the Trading Business, Agency Service Business, Property Investment and Leasing Business as well as Property and Development Business.

Business Review

During the Reporting Period, the Group recorded a total turnover of HK$253.0 million (2020: HK$265.1 million). The segment-based performance review is shown below:

Industrial Hemp Business

The Group acquired and established various associates, joint ventures and subsidiaries in Yunnan, Japan and Europe to facilitate CBD downstream product application since 2018. During the Reporting Period, the Group proactively accelerated the promotion of downstream CBD application based on insightful analysis of the industrial hemp market worldwide and continued to create and invest in CBD health consumption brands in multiple countries and across different sectors.

In the PRC's market, the Group sold its subordinate CBD skincare product "Mazhuang" through its own channels in the PRC, achieving a good reputation and result. However, due to the strict supervision of industrial hemp extract in the PRC in the first half of 2021, ingredients related to industrial hemp were forbidden to be used as raw materials for cosmetic products. The Group made prompt adjustments according to new policies and proactively expanded overseas markets in Europe and Japan through overseas channels against the backdrop of accelerated legalisation of industrial hemp in the world.

In the overseas market, the high-end CBD health consumption brand "AlpReleaf", independently developed and produced in Switzerland. As most member states of the European Union have lelalised hemp for medical use, and some of them have approved the usage of CBD ingredients in food, drinks and other personal care supplies, the current market offers a favourable opportunity for the entry of "AlpReleaf". Backed by such friendly market and policy, the Group chose to lauch "AlpReleaf" in Europe. On the other hand, the Group's CBD atomisation brand "CANNERGY" continued to attend local marketing events in Japan and launch a variety of CBD atomisation products and healthcare products to increase its brand awareness in Japanese markets.

Healthcare-related Business

The development of healthcare-related markets in the PRC has been dramatically revitalised and accelerated by several favourable factors: policy and regulation, economy and technology, as well as social awareness. During the Reporting Period, policies from the central to local governments in the PRC such as the Key Tasks for Deepening the Reform of the Medical and Health System in 2021 (《深化醫藥衛生體制改革2021年重點工作任務》) have been introduced to promote convenience and expand the coverage of public healthcare on a national level. Cutting-edge technologies such as cloud computing and the internet of things were incorporated into the healthcare industry to build up a comprehensive healthcare database and facilitate the application of high-end smart healthcare. In the post-pandemic era, the demand for healthcare management is skyrocketing since the health awareness of the public has been on the rise due to the COVID-19.

Under such a friendly environment, the Group has been operating steadily in the Healthcare-related Business, and relevant downstream products, services and high-end health consulting continued to thrive. During the Reporting Period, the Group launched a comprehensive medical aesthetic brand and a light medical aesthetic brand — "Jibenfenxi" and "Jixiaojian" in the PRC, aiming to introduce a more cost-effective and worry-free one-stop "extremely smart skincare" service to the public eye. In addition, the Group formally put the clinic into operation in Nanjing, the PRC in March 2021, which marked the first and important step towards the high-end health management strategy.

Moving forward, the Group will continue to leverage its strengths in the industry chain to develop more high-end healthcare products and services, seek opportunities of external collaborations to enlarge its service scopes, and establish an endogenous connections between the Healthcare-related Business and other business segments.

Trading Business

The Group focuses on traditional construction materials trading, which is carried out in Wuhu, the PRC.

Agency Service Business

In eastern PRC, the Group provides agency services in real estate.

Property Investment and Leasing Business

In eastern PRC, the Group invests in certain properties in Nanjing and Wuhu. We lease those properties for the purposes of restaurants, shops, hotels, among others.

Property Development Business

The Group has a residential development project, which covers a total site area of approximately 11,488 sq.m. in Alphington, Australia. As of 31 December 2021, approximately 80% of civil works have been completed. Up to the date of this Annual Report, the project's civil works have already been completed, and its construction phase is scheduled to be commenced in April 2022. Afterwards, the property would be served as a high-end recreational community.

2021 Highlights

2021 marked the beginning of the 14th Five-Year Plan for the PRC. It also represented a new starting point for the golden decade of the Healthy China 2030. According to PricewaterhouseCoopers, the size of China's healthcare market reached 13 trillion dollars in 2020, making it the second-largest market in the world. However, there is still a long way to achieve the strategic goal of "Healthy China 2030" and further narrow the gap with developed countries regarding medical level.

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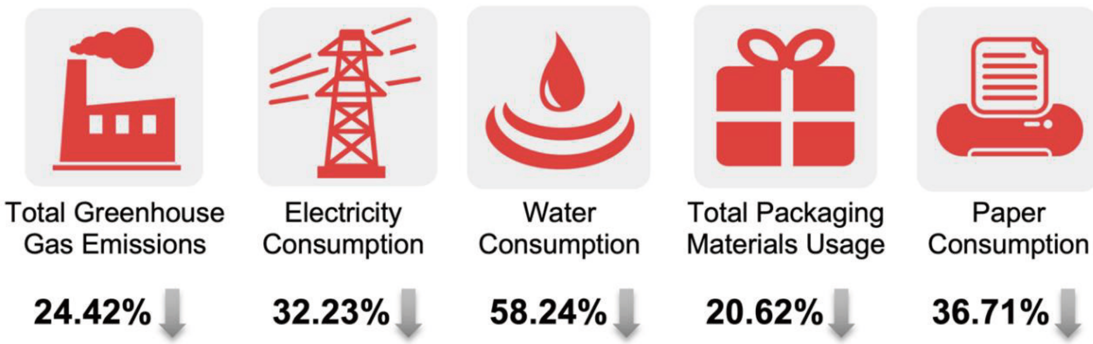
At the same time, the GDP per capita of the PRC in 2021 was RMB80,976, equivalent to US$12,551 at the average annual exchange rate, exceeding the world per capita GDP level. According to the World Bank's indicators, the PRC's GNI per capita in 2021 was US$12,400, close to the GNI per capita threshold of US$12,700 of the high-income countries. The national gross domestic product improvement has objectively provided economic support for developing healthcare consumption. Pursuing health and anti-ageing have become popular demands.

Therefore, standing at the new starting point of the era with the synergy effects of "Healthy China 2030" and "14th Five-Year Plan", the Group is profoundly optimistic about the future development of the healthcare industry. We believe in the power of time and maintain ourselves as a long-termist in the industry. During the Reporting Period, the Group adhered to the corporate vision of "using technology and expertise to serve the health and beauty needs of more people" and developed its health sector through health applications of cell therapy and cannabinoid. Meanwhile, the Group continued to conduct in-depth research on skin health and its related services and developed product and business model integrating skincare products with efficacy and cosmetic medicine for skin health management by making full use of its advantages in the R&D, brand and channel in terms of skin health management.

During the Reporting Period, the Group actively expanded supply chains and enlarged relevant product lines for its existing brand. "CANNERGY" has established a comprehensively localised supply chain and developed various new products, such as CBD tincture, masks, and essential oils to fulfil the needs of Japanese markets. Meanwhile, the Group continued to yield new brands, "AlpReleaf", "Jibenfenxi", and "Jixiaojian", in the Core Business to accelerate its globalisation process. Leveraging its tremendous R&D capability and resources in industry chains, the Group successfully enhanced its competitive position by deepening interconnections between the Healthcare-related Business and other business segments.

In terms of cross-sector collaborations, the Group scored fruitful outcomes in different walks of industries and society. Partnered with a publishing and data company that focuses on the new economy in the PRC, the Group launched a venture capital fund, aiming to finance those small and medium enterprises involved in the Industrial Hemp Business in the PRC. By hosting various forums, seminars and salons covering topics from CBD downstream product application to the current development of the healthcare industry, the Group hopes to forge a platform for industry professionals and entrepreneurs to communicate market insights and ideas. For more information regarding the cross-sector collaborations, please refer to the section "Investing in Our Society".

The Group unwaveringly insists on its low-carbon operations to mitigate the environmental footprint whilst actively identifying the emerging environmental risks. During the Reporting Period, the Group has improved its environmental performance regarding the following aspects:



The aforementioned milestones in the business, industry, society and environment mainly gave credit to the comprehensive competence of the Board. During the Reporting Period, the Group enhanced the structure, responsibilities, composition and work culture of the Board by maintaining its gender and background diversity, as well as organising ESG-related training such as anti-corruption training.

Business Outlook

Looking ahead, the residual economic and social impacts of the COVID-19 will still exist, and the changing policies and regulations towards industry hemp in different jurisdictions may increase uncertainty for the Group's Core Business. Nevertheless, the Group has prepared for these challenges and is fully confident of its financial strength, competitive position, and the sustainability of its business model.

The Group shall unwaveringly operate its Trading Business, Agency Services Business, as well as Property Investment and Leasing Business. Relying on their relatively stable business and financial atmosphere, these traditional businesses are expected to generate sufficient cash flow for the Group to nourish the Core Business and thereby realise its corporate vision.

Leveraging its financial strength and tremendous cross-industry resources, the Group shall actively explore disruptive innovation and invest in the clinical and downstream markets of the Core Business. The Group hopes to enhance the interconnections between industrial hemp, high-end medical technologies, as well as healthcare consumer goods, so as to condense these concepts and organically form our unique competitive advantage - a comprehensive global layout in the industrial hemp and health management sector. By instilling and enlarging health concepts in our business portfolio, the Group is confident that its business model is highly aligning with sustainable development trends to faciliate human welfare and embrace a healthy future.

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SUSTAINABILITY AT MEILLEURE HEALTH

As an international conglomerate that focuses on the health industry, Meilleure Health has persevered in investing in the health industry, promoting health awareness among the public and thereby improving human welfare since it first started back in 2002. The commitment to sustainability at Meilleure Health is interconnected among various facets. Robust ESG governance approaches and ESG strategy are the cornerstones to further facilitate the Group's ESG practices, including but not limited to annual stakeholder engagement, external materiality assessment and environmental mitigation target setting. Championing the ultimate ESG vision - "Building a Healthy Future", Meilleure Health endeavours to foster a sustainable, healthy and harmonious interaction between sectors, people, environment and the whole society.

ESG Governance

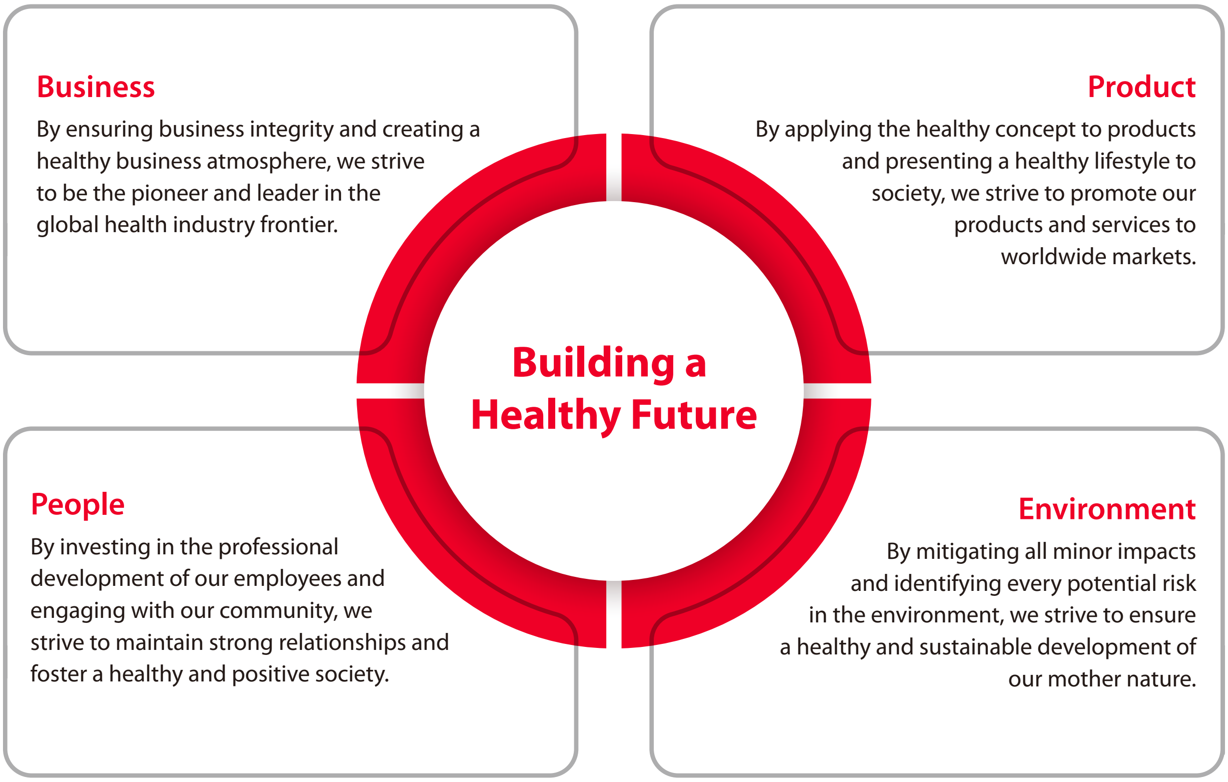
The ESG governance at Meilleure Health is fulfilled under the spearheading of the Board. The Board has overall responsibility to oversee ESG issues. During the Reporting Period, the Board conducted the following actions to enhance our ESG governance:

- Evaluate and determine the Group's ESG-related risks and opportunities through the external materiality assessment
- Identify key ESG topics, strategic priorities and main challenges in managing ESG issues for the short- and medium-term based on the results of the external materiality assessment
- Review climate change issues, and determine short-, medium- and long-term risks based on the climate-related risk assessment
- Review and determine appropriate ESG targets based on operational patterns and business development direction of the Group
- Review and evaluate the applicability and effectiveness of the Group's ESG strategy, risk management and internal control systems
- Attend anti-corruption training to enhance the overall competence in ESG governance
- Approve disclosures of this Report

Moving forward, the Board shall receive relevant ESG training on a regular basis to keep abreast of the latest information on ESG issues, thereby further improving the capacity of the Board to lead the company into a sustainable future.

ESG Strategy

Overarched by the ultimate ESG vision - "Building a Healthy Future", Meilleure Health is diligent in integrating sustainability concepts into four core aspects in its daily operations - Business, Product, People and Environment. Since the establishment of this ESG strategy, we have been rigorously carrying out business activities in accordance with the guidelines and goals under each aspect. We believe this strategy will not only further improve our ESG performance but, most importantly, establish a long-term sustainable agenda that navigates us to fulfil our commitment to sustainability.



With the continuous expansion of business scope, the Group shall expand its focused aspects and corresponding guidelines of this ESG strategy. In consideration of the changing importance of ESG issues, the Group shall also incorporate the Sustainable Development Goals set up by the United Nations into its ESG strategy to align with the global sustainable development agenda.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholder Engagement

Involved in six different business sectors, Meilleure Health possesses complex stakeholder groups with unique characteristics. Hence, listening to their opinions and thereby understanding their expectations are extremely vital for the Group. We actively engage with stakeholders through a variety of communication channels to understand their views and expectations regarding corporate sustainable development. Apart from the need of improving our sustainable performance, we are motivated by the responsibility to care about our stakeholders and establish a trustworthy relationship to realise our ultimate ESG vision. The following table sets out our key stakeholder groups and their corresponding communication channels during the Reporting Period:

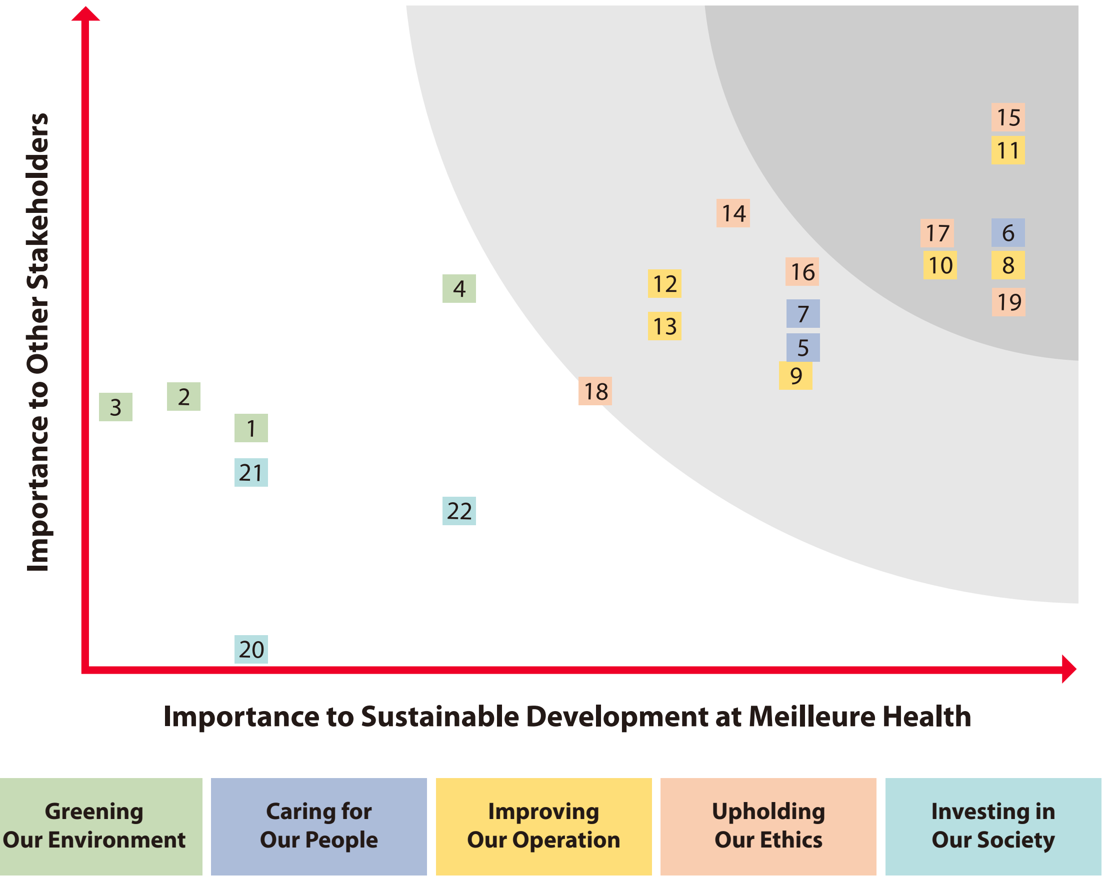
Stakeholder Group	Engagement Channel
Investors/Shareholders	• AGMs • Press releases, circulars and announcements • Annual/Interim reports • Meetings and correspondences
Employees	• Business meetings • Briefings • Conferences • Performance appraisal meetings • New hire orientation programmes • Focus group interviews
Customers	• Personal contact • Social media • Meetings and correspondences
Suppliers	• Procurement tender meetings • Site visits
Media	• Meetings and correspondences • Interviews • Press releases
Government bodies	• Meetings and correspondences • Site visits • Compliance/Non-compliance reports

Materiality Assessment

The Group commissioned an independent sustainability consultancy during the Reporting Period to assist in conducting a materiality assessment survey. Through this survey, we were able to identify and prioritise material ESG issues, which helped us gain a comprehensive understanding of stakeholder expectations, as well as areas for improvement. A 3-step methodology was adopted to assess the materiality of key ESG issues.

Identification	A list of potential material issues was identified with reference to the following sources: • Previous ESG reports from Meilleure Health • External industry benchmarking • Global Reporting Initiative Standards • Task Force on Climate-Related Financial Disclosures ("**TCFD**") Recommendations The criteria for the selection of material ESG issues include whether the issue has a substantial impact on the assessments and decisions of stakeholders and whether it reflects the Group's significant environmental and social impacts. Based on this, 22 material issues were identified and defined.
Prioritisation	Standard online questionnaires were distributed to stakeholders to ensure a consistent and systematic evaluation of material issues. They were tasked to rate the relative importance of identified ESG issues. • 11 members of the Board and management ranked the importance of material issues towards the Group's sustainable development • 48 members of other stakeholders, including 40 employees, 7 suppliers and 1 customer, ranked the importance of material issues based on their own preferences and expectations
Validation	The Board and management confirmed the list of material issues for disclosure in this Report. Survey data were then plotted in the materiality matrix below to represent stakeholder expectations versus sustainable development at Meilleure Health.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Tier 1 - Material

15 Information Privacy and Data Protection
11 Customer Satisfaction and Communication
6 Occupational Health and Safety
8 Product Safety and Compliance
17 Intellectual Property Protection
19 Labour Standard
10 Service Quality Assurance

Tier 2 - Moderately material

14 Anti-Corruption
16 Responsible Marketing
7 Employee Development and Training
5 Employee Welfare and Benefit
9 Technology R&D
12 Supply Chain Management
13 Green Material Procurement
18 Workplace Diversity and Inclusiveness

Tier 3 - Less material

4 Environmental-friendly Initiative and Target
22 Cross-Sector Partnership and Industrial Globalisation
1 Energy and Resource Consumption
2 Air Emission and Waste Management
21 Community Engagement and Health Culture Promotion
3 Climate Change and Carbon Neutrality
20 Charity Donation and Social Investment

Based on the materiality assessment results, an average score was used to assess the general importance of each aspect that balances stakeholders' opinions, which informs the report structure of this Report. The report structure for the Reporting Period is finalised as below:

UPHOLDING OUR ETHICS

As an international conglomerate involved in various business sectors across countries and regions, Meilleure Health regards business ethics as its commercial and social license to continuously sustain its success. We uphold an ethical attitude when dealing with different business affairs. Carefully handling personal information, sparing no effort to protect intellectual property ("**IP**") and labour rights, upholding a zero-tolerance standpoint towards bribery and corruption, as well as marketing in a responsible manner all represent our effort and determination to foster a healthy business atmosphere.

Personal Information and Data Privacy

Due to its business nature and scale, the Group has an enormous clientele from different sectors. In order to safeguard both the company and personal privacy, we stipulated a comprehensive privacy protection requirements in our employee handbook that clarifies the responsibilities for different roles in the Group.

Role	Responsibility
Management	• Review and approve the Group's documents intended to be sent to third parties • Store confidential documents such as accounting books, business plans and letters relating to the Group's material decisions in a proper manner • Assign specific confidentiality tasks to relevant departments
Department	• Establish, maintain and improve the document management system • Record and report suspected non-compliance cases to the management in a timely manner
Employee	• Sign confidentiality agreement prior to the official work commencement date • Ask for approval of the management before sending any company document to third parties

In the Healthcare-related Business, confidentiality is at the centre of maintaining trust between our clients and staff. It is our legal and ethical duty to keep patients' personal information confidential. We strive to increase the patients' willingness and trust during the course of a healthcare visit. Hence, personal privacy protection is further enhanced by our access restriction on patients' personal information. Only authorised doctors can have access to sensitive personal information such as medical records, and relevant information will not be disclosed to families, employers, or any third parties without patients' consent.

During the Reporting Period, the Group was not aware of any material non-compliance with relevant laws and regulations relating to confidentiality and data privacy.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Intellectual Property Rights

The Group actively respects and safeguards the IP rights of relevant holders from different business segments. We clearly stipulate in the employee handbook that employees must rigorously comply with relevant laws and regulations when using methodologies, tools and resources that are retrieved from third parties. Furthermore, we will not use suppliers' and business partners' trademarks arbitrarily without their consent.

In the Industrial Hemp Business, IP rights are extremely important for the Group to maintain its pioneer position in the industry. We pay special attention to IP rights during the course of the research, development and marketing of CBD downstream products. In order to respect other parties' IP rights whilst protecting ours, the Group has formulated the Product Ingredient Protection Regulations (《產品之成分保護條例》) when engaging with suppliers in Switzerland. According to this agreement, suppliers are forbidden to sell particular ingredients, such as those ones used in "AlpReleaf", to other industry peers.

During the Reporting Period, the Group was not aware of any material non-compliance with relevant laws and regulations relating to IP rights protection. Meanwhile, we registered four trademarks - "AlpReleaf", "CANNERGY", "HYDRACTIVE", and "NIODERMA", which demonstrated our great effort in IP rights protection.

Labour Standards

The Group attaches great importance to labour standards and prohibits any form of child labour. To this end, we carefully screen all the candidates during recruitment by requiring them to provide relevant documents, such as official identity cards, address proof, as well as academic and professional qualification certificates.

In order to avoid forced labour, the Group strictly regulates office hours. We use a mobile application as an auxiliary management approach. Prior to any overtime work, a formal application must be submitted to department heads. Only those being reviewed and approved can be treated as authorised applications.

In the unlikely event that a child or forced labour case is discovered, we shall report to the relevant authorities in a timely manner and carry out remedial actions in accordance with regulatory protocols. During the Reporting Period, the Group has not experienced any labour disputes nor received any reports of child or forced labour cases.

Anti-corruption

Anti-corruption and whistleblowing are the core to establishing a healthy corporate culture, practising good corporate governance and upholding high standards of business ethics to safeguard the interest of different stakeholders. The Group is committed to fostering a business with high ethical standards. Apart from abiding by laws and regulations relating to anti-corruption and bribery, we stipulate that employees are prohibited from accepting any form of benefits from customers. If any conflict of interest or corruption case is discovered, it must be reported to the Group in a timely manner. As detailed in our employee handbook, we have different penalties in place, including demerit record, demotion, and if necessary, dismissal. We shall take legal actions to safeguard the Group's interest if any severe circumstances exist.

In order to help the Board and management to better understand their ethical and governance roles, the common ethical risks, as well as to increase ethical awareness among employees, employees in our operational headquarter office attended an integrity training webinar "Ethics Legacy – Ethical and Governance Roles of Directors and Senior Management of Publicly Listed Companies" organised by the Hong Kong Ethics Development Centre of the Independent Commission Against Corruption of Hong Kong ("**ICAC**"). For more information regarding the training contents and data, please refer to the subsection "Professional Development and Training" under the section "Caring for Our People" and the section "KPIs Summary".

During the Reporting Period, the Group was not aware of any material non-compliance cases in relation to bribery, extortion, fraud and money laundering. Moving forward, we shall optimise the execution processes and principles of our whistleblower policy to improve its effectiveness. We shall also review the whistleblowing mechanism periodically to increase employee confidence in the process and to encourage a "speak up" culture across the Group.

Responsible Marketing

In the Group's Core Business, the uncertainty of external environments may swing its operations and put more pressure on the marketing cost and strategy formulation. For the Healthcare-related Business, the direct linkage between its operational outputs and human well-being requires healthcare service providers to be extremely meticulous to avoid any medical accidents. On the other hand, for the Industrial Hemp Business, risks emerging from the ever-changing policies and regulations need to be identified when conducting business activities in different countries and regions. To this end, the Group customised different marketing strategies to be a responsible enterprise in various regional markets.

In 2021, the central government and relevant authorities of the PRC tightened the monitoring and requirements in the aesthetic medicine markets. Newly revised or published regulations, including the Special Rectification Work Plan for Combating Illegal Medical Beauty Services (《打擊非法醫療美容服務專項整治工作方案》) and the Medical Beauty Advertising Law Enforcement Guide (《醫療美容廣告執法指南》), are deemed to have significant impacts on the Group's operations. We endeavour to ensure compliance by carrying out the following responsible marketing principles towards the major updated contents of relevant regulations:

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Updated Content	Marketing Principle
Screen out illegal products and services related to aesthetic medicine	• Obtain necessary operational licenses for the Group's medical clinics • Purchase and use medical cosmetology drugs and medical equipment that are in compliance with industry standards, laws and regulations
Standardise the qualification in the aesthetic medicine market	• Hire medical practitioners who hold relevant qualifications • Carry out diagnosis and treatment activities within the licensing scope • Adjust the service fees and drug prices according to prescribed project standards
Investigate illegal online and offline advertisements and information related to aesthetic medicine	• Review the service descriptions and statements to ensure compliance and legitimacy

In terms of the Industrial Hemp Business, the Group strictly complies with the local regulations to prevent illegal business activities. The business atmosphere and market regulations in the PRC during the Reporting Period was full of uncertainty. In March 2021, the National Institutes for Food and Drug Control (中國食品藥品檢定研究院) issued the Notice of Public Consultation on Revision of Prohibited Components in Cosmetics (《關於就修訂化妝品禁用組分公開徵求意見的通知》), stipulating that ingredients including hemp seeds, seed oil, leaf extract, CBD and other raw materials were forbidden to be used as raw materials for cosmetic products in the PRC. In order to ensure our compliance, we promptly adjusted our marketing strategy to temporarily suspend relevant proposals and production plans. For the existing products, we clearly specified all restrictions and ingredient concentrations of products in accordance with relevant online sales regulations such as Tmall Global Cosmetics Platform Standard (《天貓國際化妝品平台標準》). Leveraging the online sales platforms, we successfully reduced the inventory of CBD products.

The market regulations for CBD in overseas markets are relatively loose. Nevertheless, we still closely monitor market policies and obtain all necessary qualifications before our products enter local markets. For example, our brand "CANNERGY" has a local marketing and sales team in Japan, who is responsible for the legal and preparation work in Japanese markets. Prior to the new product launch, we acquire corresponding CBD product certificates as stipulated in the Act on Pharmaceuticals and Medical Device of Japan and confirm advertising slogans that do not include any false, misleading or infringing information.

During the Reporting Period, the Group was not aware of any material non-compliance with relevant laws and regulations relating to product labelling, service advertisements, or other marketing regulations. Moving forward, the Group shall uphold its high ethical standards to be a responsible practitioner in various markets.

IMPROVING OUR OPERATION

At Meilleure Health, its determination to improve operations goes beyond the delivery of high-quality products and considerate services. It aims to construct a value chain that enables synergistic and complementary effects across various business segments. To this end, we are committed to refining healthcare services with a remarkable customer experience. We monitor each production stage of our CBD products and yield the most extraordinary products to reinvigorate the industrial hemp industry. We also increase capital expenditure on the R&D of cutting-edge technologies to boost the globalisation momentum of our Core Business.

Service Quality and Customer Satisfaction

In the Healthcare-related Business, providing wholehearted healthcare services is the Group's primary mission. "Jibenfenxi" and "Jixiaojian", the newly launched brands by the Group in 2021, aim to deliver a healthy, safe and efficient skincare approach to our customers. Our professional team consists of dermatologists who have more than seven years of clinical experience in skin rejuvenation care and are proficient in a variety of treatment techniques such as photoelectric injection. In order to understand clients' needs and achieve person-centred care, our nurse team provides careful and real-time care throughout the whole service.

We actively collect customers' opinions to understand their satisfaction with the quality, price and performance of our products and services. These opinions will be used for analysis and continuous improvement. If we receive any material complaints from customers, our customer service department will coordinate with customers on remedial actions as soon as possible.

During the Reporting Period, we received one customer complaint of missing items upon receipt of products. Strictly complying with the complaint handling procedures of e-commerce platfroms, we negotiated with the customer and delivered missing items in a timely manner. Meanwhile, we conducted a customer satisfaction survey and invited customers to provide opinions through telephone interviews. We received highly positive feedback and had not received material complaints about our products and services.

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Product Health and Safety

Product health and safety is a vital factor for the Group to sustain its success in the Industrial Hemp Business, as the purity and concentration of CBD ingredients may influence the physical and mental impacts of relevant products on users. We conduct quality monitoring from raw material sourcing to sales to ensure product health and safety.

During the pretreatment of product material, we require all processes to be conducted under laboratories and factories with relevant operational qualifications such as Good Manufacturing Practice, ISO 9001, and ISO 22716. In order to ensure quality at the source, we have a strict policy in CBD ingredients supplier engagement. Our CBD ingredients are sourced at the Active Pharmaceutical Ingredients level defined by the United States Food and Drug Administration. For more information regarding our CBD supplier, please refer to the subsection "Supply Chain Management" under this section.

The quality monitoring of our CBD products is further enhanced by external quality assurance. For "CANNERGY", a third-party testing agency is commissioned to conduct product testing prior to market launch. For "AlpReleaf", the sales can only commence after receiving different assurance reports, including the Certificate of Analysis (原材料成分報告), the Certificate of Product Speciality Analysis (產品專業測試報告), the Production Process Detail Report (生產流程明細報告), and the Medical Testing Standard Report (醫藥檢測標準報告).

In the unlikely event that substandard raw materials or products are found, appropriate remedial measures would be taken, including recalling sold products, downgrading materials for other uses, or discarding products. At the same time, we shall assist suppliers to identify the reasons for the imperfections, evaluate remedial measures and make suggestions to avoid substandard products in the future.

During the Reporting Period, the Group was not aware of any cases of product recalls and returns, including those due to safety and health reasons.

Technological Research and Development

Technological R&D is the cornerstone to continuously improve the Group's product quality and service professionalism. Continuous capital investment in our Core Business enables us to push the envelope of disruptive innovation.

In the Industrial Hemp Business, the R&D team of "AlpReleaf" groundbreakingly incorporates environmental-friendly concepts into product applications. Based on the physiological effects of natural plant molecules, our team created a series of innovative formulas of the CBD products with natural active ingredients, which can effectively provide long-term, natural and mild solutions to various discomforts. We also invest in production technologies such as carbon dioxide extraction (二氧化碳萃取法), flash chromatography (閃光色譜法), and micronisation (微粉化) to improve the functions and characteristics of products.

In the Healthcare-related Business, "Jibenfenxi" has independently developed a multi-spectral image analysis system for skincare service. The system consists of five imported LED light sources, 72 million pixels for fast and clear imaging, professional and meticulous colour base layers as well as an advanced data analysis programme. In addition, we developed a multiple-interaction online system that enables simple and effective communications between clients, doctors and nurses. Relevant information such as personalised and customised skincare solutions and aesthetic design reports can be accessed via mobile devices.

The Multi-spectral Image Analysis System

In the area of cellular immunotherapy, the Group made its deployment through the acquisition of Wingor Bio in 2019, a state-level high-tech enterprise, and the establishment of Mei Ai Kang in 2020. Owing to several supportive policies on the cell industry released by the PRC's governments at various levels since 2021, the clinical research and application of cellular technology have entered the phase of rapid development, and the Group's cell therapy business has ushered in rapid development.

During the Reporting Period, the Group developed cosmetics production technologies and applied for 8 patents in its Core Business.

Supply Chain Management

The Group manages its supply chain by engaging with suppliers and improving supply chain sustainability. In the Core Business, the industry qualifications of suppliers are prerequisites to the health and safety of our products and services. Therefore, we apply rigorous criteria to screen out industry pioneers and maintain long-term partnerships with them.

The Group selects the most trusted raw material suppliers for its CBD products. "CANNERGY" has maintained a long-term partnership with its sole supplier - Yunnan Suma Biotechnology Co., Ltd, which possesses the largest CBD extraction base in the PRC and operates under international standards and licenses. We assign an information specialist to improve the supply chain sustainability by collecting information on policy changes and legal compliances of the industrial hemp industry. If there is a potential legal, economic, environmental or social risk in our supply chain, the personnel would subsequently report to the management for further actions.

"AlpReleaf" engages suppliers by assessing the criteria such as technological capability, production standards and efficiency. To ensure the quality of our CBD products, we only consider suppliers that operate with GMP or above standards. To mitigate environmental pollution and promote environmental-friendly raw materials, we actively procure hemp that is organically and locally grown in Switzerland. Regarding the procurement of CBD oil, relevant suppliers need to provide testing reports based on environmental regulations in Switzerland prior to formal business collaborations.

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In the Healthcare-related Business, we have strict and standardised requirements to select suppliers. Prior to procurement, the number of suppliers by category will be confirmed according to the types of products. We subsequently customise specific procurement policies based on the raw ingredients of products and formulate the supplier selection and performance review approaches. The selection and review criteria include product and service quality, price, operational resilience and company reputation. To mitigate the ESG risk along our supply chain, we periodically review suppliers' performance on social aspects such as production safety and labour standards. The business relationship may be terminated in the unlikely event that there is any non-compliance case against the supplier.

Based on the aforementioned supply chain management approaches, we engaged with 16 suppliers in the Industrial Hemp Business and 1 supplier in the Property Development Business during the Reporting Period. For further information regarding the geographical breakdown data, please refer to the section "KPIs Summary".

CARING FOR OUR PEOPLE

Our diligent and capable talents build the backbone to Meilleure Health's marvellous success. The management of human capital forms an essential part of our daily operations. We endeavour to forge a healthy and safe workplace and provide professional training that not only aims to align with the company's development but is also in line with theirs. We strive to attract outstanding talents and increase their sense of belonging by presenting an all-round welfare package and diverse employee activities so that they can view Meilleure Health as their second home.

Occupational Health and Safety

The Group follows the motto of "safety first, prevention crucial" to manage occupational health and safety ("**OHS**") issues in daily operations. In the process of safety management, we identify the primary risk that threatens our OHS performance. As we principally operate in offices, safety issues such as electricity, fire accidents and violence are our primary concerns. In order to mitigate relevant risks, we formulated guidelines for handling corresponding emergencies in the employee handbook. It is the responsibility of employees to abide by the following guidelines and maintain a healthy and safe workplace.

Aspect	Guideline
Electricity Safety	• Close doors and windows, and turn off air conditioners, lights, as well as other electrical appliances before leaving the office
Fire Safety	• Do not use any form of fire without approval • Do not smoke in offices • Do not pull the power cord privately or use illegal high-power electrical appliances • Use fire extinguishers to extinguish small fires • Evacuate and report to superiors and property security for further actions if encountering a serious fire accident
Violence Safety	• Report to superiors and property security for further actions if encountering any violent incidents such as fights and robberies

In case of any accident, we would assist the injured employee to get first aid or medical treatment in a timely manner. Relevant personnel would be assigned to keep in touch with the injured employee in order to obtain wellness status. We have collected the emergency contact of all employees and created an emergency contact list to ensure prompt updates to their contact persons.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We actively organise OHS training and drills for employees to raise their safety awareness and enhance relevant knowledge. During the Reporting Period, safety training regarding first aid in the workplace was provided to enhance their skill set. We also conducted a fire drill to inform employees of the appropriate response to different types of fire accidents.

First Aid Training

Fire Drill

The Group did not record any fatality or injury cases in each of the past three years, including this Reporting Period.

Professional Development and Training

Employee development and training are conducive to improving their performance and thereby establishing a positive and competitive corporate culture. In order to enrich their skills and promote their potential capabilities, the Group adopts a customised training policy based on the business trend and operational needs.

During the Reporting Period, we formulated a new training system in the Healthcare-related Business, with an aim to cultivate medical experts with professionalism. Reviewed and issued by the Human Resource Department on 1 October 2021, the Training and Growth Programme for Medical Personnel (醫護培訓成長計劃) ("**Programme**") provides a comprehensive curriculum for our employees in clinics. This Programme encompasses induction training and on-the-job training. During their probation period, newly recruited doctors and nurses must attend professional exams related to operational standards and procedures in healthcare services. Only those who pass the exams could enrol in the next stage of induction training - clinical teaching, which is provided by senior employees from our Medical Department. For on-the-job training, we include various types of training, such as internal and external speeches, medical analysis meetings, medical certificate courses as well as scenario exercises. All the training results are recorded in a timely manner for consistent monitoring and future improvements.

At our operational headquarter office, we actively promote the importance of anti-corruption and, therefore, organised an online webinar regarding anti-corruption practices for our Board, management and general employees during the Reporting Period. The webinar detailed the roles and principles of an exemplary Board, examples of commercial crimes as well as the 4As Model (i.e. Awareness, Assessment, Action, Assistant) in corporate governance. Through this webinar, our employees have gained a clearer understanding of commercial crimes, and our Board and management have deepened their understanding of ethical and governance roles.

Employee Engagement and Satisfaction

The Group treasures its employees and is committed to engaging with them in a fair and sincere attitude. We reward and satisfy employees by providing attractive benefit and welfare packages and organising diverse employee activities to brighten their days at Meilleure Health.

Our recruitment and evaluation system adheres to the principle of fairness and incorporates the Group's values. We recruit and promote based on criteria such as qualifications, experience, professional knowledge, contributions as well as work attitude and ethics. Our employee handbook also elaborates the basic etiquette regarding employees' daily behaviours, including anti-defamation and anti-discrimination, among others.

In terms of benefit and welfare, we prepare an attractive and reasonable remuneration package for all employees, which includes basic salary, position salary, performance bonus, commission, seniority salary and overtime salary. To ensure fair remuneration among our employees, we thoroughly consider the latest market conditions and relevant government regulations and adopt the principle of "salary by post" (以崗定薪), which is based on operating conditions and employee positions. For employees who pass the probation period, their salary will be adjusted accordingly. At the end of each year, we also conduct a salary adjustment based on employees' annual performance.

The Group encourages work-life balance, as it is crucial to rejuvenating employees. Apart from various leaves, including but not limited to holiday leaves, annual leaves, marriage leaves and maternity leaves, we actively organise diverse employee activities. During the Reporting Period, we hosted a celebration for the 8th anniversary of listing in the Stock Exchange. Food and beverages, as well as team-building games, were provided in the celebration. We also organised several entertainments in Switzerland such as sharing trips and Christmas parties, with an aim to present local cultures to our employees.

Celebration for the 8th Anniversary

Sharing Trip in Switzerland

Christmas Party in Switzerland

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GREENING OUR ENVIRONMENT

Apart from conveying health concepts to our clients, community and society, Meilleure Health actively maintains the health of the environment by emphasising low-carbon operations. In addition to strictly abiding by applicable laws and regulations related to office operations, we firmly adhere to environmental-friendly initiatives, set out emissions mitigation targets, and identify emerging environmental risks such as climate-related risks. Under such all-round practices, we were not aware of any material non-compliance with relevant laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

Environmental-friendly Initiative and Target

The Group is not directly involved in any energy-, resource- or carbon-intensive business, and its most significant impact on the environment and resources is energy consumption and waste generation in offices. Nevertheless, we continued to adhere to the established environmental-friendly initiatives[2]:

Aspect	Initiative
Lighting	• Assign personnel to turn off lights when not in use or after office hours • Maintain all lightings and lux level of around 300 to 500 lux • Use only LED, T5 or compact fluorescent lamp with energy labels
Air-conditioning	• Assign personnel to turn off air-conditioning when not in use or after office hours • Use air-conditioning zoning • Set general air temperature to above 25°C
Water Savings	• Clean water dispensers on a regular basis
Domestic Waste Reduction	• Avoid using disposable umbrella bags by providing umbrella stands or racks • Provide visitors with reusable glass cups, containers and utensils • Encourage employees to preserve food properly • Designate areas to collect office wastes and recyclables
Paper Consumption	• Adopt an online administrative system • Digitise internal company publications • Encourage employees to print only when necessary • Designate areas to collect single-sided paper

[2] During the Reporting Period, the Group's office in Australia adhered to the work from home policy due to COVID-19, and this initiative was not applicable. Furthermore, the aspects of air-conditioning and water savings are not applicable for the Group's office in Switzerland, as it did not possess any air conditioner or water dispenser.

In order to further mitigate our environmental footprint, we engaged a professional sustainability consultancy to analyse the Group's past environmental data and formulate a set of prospective qualitative and quantitative environmental targets, as shown below:

Non-hazardous Waste Generation

- By 2022, reduce the hazardous waste intensity (by the clinics' revenue) in clinics in Shenzhen and Nanjing, the PRC to 6.00 kg/HK$ 'million or below
- By 2022, establish general waste (domestic waste) data and office paper consumption recording systems in all business segments

Energy Consumption

- By 2022, at least 50% of newly purchased office appliances in all business segments should carry energy-saving labels

The above targets were reviewed and approved by the Board and management. Serving as annual checkpoints on our environmental performance, the status of accomplishment for each target shall be disclosed at each Reporting Period and further adjusted if necessary.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental Impact

By reviewing the Group's operations in its six business segments, we identified our sources of environmental impact during the Reporting Period.

Source	Description
Greenhouse Gas Emissions	The Group's greenhouse gas ("**GHG**") emissions include indirect emissions from purchased electricity and business air travel, which are further indicated as Scope 2 and Scope 3 emissions, respectively.
Hazardous Waste	The Group's hazardous waste mainly consists of medical waste produced by clinics.
Non-Hazardous Waste	The Group's non-hazardous waste largely stems from domestic waste and paper, which are generated during our daily office operations.
Electricity Consumption	The Group purchases electricity from local utilities and uses it to support daily operations in offices.
Water Consumption	The Group purchases water from local utilities and uses it to support daily operations in offices. It did not encounter any issues in sourcing water during the Reporting Period.
Packaging Materials	The Group uses packaging materials, including aluminium foil, cloth and paper for its Core Business.

We adhere to the aforementioned environmental-friendly initiatives to mitigate the impact of GHG and non-hazardous waste and achieve smart consumption of electricity and water. For hazardous waste, we train and instruct relevant personnel to classify medical waste, which is further deposited in bags and containers with warning symbols indicating its hazardous nature. A licensed waste disposal agency is commissioned to collect the waste on a regular basis.

Regarding the packaging materials, we strictly stipulate guidelines to avoid any overuse of materials. For example, the size of packaging boxes should appropriately match the product size. Prior to product shipment, the size of packaged products is measured, and corresponding transport cartons would be used for delivery. Meanwhile, we strengthen the versatility of packaging materials between different products and realise the responsible use of materials.

Climate Change

Nowadays, organisations are increasingly affected by risks associated with climate change. The uncertainty regarding the timing and magnitude presents the most significant challenge for individual organisations in understanding the potential effects of climate change on their businesses strategies and financial performance. In order to appropriately incorporate the potential effects in their planning processes, organisations must proactively consider how their climate-related risks may evolve and the potential implications under different scenarios.

Assisted by a professional sustainability consultancy, the Group assessed climate-related risks from two perspectives - severity and frequency. With reference to the TCFD recommendations and using a climate risk heat map, we identified a list of material short- and mid-term risks.

Material Physical Risks

Acute	• Typhoons • Extreme precipitation • Earthquakes

Material Transition Risks

Policy and Regulation	• Enhanced emissions-reporting obligations • Exposure to litigation • Increased pricing of GHG emissions
Market	• Increased cost of raw materials

Since the Group's operating areas cover the offshore and coastal areas of southeastern PRC, the Kanto region of Japan, southeastern Australia, and Central Europe, the acute physical risks, including extreme precipitation, typhoons and earthquakes, are expected to happen in most areas where the Group operates. Based on historical data, the impact of such risks is relatively significant and is mainly reflected in the damage to property and personal safety, as well as the disturbance on daily operations.

The Group's Core Business aligns with low-carbon operation concepts, and thereby the transition risk in technology and reputation is relatively low. The primary transition risk is deemed as policy and regulation, as well as market. As the Group is a listed company under the Stock Exchange, tightening policies and regulations related to climate-related information disclosure may increase compliance costs of the Group. At its traditional business side, such as trading of construction materials, the increase in costs of raw materials due to the energy- and carbon-intensive business nature of the iron and steel industry may further increase supply chain costs of the Group in the near future.

We are currently developing strategies to mitigate the impacts of the above risks. Potential solutions such as formulation of special working arrangements under extreme weather conditions, engagement with external consultancies and optimisation of supply chain structure may be incorporated into our risk management process. We shall disclose the confirmed strategies in the near future.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INVESTING IN OUR SOCIETY

Promoting the health concepts among communities, sectors and society is the primary approach for Meilleure Health to fulfil its ultimate ESG vision - "Building a Healthy Future". To this end, we contribute valuable resources, including funding, expertise and industrial networks. By launching funds, organising academic seminars, and partnering with industry peers, we aim to improve industry standards and foster a healthy life for all mankind.

The Group hopes to promote the development and innovation of the industrial hemp business in the PRC. In February 2021, we launched a venture capital fund with our business partner - 36Kr Holdings Inc. Receiving RMB 100 million at its series A investment phase; this fund aims to finance those small and medium enterprises involved in the industrial hemp business in the PRC.

In June 2021, the Group assisted in hosting the 2nd Application Forum & Innovative Exhibition of China Hemp Industry 2021 (HIAF 2021第二屆漢麻產業應用論壇暨創新展) in Shanghai, the PRC. More than 30 industry experts were invited to share their insights and opinions related to the medical application, exportation policies and marketing strategies of industrial hemp. We aim to construct a platform to facilitate industry collaborations, gather industry news for interested investors, and emphasise the positive functions of industrial hemp among the public.

In July 2021, the Group cooperated with the Shenzhen Women's Chamber of Commerce (深圳市女企業家商會), and hosted a salon with the theme "The Development of Healthcare Industry". We invited more than 20 outstanding female entrepreneurs to share their experiences and exchange their ideas related to the healthcare industry. Popular topics such as medical requirements, cosmetics application and cell technology were mentioned. We hope to bring more disruptive innovation into the health industry and promote industry development.

"The Development of Healthcare Industry" Salon

Along with the Shenzhen Health Industry Development and Promotion Association (深圳市健康產業發展促進會) and other organisations, the Group hosted the First Functional Medicine Training Class in Shenzhen (深圳地區首屆功能醫學培訓課堂) in September 2021. Lasting for three days and attracting more than 140 medicine practitioners across the PRC, this class provided in-depth discussions that focused on the development status, theoretical basis and intervention of functional medicine. We aim to provide a platform to exchange and share experience in functional medicine and thereby improve the overall quality of practitioners in the international high-end healthcare industry.

The First Functional Medicine Training Class in Shenzhen

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

LAWS AND REGULATIONS

During the Reporting Period, the Group has rigorously adhered to the following laws and regulations and did not record any material non-compliance cases. Laws and regulations with a significant impact on the Group's operation are further disclosed in the respective sections.

Geographical Region	Laws and Regulations
Upholding Our Ethics	
The PRC	• Bidding Law of the People's Republic of China • Anti-unfair Competition Law of the People's Republic of China • Interim Provisions on Banning Commercial Bribery • Anti-monopoly Law of the People's Republic of China • the Special Rectification Work Plan for Combating Illegal Medical Beauty Services • the Medical Beauty Advertising Law Enforcement Guide • the Notice of Public Consultation on Revision of Prohibited Components in Cosmetics
Hong Kong	• Personal Data (Privacy) Ordinance (Cap. 486)
Japan	N/A
Australia	• Privacy Act 1988 • Freedom of Information Act 1982 • Competition and Consumer Act 2010
Switzerland	• Data Protection Act • Ordinance against Excessive Compensation

Geographical Region	Laws and Regulations
Improving Our Operation	
The PRC	• Work Safety Law of the People's Republic of China • Regulatory Measures on the Sale of Commercial Houses • Administrative Measures for Real Estate Brokerage • Advertising Law of the People's Republic of China • Urban Real Estate Administration Law of the People's Republic of China • Contract Law of the People's Republic of China • Administrative Ordinance on Development and Management of Urban Real Estate
Hong Kong	N/A
Japan	• Act on Pharmaceuticals and Medical Device of Japan
Australia	• Independent Contractors Act 2006 • Real Property Act 1900 (NSW)
Switzerland	• Ordinance on Good Laboratory Practice • Medical Devices Ordinance • Therapeutic Products Act

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Geographical Region	Laws and Regulations
Caring for Our People	
The PRC	• Labour Law of the People's Republic of China • Labour Contract Law of the People's Republic of China • Social Insurance Law of the People's Republic of China • Provisions on Minimum Wages • Law of the People's Republic of China on Prevention and Control of Occupational Diseases • Provisions on the Supervision and Administration of Occupational Health at Work Sites • Provisions on the Prohibition of Using Child Labour • Regulation on Labour Security Supervision
Hong Kong	• Employment Ordinance (Cap.57) • The Hong Kong Bill of Rights Ordinance (Cap. 383) • Employees' Compensation Ordinance (Cap. 282) • Occupational Safety and Health Ordinance (Cap. 509) • Minimum Wage Ordinance (Cap. 608) • Sex Discrimination Ordinance (Cap. 480) • Disability Discrimination Ordinance (Cap. 487) • Family Status Discrimination Ordinance (Cap. 527) • Race Discrimination Ordinance (Cap. 602)
Japan	• Labour Union Act(勞働組合法) • Labour Contracts Act(勞働契約法) • Labour Standards Act(勞働基準法) • Employment Insurance Act(僱用保險法) • Human Resources Development Promotion Act (人材育成促進法) • Employment Security Act(僱用保障法) • Industrial Safety and Health Act(勞働安全衛生法)
Australia	• Fair Work Act 2009 • Workplace Gender Equality Act 2012
Switzerland	• Labour Act • Code of Obligations • Participation Act • Gender Equality Act

Geographical Region	Laws and Regulations
Greening Our Environment	
The PRC	• Environmental Protection Law of the People's Republic of China • Law of the People's Republic of China on Environmental Impact Assessment • Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes • Water Pollution Prevention and Control Law of the People's Republic of China • Atmospheric Pollution Prevention and Control Law of the People's Republic of China • Integrated Wastewater Discharge Standard • Law of the People's Republic of China on the Prevention and Control of Environmental Noise Pollution
Hong Kong	• Air Pollution Control Ordinance (Cap. 311) • Waste Disposal Ordinance (Cap. 354) • Water Pollution Control Ordinance (Cap. 358) • Noise Control Ordinance (Cap. 400) • Product Eco-responsibility Ordinance (Cap. 603)
Japan	• The Basic Environment Law(基本環境法) • Environmental Impact Assessment Act(環境影響評價法) • The Noise Regulation Law(噪音規制法) • Air Pollution Control Act(大氣污染防止法) • Vibration Regulation Law(振動規制法) • The Offensive Odor Control Law(惡臭防止法) • The Water Pollution Control Law(水質污濁防止法)
Australia	• Environment Protection and Biodiversity Conservation Act 1999 • Clean Energy Act 2011 • Threatened Species Protection Act 1995 • Environment Protection Act 1993 • Environmental Planning and Assessment Act 1979
Switzerland	• Environment Protection Act • Air Pollution Control Ordinance • Ordinance on the Incentive Tax on Volatile Organic Compounds • Noise Abatement Ordinance • Sound Levels and Laser Ordinance • Machine Noise Ordinance

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

KPIS SUMMARY

Environmental KPIs	Unit	2021 Geographical Region	2021	2020
GHG Emissions[3]				
Scope 2 Emission[4]	tCO_2e-	Shenzhen, Hong Kong, Japan	41.45	63.32
Scope 3 Emission[5]	tCO_2e-	Shenzhen, Nanjing, Switzerland	9.04	3.49
Total Emission (Scope 2 and Scope 3)	tCO_2e-	Shenzhen, Nanjing, Hong Kong, Japan, Switzerland	50.50	66.81
Emission Intensity by the Group's Revenue	tCO_2e-/HK$ million	The Group	0.20	0.25
Emission Intensity by Full-time Workforce	tCO_2e-/Person	Shenzhen, Nanjing, Hong Kong, Japan, Switzerland	0.58	0.64
Hazardous Waste				
Medical Waste	Tonnes	Shenzhen, Nanjing	0.14	0.12
Medical Waste Intensity by the Group's Revenue	kg/HK$ million	The Group	0.55	0.45
Medical Waste Intensity by the Clinics' Revenue	kg/HK$ million	Shenzhen, Nanjing	10.22	7.22
Medical Waste Intensity by Full-time Workforce	kg/Person	Shenzhen, Nanjing	2.10	2.31

3 The quantification methodology references the Guidelines to Account and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purpose) in Hong Kong, published by the Electrical and Mechanical Services Department and Environmental Protection Department.

4 The emission factors used in the scope 2 calculation are based on the following external sources:

- 2019 Baseline Emission Factors for Regional Power Grids in China published by the Department of Climate Change of National Development and Reform Commission
- Sustainability Report 2020 published by the HK Electric Investments Limited
- Integrated Report 2020 – 2021 published by the Tokyo Electric Power Company Holdings, Incorporated

5 The calculation methodology used in the scope 3 calculation references the ICAO Carbon Emissions Calculator, developed by the International Civil Aviation Organisation ("**ICAO**").

Environmental KPIs	Unit	2021 Geographical Region	2021	2020
Non-hazardous Waste				
Office Paper Usage	Tonnes	Hong Kong, Japan	0.23	0.37
Office Paper Usage Intensity by the Group's Revenue	kg/HK$ million	The Group	0.91	1.38
Office Paper Usage Intensity by Full-time Workforce	kg/Person	Hong Kong, Japan	14.47	5.38
Domestic Waste	Litre	Japan	2,250.00	1,800.00
Domestic Waste Intensity by the Group's Revenue	Litre/HK$ million	The Group	8.84	6.79
Domestic Waste Intensity by Full-time Workforce	Litre/Person	Japan	1,125.00	900.00
Energy Consumption				
Electricity Usage[6]	kWh	Shenzhen, Hong Kong, Japan	55,579.00	82,008.29
Total Energy Usage	MJ	Shenzhen, Hong Kong, Japan	200,084.40	295,229.85
Energy Usage Intensity by the Group's Revenue	MJ/HK$ million	The Group	785.79	1,113.51
Energy Usage Intensity by Full-time Workforce	MJ/Person	Shenzhen, Hong Kong, Japan	1,048.66	1,206.00
Water Consumption				
Water Usage[7]	m^3	Shenzhen	145.00	347.23
Usage Intensity by the Group's Revenue	m^3/HK$ million	The Group	0.57	1.31
Usage Intensity by Full-time Workforce	m^3/Person	Shenzhen	3.92	6.68
Packaging Materials				
Aluminium Foil	Tonnes	Shenzhen	0.59	4.22
Fabric	Tonnes	Shenzhen	0.21	1.47
Paper	Tonnes	Shenzhen	12.86	11.47
Total Packaging Materials Usage	Tonnes	Shenzhen	13.65	17.20
Usage Intensity the Group's Revenue	Tonnes/HK$ million	The Group	0.05	0.06
Usage Intensity by Full-time Workforce	Tonnes/Person	Shenzhen	0.37	0.33

6 Due to the relocation of its office, the availability of monthly electricity bills of the Group's subsidiary in Shenzhen was limited to two months during the Reporting Period.

7 Due to the relocation of its office, the availability of monthly water bills of the Group's subsidiary in Shenzhen was limited to two months during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social KPIs	Unit	2021	2020
Workforce			
Total Workforce	Person	138	116
By Gender			
Male	Person	44	50
Female	Person	94	66
By Employment Type			
Full-time	Person	134	115
Part-time/Contract	Person	4	1
By Age Group			
<21	Person	1	1
21-40	Person	105	95
41-60	Person	29	18
>60	Person	3	2
By Geographical Region			
The PRC	Person	116	97
Hong Kong	Person	11	12
Japan	Person	2	2
Australia	Person	2	2
Switzerland	Person	7	3
Turnover Rate[8]			
Total Turnover Rate	%	39.37	10.08
By Gender			
Male	%	27.66	10.71
Female	%	46.25	9.59
By Age Group			
<21	%	0.00	0.00
21-40	%	39.00	9.52
41-60	%	46.81	14.29
>60	%	0.00	0.00
By Geographical Region			
The PRC	%	45.07	9.35
Hong Kong	%	16.00	0.00
Japan	%	0.00	60.00
Australia	%	0.00	0.00
Switzerland	%	0.00	0.00

8 The calculation methodology has been revised to acquire a more accurate result. The total number of employees used in 2021 is the yearly average figure.

Social KPIs	Unit	2021	2020
Occupational Health and Safety			
Fatality	Case	0	0
Work-related Injury	Case	0	0
Lost Day due to Work-related Injury	Day	0	0
Training and Development			
The Percentage of Employees Trained by Gender			
Male	%	35.42	44.83
Female	%	64.58	55.17
The Percentage of Employees Trained by Employee Category			
The Board	%	0.00	7.76
Senior Management	%	12.50	15.52
Middle Management	%	12.50	17.24
General Staff	%	75.00	59.48
The Average Training Hours Completed per Employee by Gender			
Male	Hour	4.98	99.69
Female	Hour	9.74	112.56
The Average Training Hours Completed per Employee by Employee Category			
The Board	Hour	0.00	100.00
Senior Management	Hour	5.52	104.67
Middle Management	Hour	7.13	114.20
General Staff	Hour	8.07	106.09
Supply Chain			
Number of Suppliers by Geographical Region			
The PRC	Quantity	13	20
Switzerland	Quantity	3	0
Australia	Quantity	1	0
Product and Service			
Products Recall Rate for Safety and Health Reasons	%	0.00	0.00
Products and Service related Complaints	Case	1	0
Anti-corruption			
Concluded Legal Cases regarding Corrupt Practices	Case	0	0

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG REPORTING GUIDE INDEX

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
Mandatory Disclosure Requirements		
Governance Structure		
	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 iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.	ABOUT MEILLEURE HEALTH SUSTAINABILITY AT MEILLEURE HEALTH
Reporting Principles		
	A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG Report: 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. 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 discussed. 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.	ABOUT THIS REPORT

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
Reporting Boundary		
	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.	ABOUT THIS REPORT
"Comply or explain" Provisions		
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.	GREENING OUR ENVIRONMENT – Environmental Impact LAWS AND REGULATIONS
KPI A1.1	The types of emissions and respective emissions data.	GREENING OUR ENVIRONMENT – Environmental Impact KPIS SUMMARY
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	GREENING OUR ENVIRONMENT – Environmental Impact KPIS SUMMARY
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	KPIS SUMMARY
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	KPIS SUMMARY
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	GREENING OUR ENVIRONMENT – Environmental-friendly Initiative and Target

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
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.	GREENING OUR ENVIRONMENT – Environmental-friendly Initiative and Target – Environmental Impact
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	GREENING OUR ENVIRONMENT – Environmental-friendly Initiative and Target – Environmental Impact
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	KPIS SUMMARY
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	KPIS SUMMARY
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	GREENING OUR ENVIRONMENT – Environmental-friendly Initiative and Target
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.	GREENING OUR ENVIRONMENT – Environmental Impact As our water usage is relatively low and it is considered to be less material to our operations, we did not further set any water efficiency targets.
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	KPIS SUMMARY
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	GREENING OUR ENVIRONMENT – Environmental Impact
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	GREENING OUR ENVIRONMENT – Environmental Impact
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.	GREENING OUR ENVIRONMENT – Climate Change

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
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.	GREENING OUR ENVIRONMENT – Climate Change
B. Social		
Employment and Labour Practices		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	CARING FOR OUR PEOPLE – Employee Engagement and Satisfaction LAWS AND REGULATIONS
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	KPIS SUMMARY
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	KPIS SUMMARY
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.	CARING FOR OUR PEOPLE – Occupational Health and Safety LAWS AND REGULATIONS
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	CARING FOR OUR PEOPLE – Occupational Health and Safety KPIS SUMMARY

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
KPI B2.2	Lost days due to work injury.	KPIS SUMMARY
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	CARING FOR OUR PEOPLE – Occupational Health and Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	CARING FOR OUR PEOPLE – Professional Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	KPIS SUMMARY
KPI B3.2	The average training hours completed per employee by gender and employee category.	KPIS SUMMARY
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.	UPHOLDING OUR ETHICS – Labour Standards LAWS AND REGULATIONS

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	UPHOLDING OUR ETHICS – Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	UPHOLDING OUR ETHICS – Labour Standards
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	IMPROVING OUR OPERATION – Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	KPIS SUMMARY
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	IMPROVING OUR OPERATION – 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.	IMPROVING OUR OPERATION – Supply Chain Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	IMPROVING OUR OPERATION – Supply Chain Management
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	UPHOLDING OUR ETHICS – Personal Information and Data Privacy – Intellectual Property Rights – Responsible Marketing IMPROVING OUR OPERATION – Service Quality and Customer Satisfaction – Product Health and Safety – Technological Research and Development LAWS AND REGULATIONS
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	IMPROVING OUR OPERATION – Product Health and Safety KPIS SUMMARY
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	KPIS SUMMARY
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	UPHOLDING OUR ETHICS – Intellectual Property Rights

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
KPI B6.4	Description of quality assurance process and recall procedures.	IMPROVING OUR OPERATION – Product Health and Safety – Technological Research and Development
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	UPHOLDING OUR ETHICS – Personal Information and Data Privacy
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.	UPHOLDING OUR ETHICS – Anti-corruption LAWS AND REGULATIONS
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.	KPIS SUMMARY
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	UPHOLDING OUR ETHICS – Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	CARING FOR OUR PEOPLE – Professional Development and Training
Community		
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	INVESTING IN OUR SOCIETY
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	INVESTING IN OUR SOCIETY
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	INVESTING IN OUR SOCIETY

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Zhou Xuzhou, aged 66, was appointed as an Executive Director on 30 August 2013, was appointed as a chairman of the Board on 23 September 2013 and was re-designated to a Co-Chairman on 20 June 2019. He is the chairman of the Nomination Committee and a member of the Strategic Committee.

Mr. Zhou obtained a master's degree from Wuhan University in 1985. Mr. Zhou is primarily responsible for leading the strategic planning and financial planning of the Group. Mr. Zhou is the father of Ms. Zhou Wen Chuan.

Dr. Zeng Wentao, aged 58, was appointed as an Independent Non-Executive Director on 18 October 2017, was re-designated as an Executive Director on 27 May 2019 and was appointed as a Co-Chairman on 20 June 2019. He is a member of the Remuneration Committee and the Strategic Committee.

Dr. Zeng graduated from Wuhan University with a doctoral degree in Economics. Dr. Zeng founded Hainan Sanyou Real Estate Company Limited (海南三友房地產有限公司) in Hainan in 1990 and acted as its general manager. In 1995, he founded Wuhan Yinhai Property Company Limited (武漢銀海置業有限公司), which was principally engaged in real estate development and technology investment, and acted as its chief executive officer. He has been the chief executive officer of Zhongjia Capital (Wuhan) Investment Management Company Limited (中珈資本(武漢)投資管理有限公司) since March 2017. He is a part-time professor of Zhongnan University of Economics and Law, a member of Zhongnan University of Economics and Law Educational Development Fund and a standing council member of Dong Fureng Foundation (董輔礽基金會). He was the vice-chairman of the 12th and 13th Federation of Industry and Commerce of Wuhan City (武漢市工商聯) and a member of the 11th and 12th People's Consultative Conference of Wuhan City. Dr. Zeng has been a Counselor of the Healthcare Industry Union of Wuhan University Alumni Entrepreneur Association (武漢大學校友企業家聯誼會健康產業聯盟), an organisation dedicated to the promotion of co-operations in the healthcare industry among entrepreneurs who are alumni of Wuhan University, since July 2017. By taking this position, Dr. Zeng has gained an understanding of the healthcare business and has built good relationships with certain entrepreneurs and market players in the healthcare industry. In 2018, Dr. Zeng was appointed as a researcher in health economics of Dong Fureng Economic & Social Development School of Wuhan University, which demonstrated the recognition of Dr. Zeng's knowledge in health economics by the said organisation and has enabled Dr. Zeng to use his managerial experience to contribute to the research work in the health economics area.

Ms. Zhou Wen Chuan, aged 38, was appointed as an Executive Director on 30 August 2013 and the Chief Executive Officer on 23 September 2013.

Ms. Zhou obtained a master's degree in Business Administration from the Chinese University of Hong Kong in 2011, a master's degree in Science and a dual bachelor's degree in Food Nutrition and Health from the University of British Columbia in 2008 and 2007, respectively. Ms. Zhou is currently a PhD student. Ms. Zhou is the daughter of Mr. Zhou Xuzhou.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Dr. Mao Zhenhua, aged 58, was appointed as a Non-Executive Director on 5 October 2015. He is a chairman of the Strategic Committee and a member of the Audit Committee.

Dr. Mao is currently the chairman of China Chengxin Credit Management Co., Ltd. ("**China Chengxin**"), professor of the Renmin University of China, chairman of the Institute of Economic Research of the Renmin University of China, professor of Wuhan University and Dean of Dong Fureng Economic & Social Development School of Wuhan University. Dr. Mao graduated from Wuhan University with a doctoral degree in Economics. Dr. Mao had carried out economic analysis and policies research for the Hubei Provincial Government, Hainan Provincial Government and Research Office of the State Council.

Dr. Mao founded China Chengxin in 1992. Since then, he acted as its general manager, chairman as well as general manager, chief executive officer, and chairman. He was the major shareholder and controller of China Cheng Xin International Credit Rating Co., Ltd. Under the leadership of Dr. Mao, China Chengxin has become a company specialising in credit services and a comprehensive enterprise group principally engaging in the business of investing in finance, real estate and industries.

Dr. Mao is currently an independent non-executive director of China Infrastructure & Logistics Group Ltd. (a company listed on the Stock Exchange, stock code: 1719), China Bohai Bank Co., Ltd. (a company listed on the Stock Exchange, stock code: 9668), Airstar Bank Limited and Gravitation Fintech HK Limited. He has been a professor of Business School at the University of Hong Kong since 2022.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Gao Guanjiang, aged 69, was appointed as an Independent Non-Executive Director on 30 August 2013. He is the chairman of the Remuneration Committee and a member of the Audit Committee.

Mr. Gao graduated from Wuhan University with a PhD in Economics. Mr. Gao has over 24 years of experience in commercial banking, investment banking, business administration and securities and finance.

Professor Chau Chi Wai, **Wilton**, aged 60, was appointed as an Independent Non-Executive Director on 30 August 2013. He is the chairman of the Audit Committee, a member of the Remuneration Committee and a member of the Nomination Committee.

Professor Chau obtained a doctoral degree in business administration, a master's degree in business administration, a bachelor's degree in laws and a bachelor's degree in science. He is a fellow member of the Chartered Association of Certified Accountants (UK). Professor Chau is currently the chairman of Pan Asia Venture Development Platform and a vice-chairman of Hong Kong Biotechnology Organisation. He is also a professor of Practice in Entrepreneurship at the Chinese University of Hong Kong and an adjunct professor of Shenzhen Finance Institute. Professor Chau is currently an independent non-executive director of Digital Hollywood Interactive Limited (a company listed on the Stock Exchange, stock code: 2022). Professor Chau has over 30 years of experience in direct investment and venture capital.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Wu Peng, aged 39, was appointed as an Independent Non-Executive Director on 27 May 2019. He is a member of the Nomination Committee.

Mr. Wu graduated from Tsinghua University with a bachelor's degree in information systems in July 2004 and a doctoral degree (with supply chain management as a key research area) in January 2010. From September 2005 to January 2010, Mr. Wu worked as a research assistant in the Humanities Key Research Base of the Ministry of Education (教育部人文社科重點研究基地) of the PRC and the Research Centre for Contemporary Management Tsinghua University (清華大學現代管理研究中心), where he participated in the study of pharmaceutical products supply chain management strategies. In this position, Mr. Wu conducted investigations and research on the production and operation process of a number of large-sized pharmaceutical companies in the PRC and gained a good understanding of their supply chain management. From March 2010 to November 2012, Mr. Wu was a lecturer at the school of Business Administration of South China University of Technology and was mainly involved in teaching and researching green supply chain management. During this period, from November 2010 to April 2012, Mr. Wu was also a postdoctoral researcher at The Martin Centre for Architectural and Urban Studies of the University of Cambridge, where he was engaged in low-carbon supply chain and low-carbon urban planning and design research work. Since December 2012, Mr. Wu has been teaching green supply chain management and engaging in the research work in this area in the Business School of Sichuan University, first as an associate professor from December 2012 to September 2017 and subsequently as a professor since September 2017. During a five-year period from 2012 to 2017, Mr. Wu was involved in an industrial chain optimisation consulting project, through which he further gained experience in the supply chain management research area. Mr. Wu has been a Counselor of the Society of Management Science and Engineering of China (中國管理科學與工程學會理事) since October 2018. Mr. Wu is currently an independent director of LightInTheBox Holding Co., Ltd. (a company listed on the New York Stock Exchange, stock code: LITB).

SENIOR MANAGEMENT

Mr. Li Shu Pai, aged 45, was appointed as the Chief Financial Officer and the Company Secretary on 30 July 2019. He has over 19 years of experience in auditing, corporate finance and financial management. Mr. Li had been the chief financial officer and company secretary of Perfectech International Holdings Limited (a company listed on the Stock Exchange, stock code: 765). Also, Mr. Li had been a chief financial officer and joint company secretary of Chutian Dragon Corporation Limited. Before that, Mr. Li served as a chief financial officer in R2Game Co., Limited and earlier the deputy chief financial officer in Beijing Tong Ren Tang Chinese Medicine Company Limited (a company listed on the Stock Exchange, stock code: 3613). In addition, Mr. Li had worked for an international audit firm and various investment banks.

Mr. Li graduated from the City University of Hong Kong with a bachelor's degree in business administration and obtained his executive master's degree in business and administration from the Hong Kong University of Science and Technology. He is a fellow member of the HKICPA and a fellow member of the Association of Chartered Certified Accountants.

INDEPENDENT AUDITOR'S REPORT

中汇 ZHONGHUI

TO THE SHAREHOLDERS OF
MEILLEURE HEALTH INTERNATIONAL INDUSTRY GROUP LIMITED
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Meilleure Health International Industry Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 104 to 212, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of 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 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional 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.

Valuation of investment properties

Refer to Note 20 to the consolidated financial statements.

The Group measured its investment properties at fair value with the changes in fair value recognised in the consolidated profit or loss. This fair value measurement is significant to our audit because the balance of investment properties of HK$593,647,000 as at 31 December 2021 and the fair value gains of HK$15,190,000 for the year then ended are material to the consolidated financial statements. In addition, the Group's fair value measurement involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

- Assessing the competence, independence and integrity of the external valuer engaged by the client;
- Obtaining the external valuation reports and meeting with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model;
- Checking key assumptions and input data in the valuation model to supporting evidence;
- Checking arithmetical accuracy of the valuation model; and
- Assessing the disclosure of the fair value measurement in the consolidated financial statements.

We consider that the Group's fair value measurement of the investment properties is supported by the available evidence.

Impairment of properties held for sale under development

Refer to Note 29 to the consolidated financial statements.

The Group tested the amount of properties held for sale under development for impairment. This impairment test is significant to our audit because the balance of properties held for sale under development of HK$259,064,000 as at 31 December 2021 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

- Evaluating the Group's impairment assessment;
- Assessing the financial information of the properties held for sale under development;
- Obtaining the impairment assessment worksheet and meeting with the management of the Group to discuss and challenge the assessment process, methodologies used, and market evidence to support significant judgments and assumptions applied in the assessment;
- Obtaining and checking evidence to support the Group's impairment assessment;
- Checking key assumptions and input data in the assessment to supporting evidence; and
- Checking arithmetical accuracy of the assessment.

We consider that the Group's impairment test for properties held for sale under development is supported by the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all the information in the Company's annual 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 will not express any form of assurance conclusion thereon.

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors 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 disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company 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 Group or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:

http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Sze Lin Tang
Audit Engagement Director
Practising Certificate Number P03614

Hong Kong, 25 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	8	**253,031**	265,135
Cost of goods sold and service rendered		**(152,102)**	(153,884)
Gross profit		**100,929**	111,251
Fair value gains/(losses) on investment properties	20	**15,190**	(16,869)
Gain on partial disposal of investment in an associate	24	**–**	31,713
Gain on partial disposals of investment in a joint venture	25	**1,508**	–
Gain on disposals of subsidiaries	46(a), 46(b)	**–**	14,072
Gain on deemed disposal of investment in an associate	24	**343**	–
Gain on deemed disposals of investment in a joint venture	25	**12,993**	–
Other income and gains, net	9	**21,869**	32,255
Selling and distribution expenses		**(5,268)**	(8,717)
Administrative expenses		**(37,394)**	(41,691)
Impairment losses of receivables, net		**(5,013)**	(544)
Finance costs	10	**(8,385)**	(13,682)
Share of losses of associates		**(4,372)**	(4,316)
Share of profits and losses of joint ventures		**(6,696)**	115
Profit before tax		**85,704**	103,587
Income tax expense	11	**(25,248)**	(18,521)
Profit for the year	12	**60,456**	85,066
Attributable to:			
Owners of the Company		**60,323**	83,439
Non-controlling interests		**133**	1,627
		60,456	85,066
Earnings per share	17		
Basic		**HK1.42 cents**	HK1.95 cents
Diluted		**HK1.41 cents**	HK1.95 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Profit for the year	12	**60,456**	85,066
Other comprehensive income/(loss):			
Item that will not be reclassified to profit or loss:			
Fair value changes of equity investments at FVTOCI		**(8,671)**	(8,562)
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**13,691**	63,411
Share of other comprehensive loss of an associate		**(3)**	–
Exchange differences reclassified to profit or loss on disposal of subsidiaries	46(a)	**–**	(967)
		13,688	62,444
Other comprehensive income for the year, net of tax		**5,017**	53,882
Total comprehensive income for the year		**65,473**	138,948
Attributable to:			
Owners of the Company		**65,211**	137,899
Non-controlling interests		**262**	1,049
		65,473	138,948

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment	18	**3,325**	1,688
Right-of-use assets	19	**2,353**	5,118
Investment properties	20	**593,647**	559,685
Goodwill	21	**18,500**	18,500
Other intangible assets	22	**67**	59
Investments in associates	24	**52,219**	47,327
Investments in joint ventures	25	**73,044**	69,164
Investments at FVTPL	32	**81,688**	–
Equity investments at FVTOCI	26	**–**	28,572
Derivative financial assets	27	**225**	243
Prepayments, deposits and other receivables	31	**22,881**	–
Deferred tax assets	40	**13,377**	12,325
		861,326	742,681
Current assets			
Inventories	28	**11,424**	16,163
Properties held for sale under development	29	**259,064**	245,344
Trade receivables	30	**91,580**	63,174
Prepayments, deposits and other receivables	31	**126,553**	348,432
Investments at FVTPL	32	**107,795**	47,813
Current tax assets		**314**	–
Restricted deposit	33	**369**	–
Bank and cash balances	33	**272,591**	233,467
		869,690	954,393
Investment properties held for sale	20	**5,978**	5,786
		875,668	960,179
Current liabilities			
Trade payables	34	**87**	1,680
Contract liabilities	35	**4,303**	15,814
Accruals and other payables	36	**24,507**	31,929
Amounts due to related parties	37	**7,530**	7,456
Bank borrowings	38	**58,337**	30,575
Lease liabilities	39	**672**	2,474
Derivative financial liabilities	27	**3**	–
Current tax liabilities		**15,421**	18,969
		110,860	108,897
Net current assets		**764,808**	851,282
Total assets less current liabilities		**1,626,134**	1,593,963

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current liabilities			
Accruals and other payables	36	**6,379**	5,938
Bank borrowings	38	**110,362**	120,250
Lease liabilities	39	**1,048**	1,538
Deferred tax liabilities	40	**77,700**	62,974
		195,489	190,700
NET ASSETS		**1,430,645**	1,403,263
Capital and reserves			
Share capital	41	**42,141**	42,718
Treasury shares	42	**(15,209)**	–
Reserves	44(a)	**1,401,110**	1,358,204
Equity attributable to owners of the Company		**1,428,042**	1,400,922
Non-controlling interests		**2,603**	2,341
TOTAL EQUITY		**1,430,645**	1,403,263

The consolidated financial statements on pages 104 to 212 were approved and authorised for issue by the Board on 25 March 2022 and are signed on its behalf by:

Zhou Xuzhou
Director

Zhou Wen Chuan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to owners of the Company													
	Share capital *HK$'000*	Treasury shares *HK$'000*	Share premium account *HK$'000*	Contributed surplus account *HK$'000*	Share-based payment reserve *HK$'000*	Statutory surplus reserve *HK$'000*	Equity investment revaluation reserve *HK$'000*	Property revaluation reserve *HK$'000*	Other reserve *HK$'000*	Foreign currency translation reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 January 2020	42,718	–	648,489	409,712	–	18,441	1,141	22,353	–	(31,988)	148,739	1,259,605	6,055	1,265,660
Total comprehensive income for the year	–	–	–	–	–	–	(8,562)	–	–	63,022	83,439	137,899	1,049	138,948
Recognition of equity-settled share-based payments	–	–	–	–	4,279	–	–	–	–	–	–	4,279	–	4,279
Purchase of non-controlling interests *(notes 46(a) and 46(c))*	–	–	–	–	–	–	–	–	–	–	(861)	(861)	(2,464)	(3,325)
Disposal of subsidiaries *(note 46(a))*	–	–	–	–	–	–	–	–	–	–	–	–	(2,299)	(2,299)
Transfer from retained profits	–	–	–	–	–	6,227	–	–	–	–	(6,227)	–	–	–
Transfer from property revaluation reserve upon the disposal of an investment property through disposal of a subsidiary	–	–	–	–	–	–	–	(22,353)	–	–	22,353	–	–	–
Changes in equity for the year	–	–	–	–	4,279	6,227	(8,562)	(22,353)	–	63,022	98,704	141,317	(3,714)	137,603
At 31 December 2020	42,718	–	648,489	409,712	4,279	24,668	(7,421)	–	–	31,034	247,443	1,400,922	2,341	1,403,263
At 1 January 2021	**42,718**	**-**	**648,489**	**409,712**	**4,279**	**24,668**	**(7,421)**	**-**	**-**	**31,034**	**247,443**	**1,400,922**	**2,341**	**1,403,263**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(8,671)**	**-**	**-**	**13,559**	**60,323**	**65,211**	**262**	**65,473**
Recognition of equity-settled share-based payments	**-**	**-**	**-**	**-**	**2,031**	**-**	**-**	**-**	**-**	**-**	**-**	**2,031**	**-**	**2,031**
Share of reserve of an associate	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**556**	**-**	**-**	**556**	**-**	**556**
Repurchase of shares *(note 42(a))*	**-**	**(40,678)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(40,678)**	**-**	**(40,678)**
Cancellation of shares *(notes 41 and 42(a))*	**(577)**	**25,469**	**(24,892)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Release of equity investment revaluation reserve upon disposal and deemed disposal of equity investments at FVTOCI *(note 26)*	**-**	**-**	**-**	**-**	**-**	**-**	**16,092**	**-**	**-**	**-**	**(16,092)**	**-**	**-**	**-**
Changes in equity for the year	**(577)**	**(15,209)**	**(24,892)**	**-**	**2,031**	**-**	**7,421**	**-**	**556**	**13,559**	**44,231**	**27,120**	**262**	**27,382**
At 31 December 2021	**42,141**	**(15,209)**	**623,597**	**409,712**	**6,310**	**24,668**	**-**	**-**	**556**	**44,593**	**291,674**	**1,428,042**	**2,603**	**1,430,645**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**85,704**	103,587
Adjustments for:			
Finance costs	10	**8,385**	13,682
Share of losses of associates		**4,372**	4,316
Share of profits and losses of joint ventures		**6,696**	(115)
Interest income	9	**(12,449)**	(8,237)
Dividend income from investments at FVTPL	9	**(1,086)**	–
Dividend income from equity investments at FVTOCI	9	**–**	(346)
Gain on partial disposal of investment in an associate	24	**–**	(31,713)
Gain on partial disposals of investment in a joint venture	25	**(1,508)**	–
Gain on disposals of subsidiaries	46(a), 46(b)	**–**	(14,072)
Gain on deemed disposal of investment in an associate	24	**(343)**	–
Gain on deemed disposals of investment in a joint venture	25	**(12,993)**	–
Depreciation of property, plant and equipment	18	**1,040**	782
Depreciation of right-of-use assets	19	**2,506**	6,871
Amortisation of other intangible assets	22	**30**	256
Equity-settled share-based payments		**2,031**	4,279
Fair value (gains)/losses on investment properties	20	**(15,190)**	16,869
Fair value (gains)/losses on derivative financial instruments	9	**(184)**	271
Fair value gains on investments at FVTPL	9	**(16,892)**	(14,713)
Loss on non-substantial modification of other receivables	9	**676**	–
Impairment losses of trade receivables, net	30	**919**	173
Impairment losses of other receivables	31	**4,094**	371
COVID-19-related rent concessions	19	**(21)**	(311)
Gain on lease termination	9	**(193)**	–
Loss on written off of property, plant and equipment	9	**10**	–
Net foreign exchange losses/(gains)		**3,751**	(1,992)
Operating profit before working capital changes		**59,355**	79,958
Decrease/(increase) in inventories		**5,126**	(7,425)
Increase in properties held for sale under development		**(23,536)**	(8,989)
(Increase)/decrease in trade receivables, prepayments, deposits and other receivables		**(93,647)**	11,136
(Decrease)/increase in trade payables, contract liabilities, accruals and other payables		**(11,664)**	6,827
Decrease in amounts due to related parties		**(67)**	(200)
Cash (used in)/generated from operations		**(64,433)**	81,307
Income taxes paid		**(18,837)**	(10,502)
Net cash (used in)/generated from operating activities		**(83,270)**	70,805

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Deferred considerations received in respect of disposals of subsidiaries in the prior years		**58,840**	–
Disposals of subsidiaries, net of cash disposed	*46(a), 46(b)*	**–**	13,998
Capital injected to a joint venture		**(3,259)**	–
Capital injected to an associate		**–**	(11,132)
Deferred considerations received in respect of partial disposal of investment in an associate in prior years		**4,224**	–
Proceeds from partial disposal of investment in an associate		**–**	17,723
Proceeds from partial disposal of investment in a joint venture		**3,621**	–
Advances of loans to third parties		**(146,554)**	(92,164)
Repayment of loans from third parties		**146,554**	92,164
Interest received		**12,405**	9,487
Dividend received from an associate		**–**	28,301
Dividend received from equity investments at FVTOCI		**–**	346
Dividend received from investments at FVTPL		**1,086**	–
Purchases of property, plant and equipment		**(2,609)**	(365)
Deposits paid for acquisition of property, plant and equipment		**(3,872)**	–
Purchases of intangible assets		**(35)**	(52)
Deposits received for disposal of equity investments at FVTOCI		**–**	9,239
Purchases of equity investments at FVTOCI		**–**	(1,613)
Purchase of investments at FVTPL (non-current)		**(63,248)**	–
Consideration received in respect of redemption of unlisted fund investment in prior years		**212,011**	–
(Increase)/decrease in current portion of investments at FVTPL		**(57,449)**	42,206
Increase in restricted deposit		**(363)**	–
Settlement of derivative contracts		**212**	–
Net cash generated from investing activities		**161,564**	108,138
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in pledged bank deposits	*46(e)*	**–**	82,679
Proceeds from bank borrowings	*46(e)*	**36,208**	10,369
Repayment of bank borrowings	*46(e)*	**(23,535)**	(179,696)
Interest paid	*46(e)*	**(8,277)**	(13,155)
Repayment of lease liabilities	*46(e)*	**(1,938)**	(7,074)
Payments of shares repurchase		**(40,678)**	–
Purchase of non-controlling interests	*46(c)*	**–**	(2,000)
Net cash used in financing activities		**(38,220)**	(108,877)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**40,074**	70,066
Effect of foreign exchange rate changes		**(950)**	7,172
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**233,467**	156,229
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**272,591**	233,467
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances	*33*	**272,591**	233,467

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL INFORMATION

The Company was incorporated in Bermuda with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business is Unit 2906, Tower 1, Lippo Centre, 89 Queensway, Admiralty, Hong Kong. The Company's shares are listed on the Main Board of the Stock Exchange.

The principal activities of the Group are operations of industrial hemp business and healthcare-related business, trading of construction materials, provision of real estate agency services, property investment and leasing, and development of residential properties. The particulars of the subsidiaries are set out in note 23 to the consolidated financial statements.

In the opinion of the Directors, as at 31 December 2021, Shunda Investment Limited, a company incorporated in the British Virgin Islands ("**BVI**"), is the ultimate parent of the Company; and Mr. Zhou Xuzhou, a Co-Chairman and the Executive Director, is the ultimate controlling party of the Company.

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2021. HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

The Group has not early applied any new or revised HKFRSs that is not yet effective for the current accounting year.

The application of the new or revised HKFRSs that have been issued but are not yet effective and have not been early adopted by the Group will not have material impacts on the consolidated financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, derivatives and investments which are carried at their fair values.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the Directors to exercise their judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 4 to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(a) Consolidation

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

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

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

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

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

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

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners).

The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Business combination and goodwill

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

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

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

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, equity investments at FVTOCI), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy (gg) below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units ("**CGU(s)**") that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

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

(c) Associates

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Associates *(Continued)*

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

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

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

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

(d) Joint arrangements

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Joint arrangements *(Continued)*

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

In relation to its interest in a joint operation, the Group recognises in its consolidated financial statements, its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly, in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

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

The Group's share of a joint venture's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Foreign currency translation

(i) Functional and presentation currency

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

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

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

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

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

(iii) Translation on consolidation

The results and financial position of all the Group's entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

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

– Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Foreign currency translation *(Continued)*

(iii) Translation on consolidation *(Continued)*

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

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

Furniture, fixtures and equipment	10% to 33%
Leasehold improvements	over the shorter of lease terms or 20%

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

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

(g) Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference between the carrying amount and the fair value of this item at the date of transfer is recognised as a revaluation of property, plant and equipment.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Leases

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rate is as follows:

Leased properties	Over the term of leases

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below USD5,000.

The Group as lessor

Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(i) Intangible assets (other than goodwill)

(i) Customer relationship

Customer relationship is stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over its estimated useful life of 5 years.

(ii) Computer systems

Computer systems are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 3 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Properties held for sale under development

Properties held for sale under development are stated at the lower of cost and net realisable value. Costs include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is determined by reference to sale proceeds received after the reporting period less selling expenses, or by estimates based on prevailing market condition. On completion, the properties are reclassified to properties held for sale at the then carrying amount.

(k) Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Costs of properties include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is determined by reference to sale proceeds received after the reporting period less selling expenses, or by estimates based on prevailing market condition.

(l) Inventories

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

(m) Recognition and derecognition of financial instruments

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

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(n) Modification of financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised, and a new financial asset is recognised at fair value.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of financial assets at FVTPL. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

Financial assets of the Group are classified under the following categories:

– Financial assets at amortised cost;

– Equity investments at FVTOCI; and

– Financial assets at FVTPL.

(i) Financial assets at amortised cost

Financial assets (including trade receivables, financial assets included in prepayments, deposits and other receivables, restricted deposit and bank and cash balances) are classified under this category if they satisfy both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal ("**SPPI**") amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

(ii) Equity investments at FVTOCI

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that are not held for trading as at FVTOCI.

Equity investments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair values recognised in other comprehensive income and accumulated in the equity investment revaluation reserve. On derecognition of an investment, the cumulative gains or losses previously accumulated in the equity investment revaluation reserve are not reclassified to profit or loss.

Dividends on these investments are recognised in profit or loss, unless the dividends clearly represent a recovery of part of the cost of the investment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Financial assets *(Continued)*

(iii) Financial assets at FVTPL

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost and the conditions of debt investments at FVTOCI unless the Group designates an equity investment that is not held for trading as at FVTOCI on initial recognition.

Financial assets at FVTPL include derivative financial assets and investments at FVTPL.

Financial assets at FVTPL are subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. The fair value gains or losses recognised in profit or loss are net of any interest income and dividend income. Interest income and dividend income are recognised in profit or loss.

(p) Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("**lifetime expected credit losses**") for trade receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

(q) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out in accounting policies 3(s) to (w) below.

(s) Financial liabilities at FVTPL

Financial liabilities at FVTPL are recognised initially at fair value.

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. 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 FVTPL are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at FVTPL are recognised in profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to 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.

(t) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Trade payables and financial liabilities included in accruals and other payables

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

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(w) Treasury shares

Own equity instruments which are repurchased and held by the Company of the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in profit or loss on the purchase, sale issue or cancellation of the Group's own equity instruments.

(x) Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

– the customer simultaneously receives and consumes the benefits provided by the Group's performance;

– the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Other revenue

Interest income is recognised using the effective interest method.

Dividend income is recognised when the shareholders' rights to receive payment are established.

Rental income is recognised on a straight-line basis over the lease term.

(z) Employee benefits

(i) Employee leave entitlements

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

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

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

(aa) Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and consultants.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non-market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(bb) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

(cc) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Government grants relating to the purchase of assets are deducted from the carrying amount of the assets. The grant is recognised in profit or loss over the life of a depreciable asset by way of a reduced depreciation charge.

Repayment of a grant related to income is applied first against any unamortised deferred income set up in respect of the grant. To the extent that the repayment exceeds any such deferred income, or where no deferred income exists, the repayment is recognised immediately in profit or loss. Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income by the amount repayable. The cumulative additional depreciation that would have been recognised in profit or loss to date in the absence of the grant is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(dd) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(dd) Taxation *(Continued)*

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(ee) Segment reporting

Operating segments and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources and assessing the performance of the Group's various lines of business.

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

(ff) Related parties

A related party is a person or entity that is related to the Group.

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Company or of a parent of the Company;

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(ff) Related parties *(Continued)*

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

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

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

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

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

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

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

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

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

(gg) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, investment properties that are measured using the fair value model, deferred tax assets, investments, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(gg) Impairment of assets *(Continued)*

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or CGU in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(hh) Provisions and contingent liabilities

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

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

(ii) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the Directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

(a) Property lease classification – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

(b) Deferred tax for investment properties

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the Directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred tax for investment properties, the Directors have rebutted the presumption that investment properties measured using the fair value model are recovered through sale.

(c) Equity pick up of entity of less than 20% equity interest

Although the Group holds less than 20% of the voting power of Shenzhen Gippro, the Directors considered that the Group has significant influence over Shenzhen Gippro because the Group is entitled to appoint a director out of the 3 directors of Shenzhen Gippro.

Key sources of estimation uncertainty

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(a) Net realisable value of properties held for sale under development

The Group's properties held for sale under development is stated at the lower of cost and net realisable value, which is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of constructing and selling properties of similar nature. It could change significantly as a result of changes in customer taste and competitor actions. The Group will reassess the estimates by the end of each reporting period.

(b) Fair values of investment properties

The Group appointed an independent professional valuer to assess the fair values of the investment properties. In determining the fair values, the valuer has utilised a method of valuation that involves certain estimates. The Directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

(c) Fair value of financial instruments

The best evidence of fair value is the published price quotations in an active market. In the absence of such information, the fair value is determined by an independent professional valuer. Such valuation is subject to limitations of the valuation models adopted and the uncertainty in estimates used by the management of the Group in the assumptions. Should the estimates and the relevant parameters of the valuation models be changed, there would be material changes in the fair value of certain financial instruments without quoted prices. Further details are given in note 6 to the consolidated financial statements.

(d) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill as at 31 December 2021 was approximately HK$18,500,000 (2020: HK$18,500,000). Further details are given in note 21 to the consolidated financial statements.

(e) Allowance for expected credit loss for financial assets at amortised cost

The Group makes loss allowance on financial assets at amortised cost based on various factors, including the ageing of the receivables, historical write-off experience and forward-looking information. The identification of impairment of financial assets at amortised cost requires the use of judgement and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying amounts of the financial assets, and the allowance for credit losses on financial assets is recognised in the years in which such estimates have been changed. See note 5(b) to the consolidated financial statements for further discussion.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(f) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as part of its business transactions, assets and liabilities are denominated in AUD, RMB, USD, JPY and CHF which are currencies other than the functional currencies of the group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The following table details the sensitivity of the Group to a 5% increase and decrease in HK$ against the relevant foreign currencies. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items and adjusts their translation at the reporting date on a 5% change in foreign currency rates. A positive/negative number below indicates an increase/decrease in consolidated profit after tax for the year where HK$ strengthens 5% against the relevant foreign currencies. For a weakening of HK$ against the relevant foreign currency, there would be an equal but opposite impact on consolidated profit after tax for the year.

	2021 ***HK$'000***	2020 *HK$'000*
AUD	**(8,532)**	(2,382)
RMB	**(1,434)**	(1,412)
USD*	**(319)**	(298)
JPY	**22**	28
CHF	**(49)**	(9)

* HK$ is pegged with USD between the range of 7.75 to 7.85 (USD: HK$). The above analysis on 5% change in HK$ against USD is for illustrative purposes only.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk

The carrying amounts of trade receivables and non-trade receivables, including bank and cash balances, restricted deposit and financial assets included in prepayments, deposits, and other receivables included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group limits its exposure to credit risk by rigorously selecting the counterparties. Credit risk on receivables is minimised as the Group performs ongoing evaluation on the financial condition of its debtors and tightly monitors the ageing of its receivable balances. Follow-up action is taken in the case of overdue balances. In addition, the management of the Group reviews the recoverability of receivables individually and collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts.

(i) Trade receivables

In order to minimise credit risk, the Directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the Directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of customers.

For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix and details of the quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 30 to the consolidated financial statements.

(ii) Non-trade receivables

At the end of each reporting period, the Group measures the loss allowance for non-trade receivables at an amount equal to the lifetime expected credit losses if the credit risk on that non-trade receivables has increased significantly since initial recognition.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk *(Continued)*

(ii) Non-trade receivables *(Continued)*

The Group considers whether there has been a significant increase in credit risks of non-trade receivables on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

– internal credit rating;

– external credit rating (if available);

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;

– actual or expected significant changes in the operating results of the borrower;

– significant increases in credit risk on other financial instruments of the same borrower;

– significant changes in the value of the collateral or in the quality of guarantees or credit enhancements; and

– significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Non-trade receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a non-trade receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where non-trade receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk *(Continued)*

(ii) Non-trade receivables *(Continued)*

Modification of contractual cash flows

A modification or renegotiation of a contract between the Group and a counterparty may result in a change to the contractual cash flows without resulting in the derecognition of the financial assets.

Such restructuring activities include extended payment term arrangements, repayment schedule modifications and changes to the interest settlement method. The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition when the modification is not substantial and so does not result in derecognition of the original asset. The gross carrying amount of the financial asset is recalculated and the related gain or loss is recognised in profit and loss. The gross carrying amount of the financial asset is determined based on the present value of the renegotiated or modified contractual cash flows discounted at the financial asset's original effective interest rate.

The Group monitors the ongoing performance of assets with modified contractual cash flows. The Group may determine that the credit risk of these assets had significantly improved after modification of contractual cash flows so that these assets are moved from either the "Loss" category or the "Doubtful" category to the "Low risk" category, and the related impairment allowance are measured at an amount equal to the 12-month expected credit losses instead of the lifetime expected credit losses.

During the year ended 31 December 2021, the Group has renegotiated the contractual terms with a counterparty. Based on the assessment performed by the Group, it is regarded as a non-substantial modification. The amortised cost before the modification of a receivable was HK$21,377,000 (2020: Nil), and the modification loss amounting to HK$676,000 (2020: Nil) was recorded in profit or loss during the year ended 31 December 2021. As at 31 December 2021, the gross receivable of HK$19,556,000 (2020: Nil) was classified under 12-month expected credit losses ("Low risk" category) since the counterparty has fulfilled the repayment obligations after the modification. Details of the modification of such a receivable are set out in note 31(a) to the consolidated financial statements.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk *(Continued)*

(ii) Non-trade receivables *(Continued)*

Restricted deposit and bank and cash balances

The Group has concentrations of credit risk comprising deposits placed at two financial institutions of HK$217,560,000 (2020: HK$168,520,000), which represents approximately 80% (2020: 72%) of the aggregate balance of restricted deposit and bank and cash balances (2020: bank and cash balances). The Directors considered that the credit risk on restricted deposit and bank and cash balances is limited because the counterparties are banks and a financial institution with high credit ratings assigned by international credit-rating agencies.

Financial assets included in prepayments, deposits and other receivables

For financial assets included in prepayments, deposits and other receivables, the Directors make periodic individual assessments on the recoverability of such financial assets based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The Directors believe that there are no significant increases in credit risks of these amounts since initial recognition, and the Group provided impairment based on 12-month expected credit losses. During the year ended 31 December 2021, impairment losses of financial assets included in prepayments, deposits and other receivables amounting to HK$4,094,000 (2020: HK$371,000) was recognised in the profit or loss.

The Group had a concentration of credit risk as 38% (2020: 66%) of the total financial assets included in prepayments, deposits and other receivables as at 31 December 2021 was due from one counterparty.

The Group uses three categories for non-trade receivables, which reflect their credit risk and how the loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Group considers historical loss rates for each category and adjusts for forward-looking data.

Category	Definition	Loss provision
Low risk	Low risk of default and strong capacity to pay	12-month expected losses
Doubtful	Significant increase in credit risk	Lifetime expected losses
Loss	Credit-impaired	Lifetime expected losses

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk *(Continued)*

(ii) ***Non-trade receivables*** *(Continued)*

	Financial assets included in prepayments, deposits and other receivables *HK$'000*	Restricted deposit *HK$'000*	Bank and cash balances *HK$'000*	Total *HK$'000*
At 31 December 2021				
Gross carrying amounts	**69,311**	**369**	**272,591**	**342,271**
Provision for loss allowance	**(4,557)**	**–**	**–**	**(4,557)**
Net carrying amounts	**64,754**	**369**	**272,591**	**337,714**
At 31 December 2020				
Gross carrying amounts	321,071	–	233,467	554,538
Provision for loss allowance	(383)	–	–	(383)
Net carrying amounts	320,688	–	233,467	554,155

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk *(Continued)*

(ii) Non-trade receivables *(Continued)*

All of these non-trade receivables are considered to have low risk and are under the 'Low risk' category because they have a low risk of default and have strong abilities to meet their obligations.

	Financial assets included in prepayments, deposits and other receivables *HK$'000*	Restricted deposit *HK$'000*	Bank and cash balances *HK$'000*	Total *HK$'000*
Weighted average expected credit loss rate				
2021	**6.57%**	**–**	**–**	**1.33%**
2020	0.12%	–	–	0.07%
Loss allowance at 1 January 2020	–	–	–	–
Increase in provision in 2020	371	–	–	371
Exchange differences	12	–	–	12
Loss allowance at 31 December 2020 and 1 January 2021	**383**	**–**	**–**	**383**
Increase in provision in 2021	**4,094**	**–**	**–**	**4,094**
Exchange differences	**80**	**–**	**–**	**80**
Loss allowance at 31 December 2021	**4,557**	**–**	**–**	**4,557**

The increase in loss allowance for financial assets included in prepayments, deposits and other receivables is due to an increase in expected credit loss rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer terms.

The maturity analysis, based on undiscounted cash flows, of the Group's financial liabilities is as follows:

	Less than 1 year or on demand	Between 1 and 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2021				
Bank borrowings	**61,149**	**93,539**	**45,248**	**199,936**
Lease liabilities	**690**	**1,175**	**–**	**1,865**
Trade payables	**87**	**–**	**–**	**87**
Financial liabilities included in accruals and other payables	**9,228**	**244**	**6,134**	**15,606**
Amounts due to related parties	**7,530**	**–**	**–**	**7,530**
Derivative financial liabilities	**3**	**–**	**–**	**3**
	78,687	**94,958**	**51,382**	**225,027**
At 31 December 2020				
Bank borrowings	31,260	88,767	67,004	187,031
Lease liabilities	2,539	1,696	–	4,235
Trade payables	1,680	–	–	1,680
Financial liabilities included in accruals and other payables	18,665	–	5,938	24,603
Amounts due to related parties	7,456	–	–	7,456
	61,600	90,463	72,942	225,005

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Interest rate risk

The Group's exposure to interest-rate risk arises from its bank deposits, bank borrowings and lease liabilities.

The Group's bank deposits and bank borrowings, which bear interests at fixed interest rates, as well as lease liabilities, are subject to fair value interest rate risks.

The Group's bank deposits and bank borrowings, which bear interests at variable rates varied with the then prevailing market condition, are subject to cash flow interest rate risks. However, such exposure of bank deposits is minimal to the Group as these bank deposits are all short-term in nature.

At 31 December 2021, if interest rates at that date had been 1% lower with all other variables held constant, consolidated profit after tax for the year would have been HK$1,319,000 (2020: HK$1,401,000) higher, arising mainly as a result of lower interest expense on bank borrowings. If interest rates had been 1% higher, with all other variables held constant, consolidated profit after tax for the year would have been HK$1,319,000 (2020: HK$1,401,000) lower, arising mainly as a result of higher interest expense on bank borrowings.

(e) Categories of financial instruments

	2021	2020
	HK$'000	*HK$'000*
Financial assets:		
Financial assets at FVTPL:		
– Mandatorily measured	**108,020**	48,056
– Designated as such upon initial recognition	**81,688**	–
Equity investments at FVTOCI	**–**	28,572
Financial assets at amortised cost (including cash and cash equivalents)	**429,294**	617,329
Financial liabilities:		
Financial liabilities at FVTPL:		
– Held for trading	**3**	–
Financial liabilities at amortised cost	**193,642**	188,577

(f) Fair values

Except as disclosed in note 6 to the consolidated financial statements, the carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(g) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital and to support the Group's stability and growth.

The Group monitors 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, issue new shares, raise new debt financing or sell assets to reduce debts. No changes were made in the objectives, policies or processes during the current financial year and last year. Management regards total equity as capital for capital management purposes.

The Group monitors capital using a gearing ratio, which is net debt divided by the equity attributable to owners of the Company plus net debt. Net debt includes bank borrowings, trade payables, contract liabilities, accruals and other payables and amounts due to related parties, less cash and cash equivalents. The gearing ratios as at the end of the reporting periods were as follows:

	2021	2020
	HK$'000	*HK$'000*
Bank borrowings	**168,699**	150,825
Trade payables	**87**	1,680
Contract liabilities	**4,303**	15,814
Accruals and other payables	**30,886**	37,867
Amounts due to related parties	**7,530**	7,456
Less: Bank and cash balances	**(272,591)**	(233,467)
Net debt	**(61,086)**	(19,825)
Equity attributable to owners of the Company	**1,428,042**	1,400,922
Capital and net debt	**1,366,956**	1,381,097
Gearing ratio	**-4.5%**	-1.4%

6. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date

Level 2 inputs: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 inputs: unobservable inputs for the asset or liability

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy at 31 December 2021:

Description	Fair value measurements using:			Total
	Level 1	**Level 2**	**Level 3**	**2021**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Recurring fair value measurements:				
Financial assets at FVTPL				
– Investments in financial products	**–**	**107,795**	**–**	**107,795**
– Listed equity investment	**52,180**	**–**	**–**	**52,180**
– Unlisted equity investments	**–**	**–**	**29,508**	**29,508**
– Derivative financial instruments				
– Call options	**–**	**–**	**225**	**225**
Investment properties/investment properties held for sale				
– Investment properties in PRC	**–**	**–**	**599,625**	**599,625**
Financial liabilities at FVTPL				
– Derivative financial instruments				
– Steel futures contracts	**(3)**	**–**	**–**	**(3)**
Total recurring fair value measurements	**52,177**	**107,795**	**629,358**	**789,330**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

6. FAIR VALUE MEASUREMENTS *(Continued)*

(a) *(Continued)*

Disclosures of level in fair value hierarchy at 31 December 2020:

Description	Fair value measurements using: Level 1	Level 2	Level 3	Total 2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurements:				
Equity investments at FVTOCI				
– Unlisted equity investments	–	13,087	15,485	28,572
Financial assets at FVTPL				
– Investments in financial products	–	47,813	–	47,813
– Derivative financial instruments				
– Call options	–	–	243	243
Investment properties/investment properties held for sale				
– Investment properties in PRC	–	–	565,471	565,471
Total recurring fair value measurements	–	60,900	581,199	642,099

6. FAIR VALUE MEASUREMENTS *(Continued)*

(b) Reconciliation of assets measured at fair value based on Level 3:

Description	Unlisted equity investments (classified as equity investments at FVTOCI) *HK$'000*	Unlisted equity investments (classified as financial assets at FVTPL) *HK$'000*	Derivative financial instruments – Call options (classified as financial assets at FVTPL) *HK$'000*	Investment properties in PRC *HK$'000*	2021 Total *HK$'000*
At 1 January	15,485	–	243	565,471	581,199
Total gains or losses recognised					
in profit or loss (#)	–	6,489	(26)	15,190	21,653
in other comprehensive income	(8,671)	–	–	–	(8,671)
Purchases	–	21,509	–	–	21,509
Deemed disposal	(7,228)	–	–	–	(7,228)
Transfer into Level 3	–	815	–	–	815
Exchange differences	414	695	8	18,964	20,081
At 31 December	–	29,508	225	599,625	629,358
(#) Include gains or losses for assets held at end of reporting period	–	6,489	(26)	15,190	21,653

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

6. FAIR VALUE MEASUREMENTS *(Continued)*

(b) *(Continued)*

Description	Unlisted equity investments (classified as equity investments at FVTOCI)	Unlisted equity investments (classified as investments financial assets at FVTPL)	Derivative financial instruments – Call options (classified as financial assets at FVTPL)	Investment properties in PRC	2020 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January	–	–	–	537,427	537,427
Total gains or losses recognised					
in profit or loss (#)	–	–	(271)	(4,969)	(5,240)
in other comprehensive income	(8,562)	–	–	–	(8,562)
Purchases	1,613	–	–	–	1,613
Arising from a subscription of equity interest in an associate *(note 24)*	–	–	487	–	487
Transfer into Level 3	22,648	–	–	–	22,648
Exchange differences	(214)	–	27	33,013	32,826
At 31 December	15,485	–	243	565,471	581,199
(#) Include gains or losses for assets held at end of reporting period	–	–	(271)	(4,969)	(5,240)

The total gains or losses recognised in other comprehensive income are presented in "Fair value changes of equity investments at FVTOCI" in the consolidated statement of comprehensive income.

During the year ended 31 December 2021, unlisted equity investment classified as financial assets at FVTPL amounting to HK$815,000 was transferred from measurement based on Level 2 to Level 3 as a result of a lack of observable market data.

During the year ended 31 December 2020, unlisted equity investments classified as equity investments at FVTOCI amounting to HK$22,648,000 were transferred from measurement based on Level 2 to Level 3 as a result of a lack of observable market data.

Other than the transfers disclosed above, there were no transfers of fair value measurements between Level 1 and Level 2 and no other transfers into or out of Level 3 for financial assets during both years.

6. FAIR VALUE MEASUREMENTS *(Continued)*

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements:

The management of the Group is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including Level 3 fair value measurements. The management of the Group reports directly to the Board for these fair value measurements. Discussions of valuation processes and results are held between the management of the Group and the Board at least twice a year for interim and annual financial reporting.

For Level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Level 2 fair value measurements

Description	Valuation technique and key input	Fair value 2021 HK$'000	Fair value 2020 HK$'000
Unlisted equity investments classified as equity investments at FVTOCI	Recent transaction prices of similar deals	**–**	13,087
Investments in financial products classified as financial assets at FVTPL	Market price of investments in financial products	**107,795**	47,813

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

6. FAIR VALUE MEASUREMENTS *(Continued)*

(c) *(Continued)*

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2021 HK$'000	Fair value 2020 HK$'000
Unlisted equity investments classified as financial assets at FVTPL	Valuation multiples	Average price-to-sales multiple of peers	2021: 0.54 to 11.53 (2020: 3.87 to 10.72)	Increase	**29,508**	15,485
		Average price-to-earnings multiple of peers	2021: 8.36 to 22.1 (2020: N/A)	Increase		
		Discount for lack of marketability	2021: 30% (2020: 22%)	Decrease		
Derivative financial instruments – Call options (classified as financial assets at FVTPL)	Black-Scholes option pricing model	Expected volatility	2021: 43% (2020: 42% to 46%)	Increase	**225**	243
Investment properties in PRC	Term and reversionary method	Estimated rental value (per sq.m. and per month)	2021: RMB31 to RMB225 (2020: RMB28 to RMB236)	Increase	**599,625**	565,471
		Rent growth (p.a.)	2021: 0% to 3% (2020: 0% to 3%)	Increase		
		Long term vacancy rate	2021: 0% to 4.4% (2020: 0% to 5.4%)	Decrease		
		Discount rate	2021: 4.0% to 5.5% (2020: 4.0% to 6.3%)	Decrease		

7. SEGMENT INFORMATION

The Group has six (2020: six) reportable segments as follows:

(a) Industrial hemp business – CBD downstream product application

(b) Healthcare-related business – Health management services, aesthetic medical services, healthcare-related product sale agency services and sale of healthcare-related products

(c) Trading business – Trading of construction materials

(d) Agency service business – Real estate agency services

(e) Property investment and leasing business – Leasing of investment properties

(f) Property development business – Development and selling of residential properties

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in note 3 to the consolidated financial statements. Segment profits or losses do not include gain on partial disposals of investment in a joint venture, gain on deemed disposal of investment in an associate, gain on deemed disposals of investment in a joint venture, dividend income from investments at FVTPL, gain on partial disposal of investment in an associate, gain on disposals of subsidiaries, dividend income from equity investments at FVTOCI, interest income, fair value gains on investments at FVTPL, fair value gains/(losses) on derivative financial instruments, equity-settled share-based payments, share of losses of associates, share of profits and losses of joint ventures, finance costs as well as other unallocated head office and corporate income and expenses. Segment assets do not include deferred tax assets, current tax assets as well as other unallocated head office and corporate assets. Segment liabilities do not include deferred tax liabilities, current tax liabilities as well as other unallocated head office and corporate liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

7. SEGMENT INFORMATION *(Continued)*

Segment revenues and results

The following is an analysis of the Group's revenues and results from reportable and operating segments:

	Industrial hemp business *HK$'000*	Healthcare-related business *HK$'000*	Trading business *HK$'000*	Agency service business *HK$'000*	Property investment and leasing business *HK$'000*	Property development business *HK$'000*	Total *HK$'000*
For the year ended 31 December 2021							
Revenue from external customers	26,503	28,486	146,763	31,845	19,434	–	253,031
Segment profit/(loss)	5,395	12,000	14,664	22,127	31,062	(35)	85,213
Gain on partial disposals of investment in a joint venture							1,508
Gain on deemed disposal of investment in an associate							343
Gain on deemed disposals of investment in a joint venture							12,993
Dividend income from investments at FVTPL							1,086
Interest income							12,449
Fair value gains on investments at FVTPL							16,892
Fair value gains on derivative financial instruments							184
Equity-settled share-based payments							(2,031)
Share of losses of associates							(4,372)
Share of losses of joint ventures							(6,696)
Finance costs							(8,385)
Unallocated income							1
Unallocated expense							(23,481)
Profit before tax							85,704

7. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

	Industrial hemp business *HK$'000*	Healthcare-related business *HK$'000*	Trading business *HK$'000*	Agency service business *HK$'000*	Property investment and leasing business *HK$'000*	Property development business *HK$'000*	Total *HK$'000*
For the year ended 31 December 2020							
Revenue from external customers	25,371	54,757	133,960	29,805	21,242	–	265,135
Segment profit/(loss)	4,027	14,076	22,603	24,090	1,845	(79)	66,562
Gain on partial disposal of investment in an associate							31,713
Gain on disposals of subsidiaries							14,072
Dividend income from equity investments at FVTOCI							346
Interest income							8,237
Fair value gains on investments at FVTPL							14,713
Fair value losses on derivative financial instruments							(271)
Equity-settled share-based payments							(4,279)
Share of losses of associates							(4,316)
Share of profits and losses of joint ventures							115
Finance costs							(13,682)
Unallocated income							5,314
Unallocated expense							(14,937)
Profit before tax							103,587

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

7. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

Segment assets

	2021 **HK$'000**	2020 HK$'000
Industrial hemp business	**99,762**	114,408
Healthcare-related business	**192,649**	153,804
Trading business	**303,162**	222,442
Agency service business	**25,601**	42,407
Property investment and leasing business	**610,293**	580,684
Property development business	**412,177**	250,068
Total assets of reportable segments	**1,643,644**	1,363,813
Deferred tax assets	**13,377**	12,325
Current tax assets	**314**	–
Unallocated corporate assets	**79,659**	326,722
Consolidated total assets	**1,736,994**	1,702,860

Segment liabilities

	2021 **HK$'000**	2020 HK$'000
Industrial hemp business	**2,080**	17,303
Healthcare-related business	**14,844**	14,279
Trading business	**42,045**	14,829
Agency service business	**923**	689
Property investment and leasing business	**146,995**	154,134
Property development business	**3,514**	–
Total liabilities of reportable segments	**210,401**	201,234
Deferred tax liabilities	**77,700**	62,974
Current tax liabilities	**15,421**	18,969
Unallocated corporate liabilities	**2,827**	16,420
Consolidated total liabilities	**306,349**	299,597

7. SEGMENT INFORMATION *(Continued)*

Other segment information

The following is an analysis of other segment information:

	Industrial hemp business HK$'000	Healthcare-related business HK$'000	Trading business HK$'000	Agency service business HK$'000	Property investment and leasing business HK$'000	Property development business HK$'000	Reportable segment total HK$'000	Unallocated HK$'000	Consolidated total HK$'000
For the year ended 31 December 2021									
Depreciation and amortisation	(459)	(2,173)	(11)	-	(1)	(5)	(2,649)	(927)	(3,576)
Fair value gains on investment properties	-	-	-	-	15,190	-	15,190	-	15,190
Gain on lease termination	-	193	-	-	-	-	193	-	193
Loss on written off of property, plant and equipment	-	(10)	-	-	-	-	(10)	-	(10)
Loss on non-substantial modification of other receivables	-	-	(676)	-	-	-	(676)	-	(676)
Reversal of impairment losses/(impairment losses) of trade receivables, net	186	(275)	(830)	-	-	-	(919)	-	(919)
Impairment losses of other receivables	(2,858)	(1,236)	-	-	-	-	(4,094)	-	(4,094)
Additions to segment non-current assets*	60	2,306	-	197	81	-	2,644	-	2,644
As at 31 December 2021									
Investments in associates	41,317	10,902	-	-	-	-	52,219	-	52,219
Investments in joint ventures	3,105	69,939	-	-	-	-	73,044	-	73,044

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

7. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

	Industrial hemp business HK$'000	Healthcare-related business HK$'000	Trading business HK$'000	Agency service business HK$'000	Property investment and leasing business HK$'000	Property development business HK$'000	Reportable segment total HK$'000	Unallocated HK$'000	Consolidated total HK$'000
For the year ended 31 December 2020									
Depreciation and amortisation	(474)	(7,090)	(11)	–	(1)	(10)	(7,586)	(323)	(7,909)
Fair value losses on investment properties	–	–	–	–	(16,869)	–	(16,869)	–	(16,869)
Reversal of impairment losses/(impairment losses) of trade receivables, net	(1,119)	(2,595)	3,541	–	–	–	(173)	–	(173)
Impairment losses of other receivables	(371)	–	–	–	–	–	(371)	–	(371)
Additions to segment non-current assets*	110	261	–	–	–	–	371	46	417
As at 31 December 2020									
Investments in associates	36,312	11,015	–	–	–	–	47,327	–	47,327
Investments in joint ventures	3,666	65,498	–	–	–	–	69,164	–	69,164

This segment information has been included in the measures of segment results or assets.

* Additions to segment non-current assets consist of additions to property, plant and equipment and intangible assets.

Geographical information

	Revenue		Non-current assets	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
PRC	**249,693**	241,653	**742,295**	699,572
Hong Kong	**–**	13,357	**798**	1,662
Others	**3,338**	10,125	**62**	307
Consolidated total	**253,031**	265,135	**743,155**	701,541

In presenting the geographical information, revenue is based on the locations of the customers and non-current asset is based on the locations of the assets.

7. SEGMENT INFORMATION *(Continued)*

Revenue from major customers

	2021 ***HK$'000***	2020 *HK$'000*
Agency service business, industrial hemp business and healthcare-related business segments (2020: Agency service business segment)		
Customer A[1]	**34,476**	29,805
Trading business segment		
Customer B	**N/A[2]**	27,688

1 Customer A is a group of entities known to be under the control of Mr. Zhou Xuzhou.

2 The corresponding revenue did not contribute over 10% of the total revenue of the Group.

8. REVENUE

	2021 ***HK$'000***	2020 *HK$'000*
Sale of CBD downstream products	**26,503**	25,371
Healthcare management service income	**11,717**	39,528
Healthcare-related products sale agency service income	**2,292**	10,940
Sale of healthcare-related products	**11,889**	2,810
Aesthetic medical service income	**2,588**	1,479
Sale of construction materials	**146,763**	133,960
Property sales and consultancy service income	**31,845**	29,805
Revenue from contracts with customers	**233,597**	243,893
Rental income	**19,434**	21,242
Total revenue	**253,031**	265,135

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

8. REVENUE *(Continued)*

Disaggregation of revenue from contracts with customers

Year ended 31 December 2021

Segments	Industrial hemp business HK$'000	Healthcare-related business HK$'000	Trading business HK$'000	Agency service business HK$'000	Total HK$'000
Major products/service					
Sale of CBD downstream products	26,503	–	–	–	26,503
Healthcare management services	–	11,717	–	–	11,717
Healthcare-related products sale agency services	–	2,292	–	–	2,292
Sale of healthcare-related products	–	11,889	–	–	11,889
Aesthetic medical services	–	2,588	–	–	2,588
Sale of construction materials	–	–	146,763	–	146,763
Property sales and consultancy services	–	–	–	31,845	31,845
Total	26,503	28,486	146,763	31,845	233,597
Geographical markets					
PRC	25,457	26,194	146,763	31,845	230,259
Others	1,046	2,292	–	–	3,338
Total	26,503	28,486	146,763	31,845	233,597
Timing of revenue recognition					
At a point in time	26,503	16,769	146,763	31,845	221,880
Over time	–	11,717	–	–	11,717
Total	26,503	28,486	146,763	31,845	233,597

8. REVENUE *(Continued)*

Disaggregation of revenue from contracts with customers *(Continued)*

Year ended 31 December 2020

Segments	Industrial hemp business *HK$'000*	Healthcare-related business *HK$'000*	Trading business *HK$'000*	Agency service business *HK$'000*	Total *HK$'000*
Major products/service					
Sale of CBD downstream products	25,371	–	–	–	25,371
Healthcare management services	–	39,528	–	–	39,528
Healthcare-related products sale agency services	–	10,940	–	–	10,940
Sale of healthcare-related products	–	2,810	–	–	2,810
Aesthetic medical services	–	1,479	–	–	1,479
Sale of construction materials	–	–	133,960	–	133,960
Property sales and consultancy services	–	–	–	29,805	29,805
Total	25,371	54,757	133,960	29,805	243,893
Geographical markets					
PRC	24,957	32,615	133,960	29,805	221,337
Hong Kong	–	12,431	–	–	12,431
Others	414	9,711	–	–	10,125
Total	25,371	54,757	133,960	29,805	243,893
Timing of revenue recognition					
At a point in time	25,371	15,229	133,960	29,805	204,365
Over time	–	39,528	–	–	39,528
Total	25,371	54,757	133,960	29,805	243,893

Sale of CBD downstream products

The Group sells CBD downstream products such as CBD skincare products and CBD atomisation products to the customers. Sales are recognised when control of the products has been transferred, being when the products are delivered to a customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products, and the customer has obtained legal titles to the products. Payment of transaction price is due immediately at the point the customers purchase the goods. The payment is generally received in advance prior to the goods being delivered. Receipts in advance from customers are recognised as contract liabilities.

8. REVENUE *(Continued)*

Provision of healthcare management services

The Group provides healthcare management services to the customers. The customers would generally pay a fixed amount of package fee and generally be entitled to specific healthcare management services throughout the contractual service period. The Group satisfied the performance obligation by providing healthcare management services to the customers within the contractual service period, and these customers would be entitled to consume healthcare management services throughout the contract period. As the Directors considered that the Group has fulfilled its performance obligations throughout a period of time and revenue is therefore recognised over time in a pattern which approximates to the time elapsed. The Group receives three to twelve months of healthcare management service fees in advance from the customers. This gives rise to the contract liabilities, which will be recognised as revenue throughout the period of services.

Provision of healthcare-related products sale agency services

The Group provides healthcare-related products (such as anti-epidemic supplies) sale agency services to the customer (i.e. the supplier and the buyer of healthcare-related products). Service income is recognised for transactions where the Group is not the primary obligor, is not subject to inventory risk, and does not have latitude in establishing prices. Service income is recognised on a net basis which is based on a fixed percentage of the sales amount. Service income is recognised when the buyer has accepted the goods and the related risks and rewards of ownership. Service income is due for payment upon rendering of services.

Sale of healthcare-related products

The Group sells healthcare-related products to the customers. Sales are recognised when control of the products has been transferred, being when the products are delivered to a customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products, and the customer has obtained legal titles to the products. Payment of the transaction price is due immediately at the point the customer purchases the products. Sale is made on an advance payment or cash on delivery basis.

Provision of aesthetic medical services

The Group provides aesthetic medical services to the customers. Aesthetic medical service income is recognised in the accounting year when the services have been rendered to customers. Receipt of proceeds in respect of treatment packages for which the relevant services have not been rendered is deferred and recognised as contract liabilities.

Sale of construction materials

The Group sells construction materials to the customers. Sales are recognised when control of the products has been transferred, being when the products are delivered to a customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products, and the customer has obtained legal titles to the products. Sales to customers are normally made with credit terms of 0 to 180 days. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as contract liabilities. A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

8. REVENUE *(Continued)*

Provision of property sales and consultancy services

The Group provides property sales and consultancy services in primary markets to its customers (i.e. property developers). Service income is recognised at a point in time when the service is rendered, and the property buyer has executed the sale and purchase agreement and made the required payments according to the terms and conditions stated in different agency contracts since only by that time the Group has an enforceable right to payment from the property developer for the services performed. Service income is recognised on a net basis which is based on a fixed percentage of the sales amount. The Group generally allows a credit period of not exceeding 1 month to its customers.

9. OTHER INCOME AND GAINS, NET

	2021 HK$'000	2020 HK$'000
Other income		
Interest income	**12,449**	8,237
Dividend income from investments at FVTPL	**1,086**	–
Government grants *(note a)*	**472**	2,368
COVID-19-related rent concessions	**21**	311
Dividend income from equity investments at FVTOCI		
– Investments held at end of year	**–**	346
Others	**1,194**	1,333
	15,222	12,595
Gains/(losses), net		
Fair value gains on investments at FVTPL		
– Mandatorily measured	**–**	14,713
– Designated as such upon initial recognition	**16,892**	–
Gain on lease termination	**193**	–
Fair value gains/(losses) on derivative financial instruments	**184**	(271)
Loss on written off of property, plant and equipment	**(10)**	–
Loss on non-substantial modification of other receivables	**(676)**	–
Net foreign exchange (losses)/gains	**(9,936)**	5,218
	6,647	19,660
	21,869	32,255

Note:

(a) Government grants of HK$472,000 represented the subsidies received from the local government in support of the business operation. There were no unfulfilled conditions or contingencies relating to these subsidies (2020: government grants of HK$1,513,000 mainly represented the subsidies received from the local government in support of the business operation. There were no unfulfilled conditions or contingencies relating to these subsidies. The remaining government grants of HK$855,000 represented grants obtained from Employment Support Scheme ("**ESS**") under the Anti-epidemic Fund launched by the HKSAR Government supporting the payroll of the Group's employees. Under the ESS, the Group had to commit to spend these grants on payroll expenses and not reduce employee headcount below prescribed levels for a specified period of time. The Group does not have unfulfilled obligations relating to this program).

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10. FINANCE COSTS

	2021 **HK$'000**	2020 *HK$'000*
Interest on bank loans	**8,277**	12,989
Interest on lease liabilities	**108**	693
	8,385	13,682

11. INCOME TAX EXPENSE

	2021 **HK$'000**	2020 *HK$'000*
Current tax – PRC		
Provision for the year	**14,069**	20,378
(Over)/under-provision in prior years	**(336)**	3,161
Current tax – Hong Kong		
Provision for the year	**12**	689
Over-provision in prior years	**–**	(1,931)
Withholding tax on interest income – Australia		
Provision for the year	**1,724**	1,339
(Over)/under-provision in prior years	**(955)**	909
Deferred tax *(note 40)*	**10,734**	(6,024)
	25,248	18,521

Hong Kong Profits Tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong for the year, except for one group entity operating in Hong Kong, which is a qualifying corporate under the two-tiered Profits Tax rate regime. For the qualifying group entity, the first HK$2 million of assessable profits are taxed at the rate of 8.25% (2020: 8.25%), and the remaining assessable profits are taxed at the rate of 16.5% (2020: 16.5%).

Enterprise Income Tax of the PRC has been provided at the rate of 25% (2020: 25%) on the estimated assessable profits arising in the PRC for the year, except for certain group entities operating in PRC, which are taxed at preferential tax rates. Group entities operating in PRC that are qualified as small and thin-profit enterprises with assessable profits of RMB1 million or less, the assessable profits are taxed at the effective rate of 2.5%. Where the assessable profits exceed RMB1 million but do not exceed RMB3 million (inclusive), the RMB1 million portion will be taxed at the effective rate of 2.5%, whereas the excess portion will be taxed at the effective rate of 10% (2020: N/A). In addition, group entities operating in the PRC that are qualified as high and new technology enterprises are subject to income tax at a preferential tax rate of 15% (2020: N/A).

11. INCOME TAX EXPENSE *(Continued)*

Australia corporate income tax has been provided at the rate of 30% (2020: 30%) on the estimated assessable profits for arising in Australia for the year.

A group entity, which is a non-tax resident enterprise in Australia, is subject to Australia withholding tax at the tax rate of 10% (2020: 10%) on the gross interest income arising from its loans provided to another group entity, which is a tax resident enterprise in Australia.

Corporate income tax in other jurisdictions has been provided at the rates of taxation prevailing in the jurisdictions in which the group entities operate on the estimated assessable profits arising from those jurisdictions for the year.

The reconciliation between the income tax expense and the product of profit before tax multiplied by the weighted average tax rate of the consolidated companies is as follows:

	2021 ***HK$'000***	2020 *HK$'000*
Profit before tax	**85,704**	103,587
Tax at the weighted average tax rate of 2.5% to 30% (2020: 8.25% to 30%)	**16,797**	23,140
Tax effect of share of profits and losses of joint ventures and associates	**2,635**	1,050
Tax effect of expenses that are not deductible	**4,993**	4,635
Tax effect of income that is not taxable	**(5,150)**	(10,105)
Tax effect of tax losses not recognised	**3,158**	2,300
Tax effect of utilisation of tax losses not previously recognised	**(109)**	(17)
Recognition of tax losses previously unrecognised	**–**	(6,833)
Tax effect of reversal of tax losses previously recognised	**4,163**	1,313
Tax effect of reversal of deductible temporary difference previously recognised	**–**	899
(Over)/under-provision in prior years	**(1,291)**	2,139
Others	**52**	–
Income tax expense	**25,248**	18,521

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For the year ended 31 December 2021

12. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging/(crediting) the following:

	2021 HK$'000	2020 HK$'000
Amortisation of other intangible assets	**30**	256
Depreciation of property, plant and equipment	**1,040**	782
Depreciation of right-of-use assets	**2,506**	6,871
Gain on lease termination	**(193)**	–
Loss on written off of property, plant and equipment	**10**	–
Gain on partial disposal of investment in an associate	**–**	(31,713)
Gain on partial disposals of investment in a joint venture	**(1,508)**	–
Gain on disposals of subsidiaries	**–**	(14,072)
Gain on deemed disposal of investment in an associate	**(343)**	–
Gain on deemed disposals of investment in a joint venture	**(12,993)**	–
Fair value (gains)/losses on investment properties	**(15,190)**	16,869
Auditor's remuneration:		
Audit services	**1,150**	1,150
Non-audit services	**300**	300
	1,450	1,450
Cost of inventories sold	**132,622**	123,595
Loss on non-substantial modification of other receivables	**676**	–
Impairment losses of receivables, net:		
Trade receivables	**919**	173
Other receivables	**4,094**	371
	5,013	544
Staff costs, including directors' emoluments:		
Salaries, bonus and allowances	**26,844**	26,775
Equity-settled share-based payments	**2,031**	4,279
Retirement benefits scheme contributions	**1,477**	1,243
	30,352	32,297

13. DIRECTORS' EMOLUMENTS

The emoluments of each director were as follows:

Name of director	Fees	Salaries and allowances	Discretionary bonus	Equity-settled share-based payments	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors						
Mr. Zhou Xuzhou	**–**	**800**	**–**	**–**	**–**	**800**
Dr. Zeng Wentao	**–**	**300**	**–**	**294**	**–**	**594**
Ms. Zhou Wen Chuan	**–**	**1,200**	**–**	**675**	**9**	**1,884**
Non-executive director						
Dr. Mao Zhenhua	**180**	**–**	**–**	**–**	**–**	**180**
Independent non-executive directors						
Professor Chau Chi Wai, Wilton	**180**	**–**	**–**	**–**	**–**	**180**
Mr. Gao Guanjiang	**180**	**–**	**–**	**–**	**–**	**180**
Mr. Wu Peng	**120**	**–**	**–**	**–**	**–**	**120**
Total for 2021	**660**	**2,300**	**–**	**969**	**9**	**3,938**
Executive directors						
Mr. Zhou Xuzhou	–	800	–	–	–	800
Dr. Zeng Wentao	–	325	–	592	–	917
Ms. Zhou Wen Chuan	–	1,200	–	989	–	2,189
Non-executive director						
Dr. Mao Zhenhua	180	–	–	–	–	180
Independent non-executive directors						
Professor Chau Chi Wai, Wilton	180	–	–	–	–	180
Mr. Gao Guanjiang	180	–	–	–	–	180
Mr. Wu Peng	120	–	–	–	–	120
Total for 2020	660	2,325	–	1,581	–	4,566

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For the year ended 31 December 2021

13. DIRECTORS' EMOLUMENTS *(Continued)*

There was no arrangement under which a director waived or agreed to waive any emoluments during the year.

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

In prior years, certain directors were granted share options, in respect of their services to the Group, under the 2019 Share Option Scheme, further details of which are set out in note 45 to the consolidated financial statements. The fair value of such options, which has been recognised in the consolidated statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the consolidated financial statements current year is included in the above directors' emoluments disclosures.

14. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals in the Group during the year included two (2020: one) directors, whose emoluments are set out in note 13 to the consolidated financial statements. The emoluments of the remaining three (2020: four) individuals are set out below:

	2021 *HK$'000*	2020 *HK$'000*
Salaries and allowances	**3,712**	6,570
Discretionary bonus	**306**	420
Equity-settled share-based payments	**273**	354
Retirement benefit scheme contributions	**154**	120
	4,445	7,464

The emoluments fell within the following bands:

	Number of individuals	
	2021	2020
Nil to HK$1,000,000	**1**	–
HK$1,000,001 to HK$1,500,000	**–**	2
HK$1,500,001 to HK$2,000,000	**2**	1
HK$3,000,001 to HK$3,500,000	**–**	1

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

14. FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

In prior years, share options were granted to the above non-directors highest paid individuals in respect of their services to the Group, under the 2019 Share Option Scheme, further details of which are included in the disclosures in note 45 to the consolidated financial statements. The fair value of such options, which has been recognised in the consolidated statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the consolidated financial statements for the year is included in the above non-director highest paid individuals' emoluments disclosure.

15. RETIREMENT BENEFIT SCHEMES

The Group operates a mandatory provident fund scheme (the "**MPF Scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of contribution of HK$1,500 per employee and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

The Group also operates several defined contribution retirement plans for its overseas subsidiaries and pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis. Contributions to the schemes by the Group and employees are calculated at fixed percentages of employees' basic salaries or at agreed fixed amounts.

16. DIVIDENDS

The Board has resolved not to declare any dividend for the year ended 31 December 2021 (2020: Nil).

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For the year ended 31 December 2021

17. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following:

	2021 HK$'000	2020 HK$'000
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	**60,323**	83,439

	2021	2020
Number of shares		
Issued ordinary shares at 1 January	**4,271,752,636**	4,271,752,636
Effect of share repurchased	**(14,509,134)**	–
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**4,257,243,502**	4,271,752,636
Effect of dilutive potential ordinary shares arising from share options *(note a)*	**9,019,623**	–
Weighted average number of ordinary shares used in diluted earnings per share calculation	**4,266,263,125**	4,271,752,636

Note:

(a) For the year ended 31 December 2020, as the average market share price of the Company's shares during the period from the date of grant of the share options to 31 December 2020 was lower than the assumed exercise price, including the fair value of any services to be supplied to the Group in the future under the share option arrangement, accordingly, there would be no dilutive impact.

18. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and equipment HK$'000	Leasehold improvements HK$'000	Total HK$'000
Cost			
At 1 January 2020	2,005	7,113	9,118
Additions	365	–	365
Disposal of subsidiaries *(notes 46(a), 46(b))*	(1,170)	(4,441)	(5,611)
Exchange differences	61	165	226
At 31 December 2020 and 1 January 2021	1,261	2,837	4,098
Additions	2,082	527	2,609
Written off	(22)	–	(22)
Exchange differences	67	103	170
At 31 December 2021	3,388	3,467	6,855
Accumulated depreciation			
At 1 January 2020	1,503	5,555	7,058
Charge for the year	232	550	782
Disposal of subsidiaries *(notes 46(a), 46(b))*	(1,104)	(4,441)	(5,545)
Exchange differences	30	85	115
At 31 December 2020 and 1 January 2021	661	1,749	2,410
Charge for the year	330	710	1,040
Written off	(12)	–	(12)
Exchange differences	22	70	92
At 31 December 2021	1,001	2,529	3,530
Carrying amount			
At 31 December 2021	2,387	938	3,325
At 31 December 2020	600	1,088	1,688

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For the year ended 31 December 2021

19. LEASES AND RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	2021 HK$'000	2020 HK$'000
At 31 December:		
Right-of-use assets		
– Properties	**2,353**	5,118
Lease commitments of short-term leases	**12**	–
The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:		
– Less than 1 year	**690**	2,539
– Between 1 and 5 years	**1,175**	1,696
	1,865	4,235
Year ended 31 December:		
Depreciation charge of right-of-use assets		
– Properties	**2,506**	6,871
Interest on lease liabilities	**108**	693
Expenses related to short-term leases	**522**	341
Expenses related to leases of low-value assets that are not short-term leases	**–**	19
Total cash outflow for leases	**1,938**	7,074
Additions to right-of-use assets	**1,459**	2,204
COVID-19-related rent concessions	**21**	311

The Group leases various items of properties and other equipment. Lease agreements are typically made for fixed periods of 2 to 5 years (2020: 2 to 5 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, and the leased assets may not be used as security for borrowing purposes.

19. LEASES AND RIGHT-OF-USE ASSETS *(Continued)*

During the year ended 31 December 2021, the Group received rent concessions in the form of rent forgiveness from lessors during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19. The amounts of fixed lease payments for the year are summarised below:

	2021 ***HK$'000***	2020 *HK$'000*
Original fixed lease payments	**1,959**	7,385
COVID-19-related rent concessions	**(21)**	(311)
Total cash outflow for leases	**1,938**	7,074

20. INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES HELD FOR SALE

	Investment properties *HK$'000*	**Investment properties held for sale** *HK$'000*	**Total** *HK$'000*
At 1 January 2020	594,177	5,450	599,627
Disposal of a subsidiary *(note 46(b))*	(50,300)	–	(50,300)
Fair value losses	(16,869)	–	(16,869)
Exchange differences	32,677	336	33,013
At 31 December 2020 and 1 January 2021	**559,685**	**5,786**	**565,471**
Fair value gains	**15,190**	**–**	**15,190**
Exchange differences	**18,772**	**192**	**18,964**
At 31 December 2021	**593,647**	**5,978**	**599,625**

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20. INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES HELD FOR SALE

(Continued)

	2021 **HK$'000**	2020 HK$'000
Analysed as:		
Current assets *(note d)*	**5,978**	5,786
Non-current assets	**593,647**	559,685
	599,625	565,471

Notes:

(a) As at 31 December 2021, the investment properties and investment properties held for sale with the fair value of HK$599,625,000 (2020: HK$565,471,000) were situated in the PRC and were held under medium-term lease. As at 31 December 2021 and 2020, the fair value of the investment properties situated in the PRC was arrived at on the basis of a valuation carried out by Asia-Pacific Consulting and Appraisal Limited, an independent professional valuer. The fair values were determined by using the income approach – term and reversionary approach, in which fair value was estimated by taking into account the rental amount in existing agreements of the properties and the reversionary potentials of the tenancies.

(b) The Group leases out certain of its investment properties under operating leases. The lease terms are ranged from 1 to 12 years (2020: 1 to 12 years). All leases are on a fixed rental basis and do not include variable lease payments.

The minimum rent receivables under non-cancellable operating leases are as follows:

	2021 **HK$'000**	2020 HK$'000
Not later than one year	**20,583**	19,911
Later than one year and not later than two years	**17,197**	16,900
Later than two years and not later than three years	**16,530**	14,912
Later than three years and not later than four years	**15,962**	14,311
Later than four years and not later than five years	**15,190**	14,418
Later than five years	**42,683**	56,019
	128,145	136,471

(c) At 31 December 2021, the investment properties situated in the PRC with a carrying amount of HK$355,214,000 (2020: HK$338,680,000) were pledged as security for the banking facilities granted to the Group (note 38).

(d) As at 31 December 2021, the Group had entered into a sale and purchase agreement to sell an investment property with a carrying amount of HK$5,978,000 (2020: HK$5,786,000). Besides, the Group also received deposits of approximately HK$4,415,000 (2020: HK$4,274,000), and the amount received was recognised as accruals and other payables at the end of the reporting periods (note 36).

21. GOODWILL

	HK$'000
Cost	
At 1 January 2020	82,790
Disposal of subsidiaries *(note 46(a))*	(35,282)
At 31 December 2020, 1 January 2021 and 31 December 2021	47,508
Accumulated impairment losses	
At 1 January 2020	50,551
Disposal of subsidiaries *(note 46(a))*	(21,543)
At 31 December 2020, 1 January 2021 and 31 December 2021	29,008
Carrying amount	
At 31 December 2021	18,500
At 31 December 2020	18,500

Goodwill acquired in a business combination is allocated, at acquisition, to the CGU that are expected to benefit from that business combination. As at 31 December 2021 and 2020, the carrying amount of goodwill had been allocated to the CGU within the business segment of healthcare-related business in the PRC.

The recoverable amounts of the CGUs are determined on the basis of their value in use using discounted cash flow method, performed by an independent professional valuer who has staff members with appropriate experience and qualifications. The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and revenue during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on the long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and revenue are based on past practices and expectations of market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the Directors for the next five years with the residual period using the growth rate of 3% (2020: 3%). This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows from the Group's healthcare-related business is 21.94% (2020: 23.11%).

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22. OTHER INTANGIBLE ASSETS

	Customer relationship *HK$'000*	Computer systems *HK$'000*	Total *HK$'000*
Cost			
At 1 January 2020	1,108	845	1,953
Additions – acquired separately	–	52	52
Disposal of subsidiaries *(note 46(a))*	(1,108)	(771)	(1,879)
Exchange differences	–	71	71
At 31 December 2020 and 1 January 2021	–	197	197
Additions – acquired separately	–	35	35
Exchange differences	–	8	8
At 31 December 2021	–	240	240
Accumulated amortisation			
At 1 January 2020	795	789	1,584
Amortisation for the year	203	53	256
Disposal of subsidiaries *(note 46(a))*	(998)	(771)	(1,769)
Exchange differences	–	67	67
At 31 December 2020 and 1 January 2021	–	138	138
Amortisation for the year	–	30	30
Exchange differences	–	5	5
At 31 December 2021	–	173	173
Carrying amount			
At 31 December 2021	–	67	67
At 31 December 2020	–	59	59

23. SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2021 are as follows:

Name	Place of incorporation/ registration and business	Issued/ registered capital	Percentage of ownership interest/ voting power/ profit sharing		Principal activities
			Direct	Indirect	
Meilleure Hemp International Holdings Limited	BVI	USD50,000	100%	–	Investment holding
Meipro Biological Technology Company Limited	Hong Kong	HK$10,000,000	–	71%	Industrial hemp-related business
Mizuryu Bio-technology Co., Ltd.	Japan	JPY90,000,000	–	71%	Industrial hemp-related business
Base Affirm International Limited	BVI	USD1,000	–	100%	Investment holding
Meilleure Hemp Health Europe SA	Switzerland	CHF100,000	–	100%	Industrial hemp-related business
Green Gold Health SA	Switzerland	CHF100,000	–	100%	Industrial hemp-related business
Jiwa International Limited	Hong Kong	HK$1,000,000	–	100%	Provision of management service
Meilleure Hemp Holding Limited	Hong Kong	HK$1,000,000	–	100%	Investment holding
Shenzhen Ruima Technology Co., Ltd. (深圳瑞麻科技有限公司) [1,5]	PRC	RMB10,000,000	–	100%	Investment holding
Shenzhen Meilleure Health Technology Co., Ltd. (深圳市美瑞健康科技有限公司) [2,5]	PRC	RMB30,000,000	–	100%	Industrial hemp-related business
Shenzhen Jixiaojian Hanking Aesthetic Medical Clinic (深圳肌小簡漢京醫療美容診所) [2,4,5]	PRC	RMB5,000,000	–	100%	Aesthetic medical services

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23. SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and business	Issued/ registered capital	Percentage of ownership interest/ voting power/ profit sharing Direct	Indirect	Principal activities
Ruima Huanuo (Shenzhen) Management Co., Ltd. (瑞麻華諾(深圳)管理有限公司) [2,4,5]	PRC	RMB100,000	–	100%	Investment holding
Shenzhen Ruima Biotechnology Co., Ltd. (深圳市瑞麻生物科技有限公司) [2,3,5]	PRC	RMB1,000,000	–	100%	Industrial hemp-related business
Wuhu Ruima Tianyu Investment Co., Ltd. (蕪湖瑞麻天宇投資有限公司) [2,4,5]	PRC	RMB20,000,000	–	100%	Investment holding
Meilleure Group Development Company Ltd	BVI	USD1	100%	–	Investment holding
Meilleure Enterprise Development Company Limited	Hong Kong	HK$100	–	100%	Investment holding
Wuhu Meilleure Health Management Co., Ltd. (蕪湖美瑞健康管理有限公司) [1,5]	PRC	RMB150,000,000	–	100%	Property leasing, trading of construction materials and agency services
Meilleure Property Management and Consultancy Co. Limited	Hong Kong	HK$100	–	100%	Investment holding
Nanjing Tuoyu Property Management Co., Ltd. (南京拓宇置業管理有限公司) [1,5]	PRC	RMB2,000,000	–	100%	Agency services
U-Home International Enterprises Limited	BVI	USD1,000	100%	–	Investment holding
U-Home Oceania Pty Limited	Australia	AUD100	–	100%	Property development
Australia Hemp Health Pty Ltd	Australia	AUD100	–	100%	Industrial hemp-related business

23. SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and business	Issued/ registered capital	Percentage of ownership interest/ voting power/ profit sharing Direct	Indirect	Principal activities
Meilleure Group Health Service Company Limited	Hong Kong	HK$10,000,000	–	100%	Investment holding
Bairui (Shenzhen) Health Management Company Limited (柏瑞(深圳)健康管理有限公司) ("**Shenzhen Bairui**") [1,5]	PRC	RMB5,000,000	–	100%	Health management
Nanjing Bairui Medical Health Management Co., Ltd. (南京柏瑞醫療健康管理有限公司) [2,4,5]	PRC	RMB10,000,000	–	100%	Health management
Shenzhen Jibenfenxi Aesthetic Medical Clinic (深圳肌本分析醫療美容診所) (formerly known as Shenzhen Bairui Clinic (深圳柏瑞診所)) [2,5]	PRC	RMB10,000,000	–	80%	Health management and aesthetic medical services
Meilleure Health Investment Limited	Hong Kong	HK$10,000	–	100%	Investment holding
Wuhu Jinmeng Health Management Co., Ltd. (蕪湖金萌健康管理有限公司) [1,5]	PRC	HK$10,000,000	–	100%	Investment holding
Nanjing Mei Jia Rui Business Information Consulting Co., Ltd. (南京美加瑞商務信息諮詢有限公司) [2,5]	PRC	RMB8,000,000	–	100%	Property leasing and agency services
Wuhu Xiaozhou Investment Co., Ltd. (蕪湖曉舟投資有限公司) [2,5]	PRC	RMB1,000,000	–	100%	Investment holding
Meilleure Group Health Service Company Limited	BVI	USD1	100%	–	Investment holding
Meilleure Healthcare Company Limited	Hong Kong	HK$10,000	–	100%	Investment holding

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23. SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and business	Issued/ registered capital	Percentage of ownership interest/ voting power/ profit sharing		Principal activities
			Direct	Indirect	
Shenzhen Qianhai Meilleure Health Management Consulting Co., Ltd (深圳市前海美瑞健康管理諮詢有限公司) [1,5]	PRC	RMB20,000,000	–	100%	Health management

1 These are registered as wholly foreign-owned and limited liability companies under PRC law.

2 These are registered as limited liability companies under PRC law.

3 The subsidiary was established by the Group in 2020.

4 The subsidiaries were established by the Group in 2021.

5 English company names are translated for identification purposes only.

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.

None of the subsidiaries of the Group had any debt securities outstanding at the end of the reporting period or at any time during the year.

The Directors are of the opinion that none of the Group's subsidiaries that have non-controlling interests is material to the consolidated financial statements as a whole; therefore, the financial information in respect of those subsidiaries that have non-controlling interests are not presented.

24. INVESTMENTS IN ASSOCIATES

	2021 HK$'000	2020 HK$'000
Unlisted investments in PRC:		
Share of net assets	**38,582**	38,636
Goodwill	**13,637**	8,691
	52,219	47,327

Notes:

(a) During the year ended 31 December 2020, the Group disposed of 4.55% equity interest in Yunnan Hansu for cash consideration of RMB36,000,000 (equivalent to HK$39,876,000), resulting in a gain on partial disposal of investment in an associate in the amount of HK$31,713,000 (2021: Nil). After the disposal, the Group's equity interest in Yunnan Hansu was decreased from 25.55% to 21%. During the year ended 31 December 2021, the Group received RMB3,500,000 (equivalent to HK$4,224,000) (2020: RMB16,000,000 (equivalent to HK$17,723,000)). Pursuant to the relevant sale and purchase agreement amended by the first supplementary agreement dated 31 December 2020 and the second supplementary agreement dated 30 November 2021 entered into between the Group and the relevant purchaser (2020: the relevant sale and purchase agreement amended by the first supplementary agreement dated 31 December 2020), undiscounted cash consideration of RMB16,500,000 (equivalent to HK$20,244,000) as at 31 December 2021 shall be received by 11 instalments from 2022 to 2024 (2020: cash consideration of RMB2,000,000 (equivalent to HK$2,375,000) shall be received before 1 March 2021 and the remaining cash consideration of RMB18,000,000 (equivalent to HK$21,377,000) shall be received before 31 December 2021).

(b) During the year ended 31 December 2020, the Group subscribed the registered capital of RMB50,000 (equivalent to HK$55,000) in Mei Ai Kang that carried out R&D on applications of immune cells in treatments of acquired immune deficiency syndrome, representing 5% equity interest in Mei Ai Kang, with consideration of RMB50,000 (equivalent to HK$55,000). The Group, Mei Ai Kang and the controlling shareholder of Mei Ai Kang then entered into a capital injection agreement (the "**Capital Injection Agreement**") pursuant to which the Group shall inject RMB10,000,000 (equivalent to HK$11,077,000) in cash into Mei Ai Kang, of which RMB200,000 (equivalent to HK$222,000) would be contributed to the registered capital of Mei Ai Kang, and the remaining amount would be contributed to its capital reserve. In addition, the registered capital and capital reserve of Mei Ai Kang, subscribed by the Group enjoys liquidation preference. After the completion of the capital injection, the Group's equity interest in Mei Ai Kang increased from 5% to 20.83%. Pursuant to the Capital Injection Agreement, Mei Ai Kang also granted the Group the certain rights to subscribe equity interest of Mei Ai Kang, which resulted in the separate recognition of call options amounting to HK$487,000. Further details of the call options are included in note 27 to the consolidated financial statements.

(c) As at 31 December 2020, the Group held 13.81% equity interest of Shenzhen Gippro and this investment was recorded as equity investments at FVTOCI. During the year ended 31 December 2021, the Group appointed a representation on the board of directors of Shenzhen Gippro. With the Group's presence on the board of directors of Shenzhen Gippro and participation in the financial and operating policies of Shenzhen Gippro, the Directors considered that the Group could exercise significant influence over Shenzhen Gippro despite the fact that the interest held by the Group is below 20%. Accordingly, Shenzhen Gippro was accounted for as an associate since then. In April 2021, Shenzhen Gippro effected an increase in registered capital whereby a new investor injected additional capital to Shenzhen Gippro. As a result of such an increase in registered capital, the Group's equity interest in Shenzhen Gippro was diluted from 13.81% to 13.54%, and a dilution gain of HK$343,000 (2020: Nil) was recognised. Despite the dilution in equity interest, the Group was still able to exert significant influence over Shenzhen Gippro. Accordingly, the Group continues to account for such investment as an associate.

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24. INVESTMENTS IN ASSOCIATES *(Continued)*

The following table shows information of associates that are material to the Group. These associates are accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the associates.

Name	**Yunnan Hansu**		**Mei Ai Kang**	
	2021	2020	**2021**	2020
Principal place of business/country of incorporation	**PRC**		**PRC**	
Principal activities	**Hemp processing**		**Immune cells R&D**	
% of ownership interests/ voting rights held by the Group	**21%/ 21%**	21%/ 21%	**20.83%/ 20.83%**	20.83%/ 20.83%
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
At 31 December:				
Non-current assets	**9,894**	14,021	**2,065**	2,067
Current assets	**185,388**	175,231	**7,338**	9,245
Current liabilities	**(29,527)**	(16,338)	**(171)**	(159)
Net assets	**165,755**	172,914	**9,232**	11,153
Group's share of net assets	**34,809**	36,312	**1,923**	2,324
Goodwill	**–**	–	**8,979**	8,691
Group's share of carrying amount of interests	**34,809**	36,312	**10,902**	11,015
Year ended 31 December:				
Revenue	**13,435**	19,943	**–**	–
Loss for the year	**(12,672)**	(18,737)	**(2,254)**	(1,853)
Other comprehensive loss	**–**	–	**–**	–
Total comprehensive loss	**(12,672)**	(18,737)	**(2,254)**	(1,853)
Dividends received from associates	**–**	28,301	**–**	–

24. INVESTMENTS IN ASSOCIATES *(Continued)*

Name	Shenzhen Gippro
	2021
Principal place of business/country of incorporation	**PRC**
Principal activities	**Manufacturing and sales of electronic cigarettes and other nicotine-free atomised devices**
% of ownership interests/ voting rights held by the Group	**13.54%/ 13.54%**

	HK$'000
At 31 December:	
Non-current assets	**13,386**
Current assets	**24,017**
Non-current liabilities	**(3,037)**
Current liabilities	**(20,697)**
Net assets	**13,669**
Group's share of net assets	**1,850**
Goodwill	**4,658**
Group's share of carrying amount of interests	**6,508**
Period from 1 February 2021 (date of commencement equity method accounting) to 31 December 2021:	
Revenue	**58,518**
Loss for the period	**(9,163)**
Other comprehensive loss	**(22)**
Total comprehensive loss	**(9,185)**
Dividends received from associates	**–**

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24. INVESTMENTS IN ASSOCIATES *(Continued)*

Yunnan Hansu, Mei Ai Kang and Shenzhen Gippro are strategic investments of the Group, enabling the Group to establish its presence in the industrial hemp market; and immune cells R&D and related business, respectively.

As at 31 December 2021, the bank and cash balances of the Group's associates in the PRC denominated in RMB amounted to HK$1,440,000 (2020: HK$11,815,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

25. INVESTMENTS IN JOINT VENTURES

	2021 ***HK$'000***	2020 *HK$'000*
Unlisted investments in PRC:		
Share of net assets	**34,396**	21,341
Goodwill	**38,648**	47,823
	73,044	69,164

Note:

(a) In April 2021, Wingor Bio effected an increase in registered capital whereby a new investor injected additional capital to Wingor Bio. As a result of such an increase in registered capital, the Group's equity interest in Wingor Bio was diluted from 45% to 41.55%, and a dilution gain of HK$6,522,000 was recognised (2020: N/A).

In September 2021, the Group disposed of 5.155% equity interest in Wingor Bio to 2 buyers for cash considerations of RMB8,941,000 (equivalent to HK$10,792,000), resulting in a gain on partial disposals of investment in a joint venture of HK$1,508,000. After the disposals, the Group's equity interest in Wingor Bio was decreased from 41.55% to 36.40%. During the year ended 31 December 2021, the Group has received RMB3,000,000 (equivalent to HK$3,621,000), and the remaining balance shall be received in or before 2028 (2020: N/A).

In October and November 2021, Wingor Bio further effected two rounds of the registered capital increase, respectively, whereby two new investors further injected additional capital to Wingor Bio. As a result of such increases in registered capital, the Group's equity interest in Wingor Bio was diluted from 36.40% to 35.20%, and a dilution gain of HK$6,471,000 was recognised (2020: N/A).

Despite the disposals of equity interests and dilutions of shareholding in Wingor Bio held by the Group, the Group was still able to exert joint control over the financial and operating activities of Wingor Bio. Accordingly, the Group continues to account for such investment as a joint venture.

25. INVESTMENTS IN JOINT VENTURES *(Continued)*

The following tables show information of joint ventures that are material to the Group. These joint ventures are accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the joint ventures.

Name	**Wingor Bio**		**Meiray Vap**	
	2021	2020	**2021**	2020
Principal place of business/country of incorporation	**PRC**		**PRC**	
Principal activities	**Biological service and storage**		**Manufacturing of CBD atomisation products and other supplies**	
% of ownership interests/ voting rights held by the Group	**35.20%/ 35.20%**	45%/ 45%	**45%/ 45%**	45%/ 45%

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25. INVESTMENTS IN JOINT VENTURES *(Continued)*

Name	Wingor Bio		Meiray Vap	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
At 31 December:				
Non-current assets	**28,910**	30,017	**5,540**	6,829
Current assets	**76,103**	28,032	**8,201**	6,239
Non-current liabilities	**(9,812)**	(12,287)	**(1,420)**	(2,002)
Current liabilities	**(6,894)**	(6,918)	**(5,421)**	(2,919)
Net assets	**88,307**	38,844	**6,900**	8,147
Non-controlling interests	**584**	432	**–**	–
	88,891	39,276	**6,900**	8,147
Group's share of net assets	**31,291**	17,675	**3,105**	3,666
Goodwill	**38,648**	47,823	**–**	–
Group's share of carrying amount of interests	**69,939**	65,498	**3,105**	3,666
Cash and cash equivalents included in current assets	**6,346**	623	**265**	1,674
Current financial liabilities (excluding trade and other payables and provisions) included in current liabilities	**1,522**	2,648	**857**	831
Non-current financial liabilities (excluding trade and other payables and provisions) included in non-current liabilities	**8,303**	10,623	**1,391**	2,002

25. INVESTMENTS IN JOINT VENTURES *(Continued)*

Name	Wingor Bio		Meiray Vap	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
Year ended 31 December:				
Revenue	**21,664**	12,661	**21,721**	24,782
Depreciation and amortisation	**(6,848)**	(5,232)	**(783)**	(1,484)
Interest income	**13**	8	**3**	10
Interest expense	**(617)**	(427)	**(149)**	(129)
Income tax income/(expense)	**73**	530	**193**	(1,638)
(Loss)/profit for the year	**(6,000)**	(3,407)	**(8,647)**	3,412
Other comprehensive loss	**–**	–	**–**	–
Total comprehensive (loss)/income	**(6,000)**	(3,407)	**(8,647)**	3,412
Dividends received from joint ventures	**–**	–	**–**	–

Wingor Bio and Meiray Vap are strategic investments of the Group, enabling the Group to solidify its existing competitive position in the health management service field; and establish its presence in CBD atomisation related business, respectively.

As at 31 December 2021, the bank and cash balances of the Group's joint ventures in the PRC denominated in RMB amounted to HK$6,611,000 (2020: HK$2,297,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

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26. EQUITY INVESTMENTS AT FVTOCI

	2021 *HK$'000*	2020 *HK$'000*
Unlisted equity investments	–	28,572

The above investments amounting to HK$28,572,000 as at 31 December 2020 (2021: Nil) were intended to be held for the medium to long-term. Designation of these investments as equity investments at FVTOCI could avoid the volatility of the fair value changes of these investments to the profit or loss.

During the year ended 31 December 2021, the Group did not receive any dividends from its investments (2020: received dividends in the amounts of HK$346,000 from one of its investments).

During the year ended 31 December 2021, the Group disposed of one of the unlisted equity investments at FVTOCI at its fair value of HK$13,168,000 for raising working capital for the Group. The cumulative gain of the disposal of such investment amounted to HK$1,141,000 was transferred from the equity investment revaluation reserve to retained profits (2020: N/A).

As disclosed in note 24 to the consolidated financial statements, during the year ended 31 December 2021, one of the unlisted equity investments at FVTOCI became an associate of the Group as a result of obtaining significant influence over such investment. The cumulative loss on deemed disposal of previously held equity investment at FVTOCI of HK$17,233,000 has been transferred from the equity investment revaluation reserve to retained profits (2020: N/A).

27. DERIVATIVE FINANCIAL INSTRUMENTS

	Assets		Liabilities	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
Call options *(note a)*	**225**	243	**–**	–
Steel futures contracts *(note b)*	**–**	–	**(3)**	–
	225	243	**(3)**	–
Analysed as:				
Current potion	**–**	–	**(3)**	–
Non-current potion	**225**	243	**–**	–
	225	243	**(3)**	–

Notes:

(a) The balance represents the call option arising from a subscription of certain equity interest in Mei Ai Kang (note 24). Pursuant to the Capital Injection Agreement (amended by the supplementary agreement dated 28 December 2020 entered into between the Group, Mei Ai Kang and the controlling shareholder of Mei Ai Kang), Mei Ai Kang granted the Group the following rights:

1. right to inject not more than RMB10,000,000 into Mei Ai Kang upon the fulfilment of certain conditions, which resulted in the increase in the Group's equity interest in Mei Ai Kang to 30%; and

2. right to further inject RMB10,000,000 into Mei Ai Kang as the operation requires and the funding needs of Mei Ai Kang, which resulted in the further increase in the Group's equity interest in Mei Ai Kang to 37%.

The amount of derivative financial assets expected to be recovered after more than one year is HK$225,000 (2020: HK$243,000).

The derivative financial assets are not designated for hedge purposes and are measured at FVTPL. Fair value losses on derivative financial assets amounting to HK$26,000 (2020: HK$271,000) were charged to profit or loss during the year.

(b) Details of the above futures contracts are analysed as follows:

	At 31 December	
	2021	2020
Purchase contracts		
Volume (tonne)	**700**	–
Notional contract value (HK$'000)	**3,697**	–
Market value (HK$'000)	**3,694**	–
Fair value (HK$'000)	**(3)**	–
Contract maturity date	**16 May 2022**	N/A

During the year ended 31 December 2021, the Group entered into certain steel futures contracts to mitigate the risk associated with the prices of its steel sold (2020: N/A). Hedge accounting is not applied by the Group, and a gain of HK$210,000 (2020: N/A) arising on changes in fair value of derivatives was recognised in profit or loss.

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28. INVENTORIES

	2021 HK$'000	2020 HK$'000
Construction materials for sale	**9,586**	13,672
CBD downstream products for sales and other supplies	**866**	2,155
Medicines, consumables and other supplies for healthcare-related business	**972**	336
	11,424	16,163

29. PROPERTIES HELD FOR SALE UNDER DEVELOPMENT

	2021 HK$'000	2020 HK$'000
At 1 January	**245,344**	216,177
Capitalised expenditure	**27,147**	8,989
Exchange differences	**(13,427)**	20,178
At 31 December	**259,064**	245,344

According to the accounting policy of the Group, properties held for sale under development are classified as current assets as the construction period of the relevant property development project is expected to be completed in the normal operating cycle.

The carrying amount of properties held for sale under development of approximately HK$259,064,000 (2020: HK$245,344,000) as at 31 December 2021 is expected not to be realised within the next twelve months from the end of the reporting period.

30. TRADE RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables	**94,114**	65,477
Provision for loss allowance	**(2,534)**	(2,303)
	91,580	63,174

The Group generally allows a credit period of 0 to 180 days (2020: 0 to 180 days) to its customers in trading business and agency service business. Overdue balances are reviewed regularly by the management of the Group. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Included in the Group's trade receivables are amounts due from (i) fellow subsidiaries of the Group and (ii) companies owned and controlled by certain Directors of HK$4,008,000 (2020: amounts due from fellow subsidiaries of the Group of HK$2,168,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

30. TRADE RECEIVABLES *(Continued)*

The ageing analysis of the trade receivables, based on the invoice date, and net of allowance, is as follows:

	2021 HK$'000	2020 HK$'000
0 to 30 days	**11,194**	31,376
31 to 90 days	**15,555**	17,908
Over 90 days	**64,831**	13,890
	91,580	63,174

Reconciliation of loss allowance for trade receivables:

	2021 HK$'000	2020 HK$'000
At 1 January	**2,303**	5,702
Increase in loss allowance for the year	**919**	173
Disposal of subsidiaries	**–**	(3,691)
Amounts written off	**(734)**	–
Exchange differences	**46**	119
At 31 December	**2,534**	2,303

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward-looking information.

		Past due			
	Current	Less than 30 days	30 to 90 days	Over 90 days	Total
At 31 December 2021					
Weighted average expected loss rate	**1.00%**	**2.11%**	**2.11%**	**54.78%**	**2.69%**
Receivable amount *(HK$'000)*	**77,943**	**5,971**	**7,520**	**2,680**	**94,114**
Loss allowance *(HK$'000)*	**781**	**126**	**159**	**1,468**	**2,534**
At 31 December 2020					
Weighted average expected loss rate	0.72%	1.39%	–	98.71%	3.52%
Receivable amount *(HK$'000)*	63,396	216	–	1,865	65,477
Loss allowance *(HK$'000)*	459	3	–	1,841	2,303

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31. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 **HK$'000**	2020 HK$'000
Prepayments	**76,275**	20,446
Consideration receivables in relation to:		
– Partial disposal of investment in an associate *(note a)*	**19,556**	23,752
– Partial disposal of investment in a joint venture *(note b)*	**6,652**	–
– Redemption of unlisted fund investment *(note c)*	**–**	212,011
– Disposals of subsidiaries *(note d)*	**–**	58,840
Bid bond receivable	**24,538**	–
Performance bond receivable *(note e)*	**17,177**	23,752
Other tax receivables	**4,469**	7,298
Deposits paid for acquisition of property, plant and equipment	**3,936**	–
Other receivables	**1,067**	2,573
Deposits paid	**321**	143
	153,991	348,815
Provision for loss allowance *(note f)*	**(4,557)**	(383)
	149,434	348,432
Analysed as:		
Current assets	**126,553**	348,432
Non-current assets	**22,881**	–
	149,434	348,432

Notes:

(a) The amount represented the consideration receivable in relation to the partial disposal of investment in Yunnan Hansu during the year ended 31 December 2020. Pursuant to the relevant sale and purchase agreement amended by the first supplementary agreement dated 31 December 2020 and the second supplementary agreement dated 30 November 2021 entered into between the Group and the relevant purchaser (2020: the relevant sale and purchase agreement amended by the first supplementary agreement dated 31 December 2020 entered into between the Group and the relevant purchaser), undiscounted consideration receivable of RMB16,500,000 (equivalent to HK$20,244,000) as at 31 December 2021 shall be received by 11 instalments from 2022 to 2024 (2020: consideration receivable of RMB2,000,000 (equivalent to HK$2,375,000) shall be received before 1 March 2021 and the remaining consideration receivable of RMB18,000,000 (equivalent to HK$21,377,000) shall be received before 31 December 2021). Details of the partial disposal of investment in Yunnan Hansu are set out in note 24 to the consolidated financial statements.

(b) The amount represented the consideration receivable in relation to the partial disposal of investment in Wingor Bio during the year ended 31 December 2021. Pursuant to the relevant sale and purchase agreement, the cash consideration shall be received in or before 2028. Details of the partial disposal of investment in Wingor Bio are set out in note 25 to the consolidated financial statements.

(c) The amount as at 31 December 2020 represented consideration receivable in relation to the redemption of the unlisted fund investment classified as investments at FVTPL, which was fully received in January 2021.

31. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Notes: (Continued)

(d) Consideration receivable of HK$43,840,000 as at 31 December 2020 represented consideration receivable in relation to the disposal of the entire share capital of Tech-Medi Development Limited ("**Tech-Medi**") (the "**Disposal of Tech- Medi**"), which was fully received in June and December 2021. Details of the Disposal of Tech-Medi are set out in note 46(b) to the consolidated financial statements.

The remaining consideration receivable of HK$15,000,000 as at 31 December 2020 represented consideration receivable in relation to the disposal of 60% of the share capital of La Clinique De Paris International Limited ("**LCDPI**") (the "**Disposal of LCDPI**"), which was fully received in January 2021. Details of the Disposal of LCDPI are set out in note 46(a) to the consolidated financial statements.

(e) The amount represented performance bond receivable from an associate of a fellow subsidiary of the Group.

(f) The movements in the loss allowance for other receivables during the year are as follows:

	2021 **HK$'000**	2020 *HK$'000*
At 1 January	**383**	–
Increase in loss allowance for the year	**4,094**	371
Exchange differences	**80**	12
At 31 December	**4,557**	383

32. INVESTMENTS AT FVTPL

	2021 **HK$'000**	2020 *HK$'000*
Investments in financial products *(note a)*	**107,795**	47,813
Equity investment listed in PRC	**52,180**	–
Unlisted equity investments	**29,508**	–
	189,483	47,813
Analysed as:		
Current assets	**107,795**	47,813
Non-current assets	**81,688**	–
	189,483	47,813

Note:

(a) The above investments were mandatorily classified as financial assets at FVTPL as their contractual cash flows are not SPPI.

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33. RESTRICTED DEPOSIT AND BANK AND CASH BALANCES

The Group's restricted deposit amounted to HK$369,000 (2020: Nil) as at 31 December 2021 represented a deposit placed with a financial institution to secure the margin accounts of the Group for trading steel futures in the relevant financial institution. The deposit was denominated in RMB and therefore was subject to foreign currency risk.

As at 31 December 2021, the aggregated amount of restricted deposit and bank and cash balances (2020: bank and cash balances) of the Group denominated in RMB amounted to HK$39,180,000 (2020: HK$179,034,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

34. TRADE PAYABLES

The ageing analysis of trade payables, based on the invoice date, is as follows:

	2021 ***HK$'000***	2020 *HK$'000*
0 to 90 days	**40**	1,675
Over 90 days	**47**	5
	87	1,680

35. CONTRACT LIABILITIES

Disclosures of revenue-related items:

	As at 31 December 2021 ***HK$'000***	As at 31 December 2020 *HK$'000*	As at 1 January 2020 *HK$'000*
Contract liabilities – Healthcare management services	**2,946**	2,964	16,132
Contract liabilities – Aesthetic medical services	**1,277**	524	–
Contract liabilities – Sales of CBD downstream products	**80**	12,326	–
Total contract liabilities	**4,303**	15,814	16,132
Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:			
– 2021	**–**	15,814	
– 2022	**4,303**	–	
	4,303	15,814	

35. CONTRACT LIABILITIES *(Continued)*

	2021 HK$'000	2020 HK$'000
Year ended 31 December		
Revenue recognised in the year that was included in contract liabilities at beginning of year	**15,814**	16,132

Significant changes in contract liabilities during the year:

	2021 HK$'000	2020 HK$'000
(Decrease)/increase due to operations in the year	**(11,838)**	7,619
Decrease due to disposal of subsidiaries *(note 46(a))*	**–**	(8,686)

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

Included in the Group's contract liabilities balance are aggregate amount of HK$280,000 (2020: HK$812,000) received from related parties, which are (i) a company owned and controlled by one of the Directors; (ii) one of the members of key management personnel of the Group; and (iii) a close family member of one of the Directors (2020: (i) fellow subsidiaries of the Group; (ii) an associate of a fellow subsidiary of the Group; and (iii) certain members of key management personnel of the Group (including one of the Directors)).

36. ACCRUALS AND OTHER PAYABLES

	2021 HK$'000	2020 HK$'000
Other tax payables	**7,232**	5,596
Rental deposits received	**7,071**	6,898
Deposit received for disposal of investment property held for sale	**4,415**	4,274
Accruals and other payables	**3,641**	3,053
Rental income received in advance	**3,095**	3,225
Construction cost payable	**2,107**	–
Payroll payables	**1,918**	1,734
Construction retention payables	**1,407**	–
Deposit received for disposal of an unlisted investment	**–**	13,087
	30,886	37,867
Analysed as:		
Current liabilities	**24,507**	31,929
Non-current liabilities	**6,379**	5,938
	30,886	37,867

37. AMOUNTS DUE TO RELATED PARTIES

The balances are unsecured, interest-free and have no fixed terms of repayable.

38. BANK BORROWINGS

	2021	2020
	HK$'000	*HK$'000*
Secured bank loans	**168,699**	150,825
The carrying amounts of bank loans are repayable*:		
Within one year	**58,337**	30,575
In the second year	**21,106**	19,629
In the third to fifth years, inclusive	**57,420**	54,837
Beyond five years	**31,836**	45,784
	168,699	150,825
Less: Amounts due within one year shown under current liabilities	**(58,337)**	(30,575)
Amounts shown under non-current liabilities	**110,362**	120,250

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

As at 31 December 2021, certain of the Group's bank loans were secured by:

(a) the Group's investment properties situated in the PRC with a carrying amount of HK$355,214,000 (2020: HK$338,680,000) (note 20);

(b) a personal guarantee provided by Mr. Zhou Xuzhou (2020: a personal guarantee provided by Mr. Zhou Xuzhou) (note 48(b)(i)); and

(c) none of the properties owned by a fellow subsidiary of the Group (2020: certain properties owned by a fellow subsidiary of the Group) (note 48(b)(i)).

38. BANK BORROWINGS *(Continued)*

Secured bank loans comprise:

	2021 HK$'000	2020 HK$'000
Fixed-rate borrowings:		
RMB bank loan at 6% p.a.[1]	**36,807**	–
RMB bank loan at 6.09% p.a.[2]	**–**	10,688
Floating-rate borrowings:		
RMB bank loan at 22.449% higher than the benchmark interest rate for RMB loans for more than five years published by People's Bank of China for the same period[3, 4]	**131,892**	140,137
	168,699	150,825

1 Repayable in full in 2022.
2 Repayable in full in 2021.
3 Repayable by instalments commencing in 2019 to 2029.
4 The interest rate will be reset every month.

39. LEASE LIABILITIES

	Lease payments		Present value of lease payments	
	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000
Within one year	**690**	2,539	**672**	2,474
In the second year	**661**	1,158	**603**	1,068
In the third to fifth years, inclusive	**514**	538	**445**	470
	1,865	4,235		
Less: Future finance charges	**(145)**	(223)		
Present value of lease liabilities	**1,720**	4,012	**1,720**	4,012
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(672)**	(2,474)
Amount due for settlement after 12 months			**1,048**	1,538

As at 31 December 2021, the average effective borrowing rate ranged from 2% to 6% (2020: from 2% to 6%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

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40. DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Group.

	Fair value change of financial instruments HK$'000	Fair value change of investment properties HK$'000	Fair value adjustment on intangible assets HK$'000	Withholding tax HK$'000	Impairment of assets HK$'000	Unrealised revenue received in advance HK$'000	Accrued expense HK$'000	Depreciation charge of right-of-use assets HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2020	–	55,334	51	1,481	(1,182)	(532)	(341)	–	(1,317)	53,494
Charge/(credit) to profit or loss for the year *(note 11)*										
– origination and reversal of temporary differences	–	2,574	(33)	–	886	547	351	–	(10,349)	(6,024)
Disposal of subsidiaries *(note 46(a))*	–	–	(18)	–	213	–	–	–	–	195
Exchange differences	–	3,494	–	91	(32)	(15)	(10)	–	(544)	2,984
At 31 December 2020 and 1 January 2021	**-**	**61,402**	**-**	**1,572**	**(115)**	**-**	**-**	**-**	**(12,210)**	**50,649**
Charge/(credit) to profit or loss for the year *(note 11)*										
– origination and reversal of temporary differences	**4,222**	**8,214**	**-**	**-**	**(462)**	**-**	**-**	**(35)**	**(1,205)**	**10,734**
Exchange differences	**69**	**2,168**	**-**	**52**	**(11)**	**-**	**-**	**-**	**662**	**2,940**
At 31 December 2021	**4,291**	**71,784**	**-**	**1,624**	**(588)**	**-**	**-**	**(35)**	**(12,753)**	**64,323**

The following is the analysis of the deferred tax balances for the consolidated statement of financial position purposes:

	2021 *HK$'000*	2020 *HK$'000*
Deferred tax liabilities	**77,700**	62,974
Deferred tax assets	**(13,377)**	(12,325)
	64,323	50,649

At the end of the reporting period, the Group has unused tax losses of HK$72,579,000 (2020: HK$60,034,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$42,538,000 (2020: HK$40,700,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$30,041,000 (2020: HK$19,334,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are (i) losses arising in the PRC and Switzerland of HK$8,082,000 (2020: HK$7,399,000) that will expire within 5 years; and (ii) losses arising in Japan of HK$2,270,000 (2020: HK$2,726,000) that will expire within 7 years. Other tax losses may be carried forward indefinitely.

40. DEFERRED TAX *(Continued)*

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 the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008. As at 31 December 2021, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is HK$36,232,000 (2020: HK$29,609,000). No liability has been recognised in respect of these differences because the Group controls the dividend policy of these subsidiaries, and it has been determined that no dividend will be distributed by these subsidiaries in the foreseeable future.

41. SHARE CAPITAL

	Number of shares	**Amount** *HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	10,000,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 January 2020, 31 December 2020 and 1 January 2021	4,271,752,636	42,718
Cancellation of shares *(note 42)*	(57,666,000)	(577)
At 31 December 2021	4,214,086,636	42,141

42. TREASURY SHARES

	Number of shares	**Amount** *HK$'000*
At 1 January 2020, 31 December 2020 and 1 January 2021	–	–
Repurchase of shares *(note a)*	91,350,000	40,678
Cancellation of shares *(note a)*	(57,666,000)	(25,469)
At 31 December 2021	33,684,000	15,209

Note:

(a) During the year ended 31 December 2021, the Group repurchased a total of 91,350,000 ordinary shares listed on the Stock Exchange. The total amount paid to repurchase these ordinary shares was approximately HK$40,678,000. As of 31 December 2021, 57,666,000 shares repurchased during the current reporting period had been cancelled. Upon the cancellation of the 57,666,000 ordinary shares repurchased, the issued share capital of the Company was reduced by the par value of approximately HK$577,000, and the premium paid on the repurchase of these cancelled shares of HK$24,892,000, including transaction costs, was deducted from share premium of the Company.

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43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2021 HK$'000	2020 HK$'000
Non-current assets			
Investments in subsidiaries		**86,158**	85,096
		86,158	85,096
Current assets			
Prepayments, deposits and other receivables		**365**	212,376
Amounts due from subsidiaries		**1,083,127**	902,932
Bank and cash balances		**47,413**	36,080
		1,130,905	1,151,388
Current liabilities			
Accruals and other payables		**2,619**	2,514
Amounts due to subsidiaries		**196,389**	195,822
		199,008	198,336
Net current assets		**931,897**	953,052
NET ASSETS		**1,018,055**	1,038,148
Equity			
Share capital	*41*	**42,141**	42,718
Treasury shares	*42*	**(15,209)**	–
Reserves	*44(b)*	**991,123**	995,430
TOTAL EQUITY		**1,018,055**	1,038,148

44. RESERVES

(a) Nature and purpose of reserves of the Group

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 on page 108 of the consolidated financial statements.

(i) Share premium

This represents the premium arising from the issue of shares at a price in excess of their par value per share, less expense incurred in connection with the issue of shares.

(ii) Contributed surplus

The contributed surplus of the Group consists of:

– Pursuant to the corporate reorganisation of the Group during the period from 2002 to 2003 (the "**Reorganisation**"), the Company became the holding company of the Group on 24 September 2003. The excess of the consolidated net assets represented by the shares acquired over the nominal value of the shares issued by the Company in the exchange under the Reorganisation was transferred to contributed surplus.

– In the AGM held on 24 May 2017, shareholders duly passed a special resolution to adopt a share premium reduction. Accordingly, the share premium of HK$408,621,000 was credited to the contributed surplus.

According to Bermuda law, the Company can make a distribution out of the contributed surplus, provided that the Company is, or would after the payment be, able to pay its liabilities as they become due, or the realisable value of the Company's assets exceeds the aggregate of its liabilities and its issued share capital and share premium accounts.

(iii) Share-based payment reserve

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees and consultants of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 3(aa) to the consolidated financial statements.

(iv) Statutory surplus reserve

In accordance with the Company Law of the PRC, certain subsidiaries of the Group, which are domestic enterprises, are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserves may be converted to increase the share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

44. RESERVES *(Continued)*

(a) Nature and purpose of reserves of the Group *(Continued)*

(v) Equity investment revaluation reserve

The equity investment revaluation reserve comprises the cumulative net change in the fair value of equity investments at FVTOCI held at the end of the reporting period and is dealt with in accordance with the accounting policy in note 3(o)(ii) to the consolidated financial statements. During the year ended 31 December 2021, the equity investments were disposed or deemed disposed. Accordingly, the equity investment revaluation reserve of HK$16,092,000 (2020: Nil) was transferred to retained profits directly.

(vi) Property revaluation reserve

This represents fair value adjustment upon transfer of owner-occupied property to investment property in 2012. During the year ended 31 December 2020, the investment property was disposed upon the Disposal of Tech-Medi as disclosed in note 46(b) to the consolidated financial statements. Accordingly, the asset valuation reserve of HK$22,353,000 (2021: Nil) was transferred to retained profits directly.

(vii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 3(e)(iii) to the consolidated financial statements.

(viii) Other reserve

This represents the share of reserves of an associate and a joint venture of the Group. The reserve is dealt with in accordance with the accounting policies set out in notes 3(c) and 3(d) to the consolidated financial statements.

44. RESERVES *(Continued)*

(b) Reserves of the Company

	Share premium account	Contributed surplus account	Share-based payment reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2020	648,489	490,801	–	(204,292)	934,998
Total comprehensive income for the year	–	–	–	56,153	56,153
Recognition of equity-settled share-based payments	–	–	4,279	–	4,279
At 31 December 2020	648,489	490,801	4,279	(148,139)	995,430
At 1 January 2021	**648,489**	**490,801**	**4,279**	**(148,139)**	**995,430**
Total comprehensive income for the year	**–**	**–**	**–**	**18,554**	**18,554**
Cancellation of shares	**(24,892)**	**–**	**–**	**–**	**(24,892)**
Recognition of equity-settled share-based payments	**–**	**–**	**2,031**	**–**	**2,031**
At 31 December 2021	**623,597**	**490,801**	**6,310**	**(129,585)**	**991,123**

45. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The 2019 Share Option Scheme was adopted pursuant to a resolution passed on 20 June 2019, which will expire on 19 June 2029, for the primary purpose of providing incentives to employees, executives, officers or directors of the Group, its invested entities and substantial shareholders; and advisors, consultants, agents, suppliers, customers, distributors, contractors, business partners and joint venture partners of the Group (collectively the "**Eligible Participants**").

The maximum number of shares which may be issued upon exercise of all outstanding share options to be granted and yet to be exercised under the 2019 Share Option Scheme and other schemes of the Company at any time shall not exceed 30% of the total number of the shares of the Company in issue from time to time. The total number of shares issued and may fall to be issued upon exercise of the share options granted under the 2019 Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to and including the date of grant shall not exceed 1% of the shares of the Company in issue as at the date of grant. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a GM.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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45. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

Any grant of share options to a director, chief executive or substantial shareholder of the Company or any of their respective associates is required to be approved by the Independent Non-Executive Directors (excluding any Independent Non-Executive Director who is the grantee of the share options). In addition, any share options granted to a substantial shareholder of the Company or any Independent Non-Executive Directors, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a GM.

The offer of a grant of share options may be accepted within 30 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. A share option may be exercised in accordance with the terms of the 2019 Share Option Scheme at any time after the date upon which the share option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which a share option may be exercised will be determined by the Board in its absolute discretion, save that no share option may be exercised more than 10 years after it has been granted and accepted.

The exercise price in relation to each share option offered to an Eligible Participant shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

(i) the official closing price of the Company's shares as stated in the daily quotation sheets of the Stock Exchange on the date of the grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the official closing price of the Company's shares as stated in the daily quotation sheets of the Stock Exchange for the 5 business days immediately preceding the date of grant; and

(iii) the nominal value of the Company's share.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

45. SHARE-BASED PAYMENTS *(Continued)*

Details of the movements of share options outstanding during the year are as follows:

Category of participants	Date of grant *(note a)*	Exercise period	Exercise price *HK$*	Number of share options: Outstanding as at 1/1/2021	Forfeited during the year	Transfer from employees to others during the year	Outstanding as at 31/12/2021
Directors	12.5.2020 *(note b)*	12.5.2021 – 11.5.2030 *(note d)*	**0.33**	**10,002,000**	**–**	**–**	**10,002,000**
	24.6.2020 *(note c)*	24.6.2021 – 23.6.2030 *(note e)*	**0.33**	**18,000,000**	**–**	**–**	**18,000,000**
Employees	12.5.2020 *(note b)*	12.5.2021 – 11.5.2030 *(note d)*	**0.33**	**4,008,000**	**(501,000)**	**–**	**3,507,000**
	12.5.2020 *(note b)*	12.5.2022 – 11.5.2030 *(note f)*	**0.33**	**3,000,000**	**–**	**–**	**3,000,000**
	12.5.2020 *(note b)*	12.5.2022 – 11.5.2030 *(note g)*	**0.33**	**2,004,000**	**–**	**–**	**2,004,000**
	12.5.2020 *(note b)*	12.5.2021 – 11.5.2030 *(note h)*	**0.33**	**11,238,000**	**(708,000)**	**(4,002,000)**	**6,528,000**
	12.5.2020 *(note b)*	12.5.2022 – 11.5.2030 *(note i)*	**0.33**	**2,820,000**	**(504,000)**	**(300,000)**	**2,016,000**
	12.5.2020 *(note b)*	12.5.2020 – 11.5.2030 *(note j)*	**0.33**	**996,000**	**–**	**–**	**996,000**
Others	12.5.2020 *(note b)*	12.5.2021 – 11.5.2030 *(note d)*	**0.33**	**5,004,000**	**–**	**–**	**5,004,000**
	12.5.2020 *(note b)*	12.5.2022 – 11.5.2030 *(note f)*	**0.33**	**1,998,000**	**–**	**–**	**1,998,000**
	12.5.2020 *(note b)*	12.5.2021 – 11.5.2030 *(note h)*	**0.33**	**13,056,000**	**(10,780,500)**	**4,002,000**	**6,277,500**
	12.5.2020 *(note b)*	12.5.2022 – 11.5.2030 *(note i)*	**0.33**	**504,000**	**–**	**300,000**	**804,000**
	12.5.2020 *(note b)*	12.5.2020 – 11.5.2030 *(note j)*	**0.33**	**6,006,000**	**–**	**–**	**6,006,000**
Total for Scheme				**78,636,000**	**(12,493,500)**	**–**	**66,142,500**
Exercisable at the end of the year				**–**			**15,394,500**
Weighted average exercise price *(HK$)*				**0.33**	**0.33**	**0.33**	**0.33**

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45. SHARE-BASED PAYMENTS *(Continued)*

Details of the movements of share options outstanding during the prior year are as follows:

Category of participants	Date of grant *(note a)*	Exercise period	Exercise price *HK$*	Outstanding as at 1/1/2020	Granted during the year	Forfeited during the year	Outstanding as at 31/12/2020
				Number of share options			
Directors	12.5.2020 *(note b)*	12.5.2021 – 11.5.2030 *(note d)*	0.33	–	10,002,000	–	10,002,000
	24.6.2020 *(note c)*	24.6.2021 – 23.6.2030 *(note e)*	0.33	–	18,000,000	–	18,000,000
Employees	12.5.2020 *(note b)*	12.5.2021 – 11.5.2030 *(note d)*	0.33	–	4,008,000	–	4,008,000
	12.5.2020 *(note b)*	12.5.2022 – 11.5.2030 *(note f)*	0.33	–	3,000,000	–	3,000,000
	12.5.2020 *(note b)*	12.5.2022 – 11.5.2030 *(note g)*	0.33	–	2,004,000	–	2,004,000
	12.5.2020 *(note b)*	12.5.2021 – 11.5.2030 *(note h)*	0.33	–	11,646,000	(408,000)	11,238,000
	12.5.2020 *(note b)*	12.5.2022 – 11.5.2030 *(note i)*	0.33	–	3,024,000	(204,000)	2,820,000
	12.5.2020 *(note b)*	12.5.2020 – 11.5.2030 *(note j)*	0.33	–	996,000	–	996,000
Others	12.5.2020 *(note b)*	12.5.2021 – 11.5.2030 *(note d)*	0.33	–	5,004,000	–	5,004,000
	12.5.2020 *(note b)*	12.5.2022 – 11.5.2030 *(note f)*	0.33	–	1,998,000	–	1,998,000
	12.5.2020 *(note b)*	12.5.2021 – 11.5.2030 *(note h)*	0.33	–	13,056,000	–	13,056,000
	12.5.2020 *(note b)*	12.5.2022 – 11.5.2030 *(note i)*	0.33	–	504,000	–	504,000
	12.5.2020 *(note b)*	12.5.2020 – 11.5.2030 *(note j)*	0.33	–	6,006,000	–	6,006,000
Total for Scheme				–	79,248,000	(612,000)	78,636,000
Exercisable at the end of the year				–			–
Weighted average exercise price *(HK$)*				–	0.33	0.33	0.33

Notes:

(a) The vesting period of the share options is from the date of grant until the commencement of the exercise period.

(b) On 12 May 2020, the Company granted 61,248,000 share options to certain Eligible Participants pursuant to the 2019 Share Option Scheme. Further details are set out in the announcement of the Company dated 12 May 2020 and the circular of the Company dated 3 June 2020.

(c) On 12 May 2020, the Company proposed to grant 18,000,000 share options to Ms. Zhou Wen Chuan pursuant to the 2019 Share Option Scheme. At the 2020 SGM, the resolution in respect of approving the proposed grant of share options to Ms. Zhou Wen Chuan was duly passed by the independent shareholders of the Company by way of poll. Further details are set out in the announcements of the Company dated 12 May 2020 and 24 June 2020 and the circular of the Company dated 3 June 2020.

45. SHARE-BASED PAYMENTS *(Continued)*

Notes: (Continued)

(d) Subject to the fulfilment of certain annual performance targets as determined by the Board, the share option granted shall be vested during the relevant periods in 4 tranches: (i) 25% of which shall be vested after 12 months of the Date of Acceptance; (ii) another 25% of which shall be vested after 24 months of the Date of Acceptance; (iii) another 25% of which shall be vested after 36 months of the Date of Acceptance; and (iv) the remaining 25% of which shall be vested after 48 months of the Date of Acceptance.

(e) Subject to the fulfilment of certain annual performance targets as determined by the Board, the share option granted shall be vested during the relevant periods in 4 tranches: (i) 25% of which shall be vested after 12 months of the date of 2020 SGM; (ii) another 25% of which shall be vested after 24 months of the date of 2020 SGM; (iii) another 25% of which shall be vested after 36 months of the date of 2020 SGM; and (iv) the remaining 25% of which shall be vested after 48 months of the date of 2020 SGM.

(f) Subject to the fulfilment of certain annual performance targets as determined by the Board, the share option granted shall be vested during the relevant periods in 3 tranches: (i) one-third of which shall be vested after 24 months of the Date of Acceptance; (ii) another one-third of which shall be vested after 36 months of the Date of Acceptance; and (iii) the remaining one-third of which shall be vested after 48 months of the Date of Acceptance.

(g) Subject to the fulfilment of certain annual performance targets as determined by the Board, the share option granted shall be vested during the relevant periods in 4 tranches: (i) 25% of which shall be vested after 24 months of the Date of Acceptance; (ii) another 25% of which shall be vested after 36 months of the Date of Acceptance; (iii) another 25% of which shall be vested after 48 months of the Date of Acceptance; and (iv) the remaining 25% of which shall be vested after 60 months of the Date of Acceptance.

(h) The share option granted shall be vested during the relevant periods in 4 tranches: (i) 25% of which shall be vested after 12 months of the Date of Acceptance; (ii) another 25% of which shall be vested after 24 months of the Date of Acceptance; (iii) another 25% of which shall be vested after 36 months of the Date of Acceptance; and (iv) the remaining 25% of which shall be vested after 48 months of the Date of Acceptance.

(i) The share option granted shall be vested during the relevant periods in 4 tranches: (i) 25% of which shall be vested after 24 months of the Date of Acceptance; (ii) another 25% of which shall be vested after 36 months of the Date of Acceptance; (iii) another 25% of which shall be vested after 48 months of the Date of Acceptance; and (iv) the remaining 25% of which shall be vested after 60 months of the Date of Acceptance.

(j) The share option granted shall be vested immediately upon the fulfilment of certain vesting conditions, including the achievement of certain R&D milestones for certain pharmaceutical products, completion of designated tasks and satisfactory business performance of the relevant entities (subject to the Board's opinion).

No options were exercised or expired during the year ended 31 December 2020 and 2021. During the year ended 31 December 2020, 61,248,000 share options and 18,000,000 share options were granted on 12 May 2020 and 24 June 2020, respectively. The estimated fair values of the options on those dates are HK$10,696,000 and HK$3,505,000, respectively (2021: N/A).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

45. SHARE-BASED PAYMENTS *(Continued)*

These fair values were calculated using the Binomial model. The inputs into the model are as follows:

Grant date	12 May 2020	24 June 2020
Share price on grant date	HK$0.33	HK$0.33
Exercise price	HK$0.33	HK$0.33
Expected life	10 years	10 years
Expected volatility	58.66%	58.74%
Expected dividend yield	Nil	Nil
Annual risk-free interest rate	0.66%	0.70%
Suboptimal factor	2.2 to 2.8	2.8
Expected post-vesting forfeiture rate	0% to 8.57%	0%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 10 years. The expected life used in the model has been adjusted, based on the Group's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

Share options granted to consultants were incentives for their contributions or potential contributions to the Group so as to motivate them to optimise their performance efficiency for the benefit of the Group. The fair value of such benefit could not be estimated reliably, and as a result, the fair value is measured by reference to the fair value of share options granted.

46. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Disposal of subsidiaries and purchase of non-controlling interests

On 14 December 2020, (i) Meilleure Group Health Service Company Limited ("**Meilleure Group Health**") an indirect wholly-owned subsidiary of the Company; (ii) Taiyue Inc., ("**Taiyue**") a non-controlling shareholder of LCDPI, which was then an indirect non-wholly owned subsidiary of the Company; and (iii) La Clinique de Paris Health Group Limited ("**LCDP Health Group**"), an indirect wholly-owned subsidiary of LCDPI, entered into the sale and purchase agreement, pursuant to which (i) Meilleure Group Health agreed to sell and Taiyue agreed to acquire 60% of the issued share capital of LCDPI at an aggregate consideration of HK$25,200,000; and (ii) LCDP Health Group agreed to sell and Meilleure Group Health agreed to acquire the entire equity interest of Shenzhen Bairui, which was then an indirect non-wholly owned subsidiary of the Company, at an aggregate consideration of HK$7,200,000.

In addition, Meilleure Group Health, Taiyue and LCDP Health Group agreed that the consideration of HK$7,200,000 payable to LCDP Health Group by Meilleure Group Health in relation to the Acquisition of Shenzhen Bairui was set off against the consideration receivable from Meilleure Group Health to Taiyue in relation of the Disposal of LCDPI.

After the completion of the Disposal of LCDPI, the Group obtained cash consideration of HK$18,000,000 and non-controlling interests of Shenzhen Bairui and its subsidiary from the non-controlling shareholders of LCDPI, which constituted an addition of 40% and 32% effective ownership interests of Shenzhen Bairui and its subsidiary held by the Group respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

(a) Disposal of subsidiaries and purchase of non-controlling interests *(Continued)*

Net assets of LCDPI and its subsidiaries disposed at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	9
Right-of-use assets	8,833
Goodwill	13,739
Other intangible assets	110
Equity investments at FVTOCI	167
Deferred tax assets	213
Trade receivables	3,821
Prepayments, deposits and other receivables	9,962
Bank and cash balances	7,788
Trade payables	(228)
Contract liabilities	(8,686)
Accruals and other payables	(2,838)
Amounts due to related parties	(1,215)
Lease liabilities	(9,047)
Current tax liabilities	(451)
Deferred tax liabilities	(18)
Net assets disposed of	22,159
Release of foreign currency translation reserve	(967)
Non-controlling interests	(2,299)
Gain on disposal of subsidiaries	432
Total consideration	19,325
Consideration received:	
Cash received	3,000
Deferred cash consideration	15,000
Deemed cost of non-controlling interests of Shenzhen Bairui and its subsidiary received	1,325
Total consideration received	19,325
Net cash outflow arising on disposal:	
Cash consideration received	3,000
Cash and cash equivalents disposed of	(7,788)
	(4,788)

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

(a) Disposal of subsidiaries and purchase of non-controlling interests *(Continued)*

The effect of the acquisition of non-controlling interests of Shenzhen Bairui and its subsidiary on the equity attributable to the owners of the Company is as follows:

	HK$'000
Share of net assets in the subsidiaries acquired	1,295
Deemed consideration	(1,325)
Loss on acquisition recognised directly in equity	(30)

(b) Disposal of a subsidiary

On 20 November 2020, the Group and Yee Sheng Enterprises Company Limited, which is a fellow subsidiary of the Group, entered into the sale and purchase agreement, pursuant to which the Group agreed to sell and Yee Sheng Enterprises Company Limited agreed to acquire entire share capital of Tech- Medi which held an investment property situated in Hong Kong (the "**Property**") at a consideration of HK$64,462,000. Pursuant to the agreement, Yee Sheng Enterprises Company Limited undertook to deliver to the Group a duly executed tenancy agreement in relation to the Property in a form of satisfactory to the Group, whereby the Tech-Medi as the landlord agreed to lease the Property to the Group for a term of two years with two years' rent-free period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

(b) Disposal of a subsidiary *(Continued)*

Net assets at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	57
Investment property	50,300
Trade receivables	545
Prepayments, deposits and other receivables	208
Bank and cash balances	114
Trade payables	(22)
Accruals and other payables	(380)
Net assets disposed of	50,822
Gain on disposal of a subsidiary	13,640
Total consideration	64,462
Consideration received:	
Cash received	18,900
Deferred cash consideration	43,840
Fair value of right-of-use asset received	1,722
Total consideration received	64,462
Net cash inflow arising on disposal:	
Cash consideration received	18,900
Cash and cash equivalents disposed of	(114)
	18,786

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

(c) Purchase of non-controlling interests

During the year ended 31 December 2020, the Group further acquired 20% equity interests in Meipro Biological from a non-controlling shareholder at a cash consideration of HK$2,000,000. After the completion of the acquisition, the shareholding of the Group in Meipro Biological increased from 51% to 71%.

The effect of the acquisition on the equity attributable to the owners of the Company is as follows:

	HK$'000
Share of net assets in the subsidiary acquired	1,169
Consideration	(2,000)
Loss on acquisition recognised directly in equity	(831)

(d) Major non-cash transactions

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following major non-cash transactions:

(i) During the year ended 31 December 2021, the Group entered into new lease agreements for the use of leased properties for 3 years (2020: 2 years). On the lease commencement, the Group recognised HK$1,459,000 (2020: HK$2,204,000) of right-of-use assets and HK$1,459,000 (2020: HK$482,000) lease liability respectively.

(ii) During the year ended 31 December 2021, the Group had a non-cash decrement to right-of-use assets and lease liabilities of HK$1,781,000 and HK$1,974,000, respectively, in respect of the lease termination for the Group's leased properties. (2020: N/A).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

(e) Changes in liabilities arising from financing activities

The following table shows the Group's changes in liabilities arising from financing activities during the year:

	Pledged bank deposits *HK$'000*	Bank borrowings *HK$'000*	Interest payables *HK$'000*	Lease liabilities *HK$'000*
At 1 January 2020	(80,276)	310,631	236	18,739
Change in cash flows	82,679	(169,327)	(13,155)	(7,074)
Non-cash changes				
– additions	–	–	–	482
– interest charged	–	–	12,989	693
– disposal of subsidiaries *(note 46(a))*	–	–	–	(9,047)
– COVID-19-related rent concessions	–	–	–	(311)
– exchange differences	(2,403)	9,521	(70)	530
At 31 December 2020 and 1 January 2021	**–**	**150,825**	**–**	**4,012**
Change in cash flows	**–**	**12,673**	**(8,277)**	**(1,938)**
Non-cash changes				
– additions	**–**	**–**	**–**	**1,459**
– interest charged	**–**	**–**	**8,277**	**108**
– lease termination	**–**	**–**	**–**	**(1,974)**
– COVID-19-related rent concessions	**–**	**–**	**–**	**(21)**
– exchange differences	**–**	**5,201**	**–**	**74**
A t 31 December 2021	**–**	**168,699**	**–**	**1,720**

47. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	2021 HK$'000	2020 HK$'000
Contracted, but not provided for:		
Capital contribution to an associate	**11,042**	10,688
Acquisition of property, plant and equipment	**445**	–
Capital contribution to an unlisted long-term investment	**–**	14,251
Acquisition of equity interest of an unlisted long-term investment	**–**	7,126
Capital contribution to a joint venture	**–**	3,207

48. RELATED PARTY TRANSACTIONS

(a) In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

	Notes	**2021 HK$'000**	2020 HK$'000
Fellow subsidiaries of the Group:	*(i)*		
Property sale and consultancy service income paid to the Group	*(ii)*	**31,845**	29,805
Purchase from the Group	*(ii)*	**2,342**	–
Healthcare management service income paid to the Group	*(ii)*	**289**	–
Healthcare management service income paid to the Group	*(iii)*	**–**	1,576
Rental income paid to the Group	*(iii)*	**–**	486
Aesthetic medical service income paid to the Group	*(iii)*	**–**	204
Purchase from the Group	*(iii)*	**–**	39
Associate of a fellow subsidiary of the Group:			
Purchases from the Group		**1,615**	510
Associate of the Group:			
Advisory income paid to the Group		**497**	–
Sales to the Group		**35**	33
Joint ventures of the Group:			
Sales to the Group		**–**	545
The Directors:			
Healthcare management service income paid to the Group	*(ii)*	**617**	–
Aesthetic medical service income paid to the Group	*(ii)*	**15**	–
Purchases from the Group	*(ii)*	**4**	–
Purchases from the Group	*(iii)*	**–**	2
Members of key management personnel of the Group (excluding the Directors):			
Aesthetic medical service income paid to the Group		**255**	55
Healthcare management service income paid to the Group		**21**	197
Purchases from the Group		**18**	2

48. RELATED PARTY TRANSACTIONS *(Continued)*

(a) *(Continued)*

	Notes	2021 HK$'000	2020 HK$'000
Other related parties	*(i)*		
Purchase from the Group	*(ii)*	**2,745**	–
Healthcare management service income paid to the Group	*(ii)*	**1,098**	–
Aesthetic medical service income paid to the Group	*(ii)*	**22**	–
Purchase from the Group	*(iii)*	**404**	516

Notes:

(i) The related parties are (i) a company owned and controlled by one of the Directors; and (ii) an entity of which one of the Directors is a member of key management personnel; or (iii) a close member of the family of one of the Directors.

(ii) The related party transactions constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in sub-section "Connected Transactions and Continuing Connected Transactions" of the Directors' Report contained in this Annual Report.

(iii) The related party transactions constitute connected transactions as defined in Chapter 14A of the Listing Rules. However, those transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are sales of goods or services on normal commercial terms in the ordinary and usual course of business under Rule 14A.97 or below the de minimis threshold under Rule 14A.76(1).

(b) Other transactions with related parties:

(i) As at 31 December 2021, certain of the Group's bank loans were secured by a personal guarantee provided by Mr. Zhou Xuzhou (2020: a personal guarantee provided by Mr. Zhou Xuzhou and certain properties owned by a fellow subsidiary of the Group), as further detailed in note 38 to the consolidated financial statements.

(ii) During the year ended 31 December 2020, the Group disposed the entire share capital of Tech-Medi, an indirect wholly-owned subsidiary of the Company, to a fellow subsidiary of the Group, at a consideration of HK$64,462,000. After the completion of the disposal, the Group entered into an agreement with Tech-Medi, which became a fellow subsidiary of the Group after the completion of the disposal, for leasing of the Property as office premise in Hong Kong to the Group with a term of two years with two years' rent-free period. At the commencement date of the lease, the Group recognised a right-of-use asset of HK$1,722,000. Further details are given in note 46(b) to the consolidated financial statements (2021: N/A).

48. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Compensation of key management personnel of the Group:

	2021 HK$'000	2020 HK$'000
Short term employee benefits	**11,506**	9,653
Post-employment benefits	**256**	216
Equity-settled share based-payments	**1,582**	2,458
Total compensation paid to key management personnel	**13,344**	12,327

Further details of directors' emoluments are included in note 13 to the consolidated financial statements.

49. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board on 25 March 2022.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

	Year ended 31 December				
	2017 *HK$'000*	2018 *HK$'000*	2019 *HK$'000*	2020 *HK$'000*	**2021** ***HK$'000***
RESULTS					
Revenue	68,705	230,542	234,779	265,135	**253,031**
Profit/(loss) before tax	103,561	106,583	(5,344)	103,587	**85,704**
Income tax expense	(23,817)	(25,059)	(17,666)	(18,521)	**(25,248)**
Profit/(loss) for the year	79,744	81,524	(23,010)	85,066	**60,456**
Attributable to:					
Owners of the Company	80,066	80,537	(20,174)	83,439	**60,323**
Non-controlling interests	(322)	987	(2,836)	1,627	**133**
	79,744	81,524	(23,010)	85,066	**60,456**

	As at 31 December				
	2017 *HK$'000*	2018 *HK$'000*	2019 *HK$'000*	2020 *HK$'000*	**2021** ***HK$'000***
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Total assets	1,073,490	1,296,586	1,713,853	1,702,860	**1,736,994**
Total liabilities	(387,031)	(474,954)	(448,193)	(299,597)	**(306,349)**
Non-controlling interests	(4,059)	(4,629)	(6,055)	(2,341)	**(2,603)**
	682,400	817,003	1,259,605	1,400,922	**1,428,042**

PARTICULARS OF PROPERTIES

As at 31 December 2021

INVESTMENT PROPERTIES

Location	Use	Tenure	Attributable interest of the Group
Certain shops of Commercial Pedestrian Street of Dong Fang Hong County, New Zone of East Town, Wuhu City, Anhui Province, the PRC	Shop	Medium term lease	100%
(i) 10/F and 11/F at Building No. 18; and (ii) part of the 1/F, 2/F to 11/F and basement at Building No. 19, Dongfanghong County Garden, 128 Yue Min Street, Qi Lin Street, Jiangning District, Nanjing City, Jiangsu Province, the PRC	Hotel/Shop	Medium term lease	100%

PROPERTIES UNDER DEVELOPMENT

Location	Use	Site area (sq.m.)	Gross floor area (sq.m.)	Stage of completion	Expected completion date	Attributable interest of the Group
Lot A & B, 626 Heidelberg Road, Alphington, VIC, 3078, Australia	Residential	11,488	18,752	80% of civil works completed	2024	100%

GLOSSARY

In this Annual Report, unless the context otherwise requires, the following expressions shall have the following meanings:

Term(s)	Definition
"14th Five-Year Plan"	the Outline of the 14th Five-Year Plan for the National Economic and Social Development of the PRC and the Long-Range Objectives Through the Year 2035
"2020 SGM"	the SGM held on Wednesday, 24 June 2020
"2021 AGM"	the AGM held on Thursday, 24 June 2021
"2022 AGM"	the AGM to be held on Friday, 24 June 2022 at 11:00 a.m.
"AGM(s)"	the annual general meeting(s) of the Company
"Alpreleaf"	the Group's brand "Alpreleaf", which launches a variety of high-end CBD health consumption goods in 22 European countries
"Annual Report"	the annual report of the Company
"AUD"	Australian dollars, the lawful currency of Australia
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"CANNERGY"	the Group's brand "CANNERGY", which launches a variety of CBD atomisation products and healthcare products in Japan
"CBD"	Cannabidiol
"CHF"	Swiss Franc, the lawful currency of Switzerland
"Chief Executive Officer"	the chief executive officer of the Company
"Chief Financial Officer"	the chief financial officer of the Company
"China" or "PRC"	the People's Republic of China and for the purpose of this Annual Report, excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Date of Acceptance"	the date of acceptance of the offer of the share options granted under the 2019 Share Option Scheme

GLOSSARY

"Co-Chairman" or "Co-Chairmen"	the co-chairman/ co-chairmen of the Board
"Company" or "Meilleure Health"	Meilleure Health International Industry Group Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
"Company Secretary"	the company secretary of the Company
"Controlling Shareholder"	the controlling shareholder of the Company
"COVID-19" or "Pandemic"	2019 novel coronavirus (COVID-19) disease
"Director(s)"	the director(s) of the Company
"Executive Director(s)"	the executive director(s) of the Company
"FVTOCI"	fair value through other comprehensive income
"FVTPL"	fair value through profit or loss
"GDP"	gross domestic product
"GM(s)"	the general meeting(s) of the Company
"GNI"	gross national income
"Group", "we" or "us"	the Company and its subsidiaries
"Healthy China 2030"	Healthy China 2030 Plan
"HKD" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"Hong Kong" or "HKSAR"	the Hong Kong Special Administrative Region of the PRC
"Independent Non-Executive Director(s)"	the independent non-executive director(s) of the Company
"Jibenfenxi"	The Group's brand "Jibenfenxi* (肌本分析)", which launches comprehensive medical aesthetic services targeting mid-to-high-end markets with the efficacy of restoring the youthfulness of the facial skin in the PRC
"JPY"	Japanese Yen, the lawful currency of Japan

** For identification purposes only*

GLOSSARY

"Jixiaojian"	the Group's brand "Jixiaojian* (肌小簡)", which launches a variety of light medical aesthetic services targeting the young consumer market with a range of skincare products complementing the treatments to achieve optimum results in the PRC
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Mason Vap"	Shenzhen Mason Vap Technology Co., Ltd.* (深圳市美深威科技有限公司)
"Mazhuang"	the Group's brand "Mazhuang*" (麻妆), which launches a variety of CBD skincare products in the PRC
"Mei Ai Kang"	Beijing Mei Ai Kang Technology Co., Ltd.* (北京美艾康科技有限公司)
"Meipro Biological"	Meipro Biological Technology Company Limited
"Meiray Vap"	Shenzhen Meiray Vap Technology Co., Ltd.* (深圳市美深瑞科技有限公司)
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"Nomination Committee"	the nomination committee of the Company
"Non-Executive Director(s)"	the non-executive director(s) of the Company
"R&D"	research and development
"Remuneration Committee"	the remuneration committee of the Company
"Reporting Period"	the year ended 31 December 2021
"RMB" or "Renminbi"	Chinese Yuan Renminbi, the lawful currency of the PRC
"SGM(s)"	the special general meeting(s) of the Company
"2019 Share Option Scheme"	the share option scheme adopted by the Company on 20 June 2019 and became effective on 28 June 2019
"Shenzhen Gippro"	Shenzhen Gippro Technology Innovation Ltd.* (深圳龍舞科技創新有限公司)
"sq.m."	square meter(s)

** For identification purposes only*

GLOSSARY

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategic Committee"	the strategic committee of the Company
"USD" or "US$"	United States dollars, the lawful currency of the United States of America
"Wingor Bio"	Shenzhen Wingor Biotechnology Co., Ltd.* (深圳市茵冠生物科技有限公司)
"Vice-Chairman"	the vice-chairman of the Board
"Yunnan Hansu"	Yunnan Hansu Biotechnology Co., Ltd.* (雲南漢素生物科技有限公司)
"%"	per cent

** For identification purposes only*