



雲白國際有限公司  
**YNBY International Limited**  
*(Incorporated in Bermuda with limited liability)*  
**(Stock Code: 00030)**

**2023**  
**ANNUAL REPORT**



## CONTENTS

|   |     |
|---|-----|
| Corporate Information   | 2   |
| Management Discussion and Analysis                                      | 3   |
| Directors' Report   | 14  |
| Biographical Information of Directors and Senior Management             | 25  |
| Corporate Governance Report   | 30  |
| Environmental, Social and Governance Report                             | 52  |
| Independent Auditor's Report  | 85  |
| Consolidated Statement of Profit or Loss and Other Comprehensive Income | 90  |
| Consolidated Statement of Financial Position                            | 92  |
| Consolidated Statement of Changes in Equity                             | 94  |
| Consolidated Statement of Cash Flows                                    | 95  |
| Notes to the Consolidated Financial Statements                          | 97  |
| Five-Year Financial Summary   | 154 |

# CORPORATE INFORMATION

As at the publication date

## BOARD OF DIRECTORS

### Executive Directors:

Mr. Dong Ming (*Chairman*)  
Mr. Tang Ming (*Chief Executive Officer*)  
Mr. Liu Zhouyang

### Non-Executive Directors:

Mr. Qian Yinghui  
Mr. Huang Bin

### Independent Non-Executive Directors:

Dr. Cecilia Wai Bing Pang  
Dr. Cheung Hoi Yu  
Mr. Wong Hin Wing

## COMMITTEES

### Audit Committee:

Mr. Wong Hin Wing (*Chairman*)  
Mr. Qian Yinghui  
Dr. Cecilia Wai Bing Pang  
Dr. Cheung Hoi Yu

### Remuneration Committee:

Dr. Cheung Hoi Yu (*Chairman*)  
Mr. Tang Ming  
Dr. Cecilia Wai Bing Pang  
Mr. Wong Hin Wing

### Nomination Committee:

Mr. Dong Ming (*Chairman*)  
Dr. Cecilia Wai Bing Pang  
Dr. Cheung Hoi Yu  
Mr. Wong Hin Wing

## COMPANY SECRETARY

Mr. Liu Huaiyu

## AUTHORIZED REPRESENTATIVES

Mr. Tang Ming  
Mr. Liu Huaiyu

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## PRINCIPAL PLACE OF BUSINESS

32/F  
Cambridge House, Taikoo Place  
979 King's Road  
Quarry Bay, Hong Kong

## AUDITORS

ZHONGHUI ANDA CPA Limited

## PRINCIPAL SHARE REGISTRAR IN BERMUDA

Conyers Corporate Services (Bermuda) Limited  
Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Computershare Hong Kong Investor Services Limited  
17M Floor, Hopewell Centre  
183 Queen's Road East  
Wan Chai, Hong Kong

## WEBSITE

[www.0030.com.hk](http://www.0030.com.hk)

# MANAGEMENT DISCUSSION AND ANALYSIS

## OPERATING RESULTS BUSINESS REVIEW

During the nine months ended 31 December 2023 (“FY2023”), the Group has been principally engaged in the trading of goods and commodities business, which mainly comprises e-commerce trading business and raw materials trading business, and provision of professional services, which include the product registration and promotion services. The Group’s operations are divided into (i) the trading of goods and commodities business, encompassing (a) e-commerce trading business, (b) raw material trading business for healthcare products in the People’s Republic of China (the “PRC”), and (c) distribution of certain products (“YNBY Products”) manufactured and branded by the Company’s controlling shareholder Yunnan Baiyao Group Co., Ltd. (雲南白藥集團股份有限公司) (“Yunnan Baiyao Group”) to overseas markets; and (ii) other segment, mainly providing marketing services, product registration services, and sourcing for OEM/ODM services.

### Trading of goods and commodities segment

The trading of goods and commodities segment refers to (i) e-commerce trading business, (ii) raw materials trading business for healthcare products which includes the sourcing of packaging materials, pharmacy and cosmetics CBD materials, plant extracts, etc. and then reselling of the products to the PRC corporate customers that are engaged in the manufacturing of cosmetics and healthcare products and the respective packaging materials and (iii) distribution of the YNBY Products to overseas markets.

The Group’s e-commerce trading business is primarily operated by selling products bearing third-party brands, which are sourced and procured from overseas suppliers and sold to renowned online platforms in China, such as VIP.com, JD.com, Tmall and overseas online platforms, such as coupang. The Company constantly communicates with its customers, being mainly the e-commerce trading platforms, to understand their demand of products. In the meantime, the Company reviews its inventory and/or seeks quotations from its extensive network of suppliers, and may place purchase orders according to suitable market situations, which are nevertheless constantly changing, within the context of the Company’s supply capabilities. Once a receipt of order from the Company’s customer is confirmed, the Company will (i) assure supply quantity and quality, from existing inventories and/or from a number of different suppliers; (ii) arrange for respective payments to the suppliers where appropriate; (iii) use own or third-party warehouse to receive the ordered goods from the Company’s suppliers, and deploy own team or appoint third party to conduct quality inspection; (iv) facilitate the delivery of the products to the Company’s customers; (v) arrange the products to go through customs inspection and clearance where appropriate; (vi) facilitate relevant customers services including but not limited to after-sales services; (vii) cooperate with business partners and formulate further marketing and sales of relevant products, and monitor the sales trend for such products; and (viii) the Company usually receives the payments from the e-commerce platforms within the credit period on each sales after the delivery of ordered goods.

The Group commenced its hemp CBD raw materials trading and CBD isolate business in 2019. As a natural expansion of its CBD trading business, the Group has been engaged in the sourcing of raw materials for manufacturing since early 2022, which involved the supply of other plant extracts and raw materials for cosmetics and healthcare products, including packaging materials, sorbitol, steviol glycoside, lauric acid, CBD materials, glycerin etc. to existing and potential customers in the healthcare and cosmetics industry. As a modest extension of the services previously offered by the Group, the Group no longer passively sources products required by its customers, but takes on a more active role in serving its existing and potential customers in respect of their supply chain.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW (CONTINUED)

### Trading of goods and commodities segment (Continued)

We are fully equipped with the resources, experience, and subsidiaries needed to effectively navigate the healthcare product industry and are deeply confident that trading raw materials for healthcare products will be one of the significant contributors to the Group's profitability. Our management team is committed to leveraging these assets to continue driving growth and success in our operations.

Starting from May 2023, in order to assist YNBY Products in expanding to overseas markets by utilizing the existing overseas distribution network and marketing experiences of the Group, the Group distributed YNBY Products to overseas markets. The new distribution network was not only in line with Yunnan Baiyao Group's globalization strategy but also generating a new revenue stream for the Group. The synergistic effects was therefore achieved.

For FY2023, the trading of goods and commodities segment reported revenue of approximately HK\$569.5 million, representing an increase of approximately 25.7% from approximately HK\$452.9 million reported for year ended 31 March 2023 ("FY2022/23"). This segment reported a segment profit of approximately HK\$41.0 million for FY2023 (FY2022/23: a segment loss of approximately HK\$122.5 million). The improvement on the segment revenue and segment results is mainly attributable to (i) significant decrease in net allowance for expected credit loss; and (ii) significant increase in gross profit as a result of improvement on the business operations.

### Other segment – marketing services, product registration services, and sourcing for OEM/ODM services

For the provision of professional services, the Group shall (i) assist its customers on the registration of products pursuant to the relevant overseas regulatory and registration requirements; (ii) assist its customers on intellectual property registration of products; (iii) provide overseas marketing services for its customers and their products; and (iv) provide overseas market expansion services to its customers.

The Group is playing a pivotal role in connecting Chinese medical/pharmaceutical companies with global resources. These resources include an international supply chain, Contract Research Organizations (CROs), industry experts, and global product registration services. The Group aids its domestic partners in expanding their businesses onto the global stage. The Group can better utilize the global network and resources and improve the cost efficiency over the established overseas platform by providing the professional services.

Leveraging its global resources, the Group is forging an international platform for the development and distribution of healthcare products. With its base in Hong Kong, the Group collaborates closely with global partners to introduce quality healthcare products/services to Asian markets. By establishing distribution channels, providing product registration services, and conducting marketing promotion for pharmaceutical and healthcare companies/brands from around the world in various Asian markets, the Group aims to offer a comprehensive range of healthcare products and services. It further strives to aid its partners in expanding their businesses into diverse regions.

In FY2023, the Group's other segment began to generate revenue of approximately HK\$9.2 million (FY2022/23: nil), resulting in a segment profit of approximately HK\$1.3 million (FY2022/23: nil).

# MANAGEMENT DISCUSSION AND ANALYSIS

## PROSPECTS AND FUTURE DEVELOPMENT OF THE GROUP

According to MOFCOM Department of Electronic Commerce and Informatization, China's online e-commerce business grew strongly in 2023, online retail sales in China reached RMB15.42 trillion, representing a year-on-year increase of 11%; the online retail sales of physical goods reached a record high, accounting for 27.6% of the total retail sales of consumer goods.<sup>1</sup> In addition, the cross-border e-commerce in China import and export (including B2B) reached RMB2.38 trillion, representing a year-on-year increase of 15.6%<sup>2</sup>. The steady growth of the e-commerce market in China has created a favourable environment for the Group's relevant businesses. With successful experience on the existing business strategies, the management is confident that the Group will have promising growth prospects in trading of goods and commodities, especially in e-commerce trading business, by capturing the opportunities in China.

## ADMINISTRATIVE EXPENSES

For FY2023, the Group's administrative expenses (which mainly comprised legal and professional fees, staff salaries, directors' fees and depreciation of right-of-use assets) amounted to approximately HK\$31.5 million (FY2022/23: approximately HK\$39.6 million), representing a decrease of approximately 20.5%. The decrease in the administrative expenses was principally due to shorter reporting period as a result of the change of financial year end date.

## OTHER INCOME, GAINS AND LOSSES

The increase in other income, gains and losses is from approximately HK\$396,000 in FY2022/23 to approximately HK\$136.0 million in FY2023. A gain on disposal of a wholly-owned subsidiary amounted to approximately HK\$137.5 million, calculated by the difference between net liabilities derecognized and consideration received from the disposal. After the disposal, the financial results of the subsidiary were no longer consolidated into the consolidated financial statements of the Group.

## FINANCE COSTS

For FY2023, finance costs of approximately HK\$3.5 million (FY2022/23: approximately HK\$5.9 million) were incurred, representing a decrease of approximately 40.7% which was attributed by a decrease of the effective interests from FY2022/23 to FY2023. Such decrease was mainly resulted from the decrease in the amortization of effective interest on a convertible bond and shorter reporting period as a result of the change of financial year end date.

## INCOME TAX EXPENSES

For FY2023, income tax expenses of approximately HK\$2.7 million (FY2022/23: approximately HK\$3.0 million) were incurred. The decrease in the income tax was mainly resulted from the absence of underprovision on the income tax during the period.

## EARNINGS/(LOSS) PER SHARE

For FY2023, the basic earnings per share amounted to 2.11 HK cents while the diluted earnings per share amounted to 1.67 HK cents, as compared to the basic and diluted loss per share of 2.51 HK cents in FY2022/23, mainly resulted from the (i) the gain on disposal of a subsidiary of the Company (included in other income, gains and losses); (ii) significant decrease in net allowance for expected credit loss; and (iii) significant increase in gross profit as a result of improvement on the business operations.

<sup>1</sup> Head of MOFCOM Department of Electronic Commerce and Informatization gave a briefing on the development of China's e-commerce in 2023 <http://www.mofcom.gov.cn/article/xwfb/xwsjzr/202401/20240103467547.shtml>

<sup>2</sup> China experienced a 15.6% surge in total cross-border e-commerce (CBEC) import-export volumes <https://www.yidaiyilu.gov.cn/p/0JPOMQMJ.html>

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL POSITION

The shareholders' equity increased from approximately HK\$113.3 million as at 31 March 2023 to approximately HK\$243.2 million as at 31 December 2023. The increase was mainly due to the net profit recognized during the reporting period. Total assets increased by approximately 21.9% from HK\$320.0 million as at 31 March 2023 to approximately HK\$390.2 million as at 31 December 2023 as a result of the expansion of the operation during the period.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2023, the Group's cash and cash equivalents amounted to approximately HK\$199.3 million (31 March 2023: approximately HK\$159.0 million). As at 31 December 2023, the Group had bank borrowings of approximately HK\$17.7 million which were at fixed rate and short-term loans with 1-year maturity (31 March 2023: nil) and a convertible bond with carrying amount of approximately HK\$13.0 million (31 March 2023: approximately HK\$25.0 million) with coupon rate of 3% per-annum. The interest expenses for the year are calculated by applying an effective interest rate of 18.79% per-annum to the liability component for 2-year period since the convertible bond were issued. The gearing ratio of the Group is approximately 12.6% as at 31 December 2023 (31 March 2023: approximately 22.0%), which is calculated by the total interest-bearing borrowings divided by the net assets of the Group.

## FINAL DIVIDEND

The board (the "Board") of the directors (the "Directors") of the Company did not propose a final dividend for FY2023 (FY2022/23: nil).

## SHARE CAPITAL AND FUND-RAISING ACTIVITIES

As at 31 December 2023, the total number of issued ordinary shares (the "Shares") of the Company was 6,799,914,160 shares (31 March 2023: 6,799,914,160 shares).

In October 2020, the Company issued a convertible bond to Yunnan Baiyao Group with a principal of HK\$500 million with a net proceed of approximately HK\$498 million, equivalent to a net price of approximately HK\$0.257 (the "Subscription") in order to provide financial resources for exploring opportunities to diversify the businesses. A total of 1,937,984,496 ordinary shares of nominal value of HK\$0.01 per share could be converted and issued at conversion price of HK\$0.258 per share upon maturity. The closing price per shares on the date of subscription agreement (being 14 October 2019) was HK\$0.260. Please refer to the circular of the Company dated 11 September 2020 for further details. As at 31 December 2023, approximately HK\$396 million had been used from the date of Subscription in accordance with its intended use as stated in the circular of the Company dated 11 September 2020 (for further details in relation to the use of proceeds, please refer to the breakdown set out in the paragraph below), and the unused balance of the Subscription proceeds was approximately HK\$102 million. For further details, please refer to note 31 to the consolidated financial statements.

In June 2022, the Company placed 351,762,000 ordinary shares of nominal value of HK\$0.01 per share (the "Placing") to Sunwah Great Wall Group Limited at subscription price of HK\$0.285 per share (with a net price of approximately HK\$0.284) in order to supplement the Group's long-term funding of its expansion plan and growth strategies and broaden the shareholder base. The closing price per share on the date of the subscription agreement (being 14 April 2022) was HK\$0.244. As at 31 December 2023, approximately HK\$50 million had been used from the date of the Placing in accordance with its intended use as stated in the announcements of the Company dated 14 April 2022 and 16 May 2022, and the unused balance of the Placing proceeds was approximately HK\$50 million.

# MANAGEMENT DISCUSSION AND ANALYSIS

## SHARE CAPITAL AND FUND-RAISING ACTIVITIES (CONTINUED)

The Company applied the net proceeds from the Subscription and Placing as follows:

|   | Planned use<br>of proceeds<br>HK\$' million | Utilised<br>amount up to<br>31 December<br>2023<br>HK\$' million | Difference<br>between<br>the planned<br>allocation net<br>proceeds and<br>actual usage<br>of the net<br>proceeds<br>HK\$' million<br>(Note 1) | Unused<br>balance<br>from the net<br>proceeds<br>HK\$' million<br>(Note 2) |
|---|---|--|---|--|
| <b>Subscription</b>   |   |  |   |  |
| Expansion of existing trading business in cosmetics and personal care products  | 100   | 100  | –   | –  |
| Expansion of CBD-based cosmetics and personal care product trading business   | 90  | 58   | (32)  | –  |
| Purchase of CBD isolate inventory for trading purpose   | 20  | 15   | –   | 5  |
| Setting up of hemp cultivation and extraction and trading business  | 70  | –  | –   | 70   |
| Expansion of CBD- related target business   | 40  | –  | (13)  | 27   |
| Expansion of existing money lending business  | 50  | 43   | (7)   | –  |
| Repayment of bonds issued by the Company in 2014  | 70  | 70   | –   | –  |
| Repayment of interests derived from the Convertible Bonds   | –   | 28   | 28  | –  |
| General working capital   | 58  | 82   | 24  | –  |
| <b>Total</b>  | <b>498</b>                                  | <b>396</b>   | <b>–</b>  | <b>102</b>   |
| <b>Placing</b>  |   |  |   |  |
| Expansion of CBD- based cosmetics products and industrial cannabis trading business with ASEAN  | 45  | 5  | –   | 40   |
| Research and development of Chinese herbal medicine in the PRC and development the trading network in Thailand, Indonesia, Singapore, Korea and Malaysia, etc | 25  | 15   | –   | 10   |
| Development of the health food products network in Thailand and the trade with ASEAN  | 25  | 25   | –   | –  |
| General working capital   | 5   | 5  | –   | –  |
| <b>Total</b>  | <b>100</b>                                  | <b>50</b>  | <b>–</b>  | <b>50</b>  |



# MANAGEMENT DISCUSSION AND ANALYSIS

## SHARE CAPITAL AND FUND-RAISING ACTIVITIES (CONTINUED)

### Note 1

As disclosed in the announcements of the Company dated 5 December 2023, in light of the changes in the government policies with respect to the ban of CBD products in Hong Kong and the overall market environment, the Company has reallocated its net proceeds from "expansion of CBD-based cosmetics and personal care product trading business" to "Repayment of interests derived from the Convertible Bonds". In particular, the Company allocated HKD28 million of its net proceed to the repayment of interests derived from the Convertible Bonds and allocated HKD24 million to its general working capital.

### Note 2

As at 31 December 2023, the Company had no further plan to change the application of the remaining net proceeds for the purpose as disclosed. The Company intends to fully utilised the net proceeds from the Subscription and Placing by 31 December 2025.

## FUNDING AND TREASURY POLICY

The Group adopts prudent treasury policies. The Group's management performs an ongoing credit evaluation of the financial conditions of its customers in order to reduce the Group's exposure of credit risk. In addition to these ongoing credit evaluations, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

## IMPORTANT EVENTS AFFECTING THE GROUP SINCE THE END OF REPORTING PERIOD

The Group did not have any material subsequent events after 31 December 2023 and up to the date of this report.

## PLEDGE OF ASSETS

As at 31 December 2023, no assets of the Group were pledged to secure general banking facilities granted to the Group (31 March 2023: nil).

## CAPITAL COMMITMENTS

As at 31 December 2023, the Group had no material capital commitments (31 March 2023: nil).

## CONTINGENT LIABILITIES

As at 31 December 2023, the Group had no material contingent liabilities (31 March 2023: nil).

## FOREIGN EXCHANGE EXPOSURE

Most of the Group's assets and liabilities are denominated in Hong Kong dollars, US dollars and Renminbi, and most of the Group's cash balances are deposited in Hong Kong dollars, US dollars or Renminbi with banks in Hong Kong and the PRC. Certain portion of the Group's sales, purchases and expenses were denominated in foreign currencies which exposed the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy as the foreign currency risk is considered not significant. However, the management will continue to closely monitor the Group's foreign exchange risk exposure and may consider hedging significant foreign exchange exposure if and when necessary.

## PRINCIPAL RISKS AND UNCERTAINTIES

Other details of the activities during the period as regulated by Schedule 5 to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), including a fair review of the business and a discussion of the principal risks and uncertainties the Group is facing, particulars of the events affecting the Group that have occurred since the nine months ended 31 December 2023, and an indication of likely future development in the Group's business, can be found in the section of Management Discussion and Analysis.

# MANAGEMENT DISCUSSION AND ANALYSIS

## COMMODITY PRICE RISK

The price of commodity products is influenced by international and domestic market prices and changes in global supply and demand for such products. Both the international and domestic market price of commodities as well as the volatility of their supply and demand are beyond the control of the Company. Therefore, the volatility of commodity price may affect the revenue and comprehensive income of the Group. The Group did not engage in nor enter into any trading contracts and price arrangements to hedge the risk of volatility of commodity prices.

## EMPLOYEE REMUNERATION POLICY

As at 31 December 2023, the Group had 34 employees (31 March 2023: 37 employees). For FY2023, the total salaries, commissions, incentives and all other staff related costs amounted to approximately HK\$14.7 million (FY2022/23: HK\$17.5 million). Our remuneration policies are in line with prevailing market practices and formulated on the basis of the performance and experience of individual employees. Apart from basic salaries, other staff benefits included defined contribution mandatory provident funds scheme in accordance with local laws and regulation and medical insurance. The Company may also grant share options to eligible employees to motivate their performance and contribution to the Group.

## SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

For the nine months ended 31 December 2023, the Group did not have any significant investments, material acquisitions or disposal of subsidiaries, associates and joint ventures.

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at 31 December 2023. In the event that the Group is engaged in any plan for material investments or capital assets, the Company will make announcement(s) and comply with relevant rules under the Listing Rules as and when appropriate.

## THE MANAGEMENT POSITION, VIEW AND ASSESSMENT ON THE QUALIFIED OPINION AND ACTIONS TAKEN BY THE GROUP

The following sets for the management's position, view and assessment on the qualified opinion and where appropriate, actions taken by the Group to address the qualified opinion ("Qualified Opinion") included in the auditor's report of ZHONGHUI ANDA CPA Limited ("Zhonghui Anda") in relation to the consolidated financial statements of the Group:

### Basis 1: Revenue and cost of sales reversed during the year ended 31 March 2023

Due to the departure of certain former key management personnel who were responsible for the operational, financial and accounting matters in 2022, who the Group were unable to contact and communicate with, Zhonghui Anda was unable to obtain sufficient appropriate audit evidence to satisfy themselves as to the appropriateness of the revenue and cost of sales transactions reversed by the subsidiary of the Company, Wan Long Xing Ye Commercial Trading (Shenzhen) Limited ("Wan Long Shenzhen"), of RMB67,165,177 (equivalent to HK\$76,995,023) and RMB66,875,294 (equivalent to HK\$76,662,715), respectively, for the year ended 31 March 2023 ("2023 Reversed Transactions"). As a result, Zhonghui Anda was unable to determine whether any adjustments might have been found necessary in respect of the 2023 Reversed Transactions.

# MANAGEMENT DISCUSSION AND ANALYSIS

## THE MANAGEMENT POSITION, VIEW AND ASSESSMENT ON THE QUALIFIED OPINION AND ACTIONS TAKEN BY THE GROUP (CONTINUED)

### Basis 2: Trade and other payables

Due to the departure of certain former key management personnel who were responsible for the operational, financial and accounting matters in 2022, who the Group were unable to contact and communicate with, Zhonghui Anda was unable to obtain sufficient appropriate audit evidence to satisfy themselves as to the existence, rights and obligations, completeness and valuation and allocation of the trade and other payables amounted to HK\$18,183,078 as at 31 March 2023. There are no other satisfactory audit procedures that Zhonghui Anda could adopt to determine whether any adjustments might have been found necessary in respect of the trade and other payables for the year ended 31 March 2023.

### Basis 3: Insufficient accounting records of Wan Long Shenzhen

As advised by the board of directors, since the departure of certain former key management personnel who were responsible for the operational, financial and accounting matters of Wan Long Shenzhen in 2022, who the Group were unable to contact and communicate with, Wan Long Shenzhen has retained the basic business records, including but not limited to management accounts, ledgers and sub-ledgers accounts, certain vouchers, bank statements, certain agreements and documentation (collectively referred to as the “Basic Records”), that were left behind by the former management and accounting departments of Wan Long Shenzhen as far as possible. The Basic Records were not considered to be of a sufficient level for their audit purposes. More specific business records and supporting explanations of Wan Long Shenzhen’s accounting records were needed for their audit, including but not limited to, (i) certain supporting documents of certain business transactions, such as invoices, receipts and purchase orders; (ii) detailed explanation of the accounting entries made (collectively, the “Specific Records”).

In the absence of the Specific Records of the Wan Long Shenzhen following the departure of certain former key management personnel in 2022, the board of directors considered that they could only use their best endeavor to preserve the books and records that were left behind by the former management and the accounting departments and they were unable to determine whether these Specific Records were complete in the first place, and they had no other access to such Specific Records despite they have taken all reasonable steps and have used their best endeavor to locate such Specific Records.

As a result of the above matters, in addition to Bases 1 and 2, Zhonghui Anda was unable to obtain sufficient appropriate audit evidence to ascertain whether the income and expenses for the year ended 31 March 2023 and the nine months ended 31 December 2023 and the assets and liabilities as at 31 March 2023 of Wan Long Shenzhen, as detailed below, and other related disclosure notes in relation to Wan Long Shenzhen, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements.



# MANAGEMENT DISCUSSION AND ANALYSIS

## THE MANAGEMENT POSITION, VIEW AND ASSESSMENT ON THE QUALIFIED OPINION AND ACTIONS TAKEN BY THE GROUP (CONTINUED)

### Extract of Statement of Profit or Loss and Other Comprehensive Income

|   | <b>For the<br/>nine months<br/>ended<br/>31 December<br/>2023<br/>HK\$</b> | For the<br>year ended<br>31 March 2023<br>HK\$ |
|---|--|--|
| Revenue                                 | –  | –  |
| Cost of sales                           | –  | –  |
| Other income, gains and losses          | <b>22,815,913</b>  | (818,034)                                      |
| Net allowances for expected credit loss | –  | (131,724,848)                                  |
| Selling expenses                        | <b>(2,780)</b>   | (138,880)                                      |
| Administrative expenses                 | <b>(35,527)</b>  | (2,748,193)                                    |
| Finance Costs                           | –  | (3,528)  |
| Income tax credit/(expense)             | <b>23,579</b>  | (24,564)                                       |

### Extract of Statement of Financial Position

|  | As at<br>31 March 2023<br>HK\$ |
|--|--------------------------------|
| <b>Non-current assets</b>                  | 1,710,907                      |
| <b>Current assets</b>                      |                                |
| Trade receivables                          | –                              |
| Other receivables, deposits and prepayment | 1,532,838                      |
| Other current assets                       | 46,440                         |
| <b>Current liabilities</b>                 |                                |
| Trade and other payables                   | 90,962,696                     |
| Contract liabilities                       | 34,950,735                     |
| Other current liabilities                  | 1,377,957                      |

Accordingly, Zhonghui Anda was unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded transactions and the elements making up the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 March 2023 and the nine months ended 31 December 2023.

# MANAGEMENT DISCUSSION AND ANALYSIS

## THE MANAGEMENT POSITION, VIEW AND ASSESSMENT ON THE QUALIFIED OPINION AND ACTIONS TAKEN BY THE GROUP (CONTINUED)

### Extract of Statement of Financial Position (CONTINUED)

During the nine months ended 31 December 2023, Wan Long Shenzhen was disposed of in December 2023, gain on disposal of approximately HK\$137,542,825 was recognised in the consolidated statement of profit or loss and other comprehensive income for the nine months ended 31 December 2023 and as disclosed in note 36 to the consolidated financial statements of the Group.

As a result of the matters mentioned above and in Basis 2, Zhonghui Anda was unable to obtain sufficient appropriate audit evidence to ascertain whether the gain arisen from the disposal of Wan Long Shenzhen included in the consolidated statement of profit or loss and other comprehensive income for the nine months ended 31 December 2023 and other related disclosure notes in relation to the disposal of Wan Long Shenzhen, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements.

### The management position, view and assessment

The basis set out under Basis 1 giving rise to the Qualified Opinion on the 2023 Financial Statements was developed based on the Disclaimer of Opinion on the 2022/23 Financial Statements in relation to the matters identified in 2022/23 Financial Statements. Zhonghui Anda was unable to draw comfort on the relevant account item in the 2022/23 Financial Statement, which unavoidably result in Zhonghui Anda being unable to draw comfort on the comparative figures of the same item contained in the 2023 Financial Statements. Having considered that Wan Long Shenzhen had been disposed of in December 2023, the Company is of the view that, barring unforeseen circumstances which may arise after the date hereof over the relevant item, the basis as set out under Basis 1 giving rise to the Qualified Opinion on the 2023 Financial Statements will be removed from the consolidated financial statements of the Company for the financial year ended 31 December 2024 ("FY2024"), and accordingly, such basis for the 2023 Financial Statements will be properly addressed in the consolidated financial statements of the Company for FY2024.

The basis set out under Basis 2 giving rise to the Qualified Opinion on the 2023 Financial Statements was developed based on the absence of sufficient accounting records of Wan Long Shenzhen. Zhonghui Anda was unable to draw comfort on the opening and closing balances of the assets and liabilities of Wan Long Shenzhen in the 2022/23 Financial Statements which unavoidably results in the impact on the consolidated financial statements of the Company in the subsequent financial years. The Company had disposed of Wan Long Shenzhen and de-consolidated the financial position and financial performance of Wan Long Shenzhen from the consolidated financial statements of the Group and, accordingly, such basis for the Qualified Opinion on 2023 Financial Statements will be removed from the consolidated financial statements of the Company in FY2024.

# MANAGEMENT DISCUSSION AND ANALYSIS

## THE MANAGEMENT POSITION, VIEW AND ASSESSMENT ON THE QUALIFIED OPINION AND ACTIONS TAKEN BY THE GROUP (CONTINUED)

### The management position, view and assessment (CONTINUED)

The basis set out under Basis 3 giving rise to the Qualified Opinion on the 2023 Financial Statements was developed based on disposal of the Wan Long Shenzhen in which sufficient accounting records was absent. Zhonghui Anda was unable to obtain sufficient appropriate audit evidence to ascertain whether the gain arising from the disposal of Wan Long Shenzhen included in the consolidated statement of profit or loss and other comprehensive income in FY2023 and other related disclosure notes in relation to the disposal of Wan Long Shenzhen. The gain on disposal of Wan Long Shenzhen was related to statement of profits and loss for FY2023, therefore, it should not have any carry forward impact to the results in FY2024. However, as the consolidated financial statements for FY2024 will include the results for FY2023 as comparative figures, it is unavoidable that the consolidated financial statements of the Company in FY2023 will include the same basis set out under Basis 3 giving rise to the Qualified Opinion on the 2024 Financial Statements. Having considered that the disposal of Wan Long Shenzhen as stated in Basis 3 was a non-recurring item, the Company is of the view that, barring unforeseen circumstances which may arise after the date hereof over the relevant items, the basis as set out under Basis 3 giving rise to the Qualified Opinion on the 2023 Financial Statements will be removed in the consolidated financial statements of the Company for the financial year ending 31 December 2025 ("FY2025"), and accordingly, such basis for the Qualified Opinion on the 2023 Financial Statements will be properly addressed in the consolidated financial statements of the Company in FY2025.

Based on the above, the Company is of the view that it will be able to address the basis for the Qualified Opinion expressed by Zhonghui Anda on the 2023 Financial Statements, and the relevant basis for the Qualified Opinion on the 2023 Financial Statements will be removed in the consolidated financial statements of the Company as follows: (i) Bases 1 and 2 will be removed in FY2024 and (ii) Basis 3 will be removed from the consolidated financial statements of the Company in FY2025.

# DIRECTORS' REPORT

The Board presents their report and the audited consolidated financial statements for the nine months ended 31 December 2023.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in trading of goods and commodities. The details of principal activities and other particulars of the subsidiaries are set out in note 21 to the consolidated financial statements.

An analysis of the Group's performance during the year using financial key performance indicators can be found throughout this report. There were no significant changes in the nature of the Group's principal activities during the year.

## BUSINESS REVIEW

Other details of the activities during the year as regulated by Schedule 5 to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), including a fair review of the business and a discussion of the principal risks and uncertainties the Group is facing, particulars of the events affecting the Group that have occurred since the nine months ended 31 December 2023, and an indication of likely future development in the Group's business, can be found in the section of Management Discussion and Analysis on pages 3 to 13.

During the nine months ended 31 December 2023, the Group has complied with relevant laws and regulations that have significant impact on the operations of the Group.

## RESULTS AND APPROPRIATIONS

The results of the Group for the nine months ended 31 December 2023 are set out in the consolidated statement of profit and loss and other comprehensive income on pages 90 to 91.

## RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 94 and note 38 to the consolidated financial statement respectively.

## DISTRIBUTABLE RESERVES

The Company does not have any reserves available for distribution in accordance with the Bermuda Companies Act 1981 (as amended) as at 31 December 2023. In addition, the Company's share premium account of HK\$1,085,013,367 as at 31 December 2023 may be distributed in the form of fully paid bonus shares. Details of the share premium account and reserves are set out in note 38 to the consolidated financial statements.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 17 to the consolidated financial statements.

## SHARE CAPITAL

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

## FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 154.

# DIRECTORS' REPORT

## DIRECTORS

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

### Executive Directors:

Mr. Dong Ming (*Chairman*)  
 Mr. Tang Ming (*Chief Executive Officer*)  
 Mr. Liu Zhouyang  
 Mr. Yin Pinyao (*resigned on 8 August 2023*)

### Non-Executive Directors:

Mr. Qian Yinghui  
 Mr. Huang Bin

### Independent Non-Executive Directors:

Dr. Cecilia Wai Bing Pang (*appointed on 21 November 2023*)  
 Dr. Cheung Hoi Yu (*appointed on 21 November 2023*)  
 Mr. Wong Hin Wing (*appointed on 21 November 2023*)  
 Mr. Jiang Zhi (*resigned on 10 November 2023*)  
 Mr. Leung Ka Kui, Johnny (*resigned on 10 November 2023*)  
 Ms. Wong Chui San, Susan (*resigned on 10 November 2023*)

In accordance with the Bye-law 84 of the Company's Bye-laws (the "Bye-laws"), at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years, Mr. Tang Ming, Mr. Huang Bin and Dr. Cecilia Wai Bing Pang will retire from office by rotation and will offer themselves for re-election at the forthcoming annual general meeting ("AGM"), notice of which will be dispatched to the shareholders of the Company (the "Shareholders") in due course.

## DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHICAL DETAILS

Biographical details of the Directors and senior management of the Company are set out on pages 25 to 29 of this report.

## EMOLUMENT POLICY

A Remuneration Committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices.

## CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors ("INEDs"), an annual confirmation of his/her independence pursuant to Rule 3.13 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and considers that all of the INEDs are independent.

## DIRECTORS' SERVICE CONTRACTS

No directors proposed for re-election at the forthcoming AGM have a service contract with the Company which was not determinable by the Company within one year without payment of compensation other than statutory compensation.

## MANAGEMENT CONTRACTS

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



# DIRECTORS' REPORT

## EQUITY-LINKED AGREEMENTS

Save for the share option scheme adopted by the Company described below, the Group has not entered into any equity-linked agreements during the year.

## SHARE OPTION SCHEME

The share option scheme of the Company adopted on 30 September 2013 has expired on 29 September 2023.

During the nine months ended 31 December 2023, no options were granted or exercised under the share option scheme.

As the Share Option Scheme expired on 29 September 2023, there is no share available for issue at the date of this annual report.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were the rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or Chief Executive of the Company or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and its subsidiaries a party or any arrangement to enable the Directors to acquire such rights in any other body corporate.

## DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## CONTRACT OF SIGNIFICANCE

Except as disclosed in the "Connected Transactions" and "Continuing Connected Transactions", there were no contracts of significance between the listed issuer, or one of its subsidiary companies, and a controlling shareholder or any of its subsidiaries, and there were no contract of significance for the provision of services to the listed issuer or any of its subsidiaries by a controlling shareholder or any of its subsidiaries, subsisted at the end of the year or at any time during the year.

## CONNECTED TRANSACTIONS

Save for the extension supplemental agreement entered into between the Company and its controlling shareholder Yunnan Baiyao Group Co., Ltd. (雲南白藥集團股份有限公司) on 5 December 2022 in relation to the extension of the maturity date of the convertible bonds, which was approved by the shareholders of the Company on 12 January 2023, there was no connected transaction for the nine months ended 31 December 2023. For further details, please refer to note 31 to the consolidated financial statements and the announcement of the Company dated 5 December 2022.

# DIRECTORS' REPORT

The principal terms of the convertible bonds after the extension supplemental agreement has become effective are summarized below:

|                          |  |
|--------------------------|--|
| Issuer:                  | The Company  |
| Principal Amount:        | HK\$500,000,000  |
| Interest:                | Three per cent. (3%) per annum, payable on the anniversary of the date of issue  |
| Maturity Date:           | 30 October 2024, being the day falling on the fourth anniversary of the Issue Date (or if such date is not a Business Day, the next Business Day).   |
| Conversion Period:       | The period commencing on the date of issue and ending on 30 October 2024 (the " <b>Extended Maturity Date</b> ").  |
| Conversions Rights:      | The holders of the Convertible Bonds shall have the right to convert the whole or part of the principal amount of the Convertible Bonds into Conversion Shares at the initial conversion price of HK\$0.258 per ordinary share at any time during the Conversion Period (" <b>Conversion Shares</b> "). Unless the Convertible Bonds are previously redeemed or converted pursuant to their terms, all outstanding principal of the Convertible Bonds are automatically converted into Conversion Shares on the Extended Maturity Date.  |
| Conversion Restrictions: | If the conversion by the holders of the Convertible Bonds would trigger any mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the exercising bond holders or parties acting in concert with them, or reduce the public float of the Company to less than 25% as prescribed by Rule 8.08(1)(a) of the Listing Rules, then the conversion by the relevant bond holders shall be restricted until and unless the regulatory requirements under the Takeovers Code and the Listing Rules are fully complied with.  |
| Conversion Shares:       | Based on the initial conversion price of HK\$0.258 per Conversion Share and assuming there is no other change in the issued share capital of the Company between now and the full conversion of the Convertible Bonds, 1,937,984,496 ordinary shares will be allotted and issued by the Company upon exercise in full of the conversion rights attaching to the Convertible Bonds, representing: (a) approximately 28.50% of the existing issued share capital of the Company; and (b) approximately 22.18% of the issued share capital of the Company as enlarged by the issue of the 1,937,984,496 ordinary shares. The aggregate nominal value of the 1,937,984,496 ordinary shares is HK\$19,379,844.96. |

# DIRECTORS' REPORT

- Conversion Price: The conversion price of HK\$0.258:
- (i) represents a premium of approximately 3.61% to the closing price of HK\$0.249 per Share as quoted on the Stock Exchange on the last trading date before the Suspension;
  - (ii) represents a premium of approximately 3.61% to the average closing price of HK\$0.249 per Share as quoted on the Stock Exchange for the five trading days immediately prior to the Suspension; and
  - (iii) represents a premium of approximately 3.04% to the average closing price of HK\$0.250 per Share as quoted on the Stock Exchange for the ten trading days immediately prior to the Suspension.

The conversion price is subject to adjustments upon occurrence of share consolidation or subdivision, share issuance through the capitalization of profits or reserves or capital distribution.

The conversion price was determined by Yunnan Baiyao Group and the Company's at an arm's length basis with reference to the historical price trend and trading volume of the Shares prior to the Suspension. Taking into account that (i) the trading of the Shares of the Company has been suspended since 21 June 2022, and the conversion price is higher than the average closing prices of the Shares prior to the last trading day before the suspension; and (ii) the extension of the Initial Maturity Date was made at the request of the Company, the Board considers that maintaining the conversion price at HK\$0.258 is to the Company's benefit, fair and reasonable, and is in the interests of the Company and Shareholders as a whole.

- Redemption: The Convertible Bonds may not be redeemed by the bond holder before the Extended Maturity Date, but may be redeemed in whole or part by the Company before the Extended Maturity Date at the redemption price which is equivalent to the principal amount of the Convertible Bonds to be redeemed, plus interest of 3% per annum calculated from the date of issue up to and including the date of redemption.

- Transferability: The Convertible Bonds are freely transferable, but prior written consent from the Company will be required unless the Convertible Bonds are transferred to any wholly-owned subsidiary of the holder of the Convertible Bonds. For any proposed transfer of the Convertible Bonds, the transferor or its authorised representative would be required to sign a transfer form, containing details such as the amount of transfer and the identity of the transferee. The Company would ascertain the background of the proposed transferee to ascertain whether such transferee would be a connected person, and the Group would also request the transferor to provide further details such as shareholding structure and board composition in order to be ascertained whether the proposed transferee is a connected person.

## DIRECTORS' REPORT

|                               |   |
|-------------------------------|---|
| Voting:                       | The Convertible Bonds shall not confer on the bond holders the right to vote at any general meetings of the Company.  |
| Listing:                      | Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares that may be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds. |
| Ranking of Conversion Shares: | The Conversion Shares will, when issued and allotted, rank pari passu in all respects among themselves and with all other fully paid Shares in issue.   |

As at 31 December 2023, the Group did not redeem any convertible bonds and the principal amount of the convertible bonds, being HK\$500 million, remains outstanding.

### CONTINUING CONNECTED TRANSACTIONS

On 13 December 2022, the Company and Yunnan Baiyao Group entered into a framework agreement (the "Framework Agreement"), pursuant to which, (i) Yunnan Baiyao Group agreed to purchase (a) product registration and promotion services, (b) global supply chain integration services, and (c) professional supporting services from the Group, and (ii) the parties agreed to cooperate in the sales and distribution of the products, in which the Group will distribute Yunnan Baiyao Group's products overseas and Yunnan Baiyao Group will distribute the Group's products in the PRC.

As Yunnan Baiyao Group is a connected person of the Company, the implementation of the transactions contemplated under the Framework Agreement constitutes a continuing connected transaction (the "Continuing Connected Transaction") of the Company pursuant to Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the annual caps under the Framework Agreement exceeds 5%, the implementation of the transactions contemplated under the Framework Agreement are subject to reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Framework Agreement was approved by the shareholders of the Company on 15 May 2023. For further details in relation to the Framework Agreement, please refer to the announcement of the Company dated 13 December 2022 and the circular of the Company dated 27 April 2023.

The audit committee of the Company, under the authority delegated by the Board, has reviewed the Continuing Connected Transaction pursuant to Rule 14A.55 of the Listing Rules, and confirmed that the transaction was entered into by the Group in accordance with the requirements of the Listing Rules.

For the purpose of Rule 14A.56 of the Listing Rules, ZHONGHUI ANDA CPA Limited, the external auditor of the Company, was engaged to report on the Continuing Connected Transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information", and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA. The external auditor has issued an unqualified letter containing its findings and conclusions in respect of the transaction disclosed above 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.

## DIRECTORS' REPORT

The external auditor has confirmed the above Continuing Connected Transaction as follows:

- a. nothing has come to their attention that causes them to believe that the Continuing Connected Transaction has not been approved by the Company's board of directors.
- b. for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group.
- c. nothing has come to their attention that causes them to believe that the transaction was not entered into, in all material respects, in accordance with the relevant agreements governing such transaction.
- d. with respect to the aggregate amount of the Continuing Connected Transaction, nothing has come to their attention that causes them to believe that the Continuing Connected Transaction has exceeded the annual cap as set by the Company.

The Company confirmed that it had complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

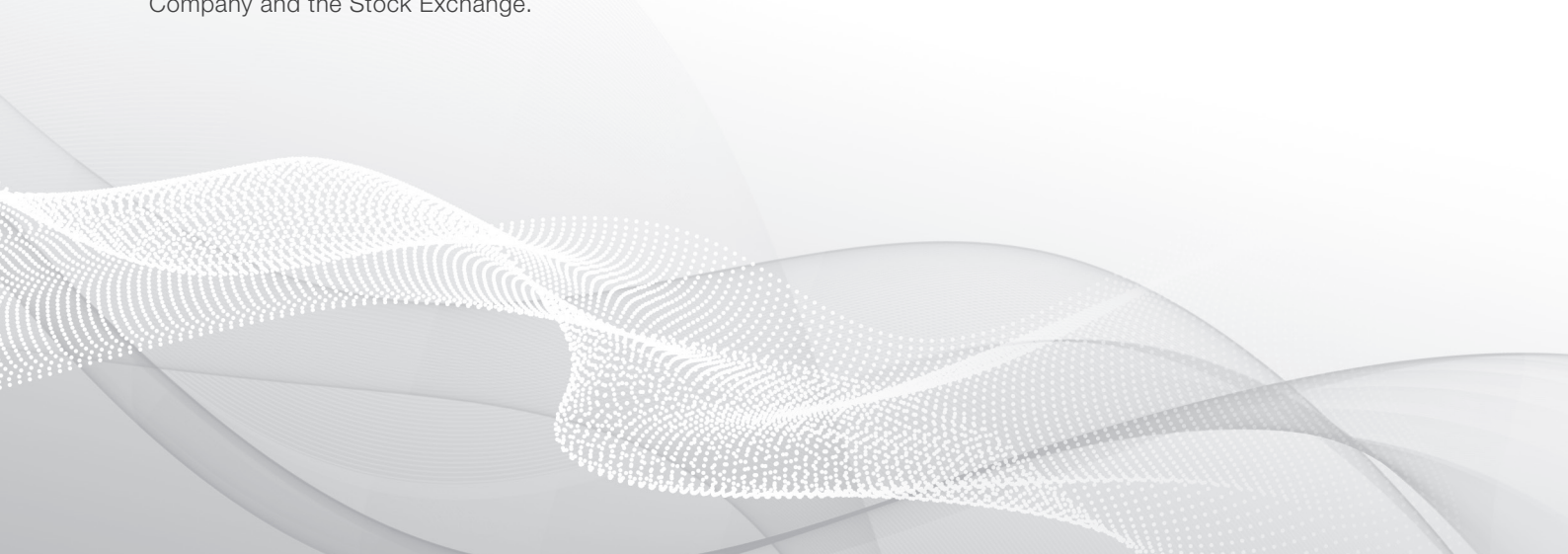
Save for the Framework Agreement, there was no continuing connected transaction for the nine months ended 31 December 2023.

### RELATED PARTY TRANSACTIONS

Details of the related party transactions entered by the Group during the nine months ended 31 December 2023 are set out in note 42 to the consolidated financial statements. None of these related party transactions constitutes a connected transaction as defined under Chapter 14A of the Listing Rules which requires to be disclosed.

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

As at 31 December 2023, none of the Directors or chief executives of the Company had any interest or short position in any shares, underlying shares or debenture of the Company or any of its associated corporations (within meaning of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which Directors have taken or deemed to have under such provisions of SFO); or (b) were required pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for the Securities Transactions by Directors of Listed Issuers (the "Model Code") to be notified to Company and the Stock Exchange.



# DIRECTORS' REPORT

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2023, the following persons and entities (other than a Director or chief executives of the Company) had an interest or short position in the shares and underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO:

| Names of Shareholders  | Capacity                             | Number of Shares held (long position) | Percentage of the total number of issued Shares |
|--|--------------------------------------|---------------------------------------|---|
| LUO GA   | Interest in a controlled corporation | 351,762,000<br><i>(Note 3)</i>        | 5.17%   |
| Gold Bricks Holdings Limited                                   | Interest in a controlled corporation | 351,762,000<br><i>(Note 3)</i>        | 5.17%   |
| Sunwah GreatWall Group Limited                                 | Beneficial owner                     | 351,762,000<br><i>(Note 3)</i>        | 5.17%   |
| Yunnan Baiyao Group  | Beneficial owner                     | 1,908,025,360<br><i>(Note 2)</i>      | 28.06%  |
| Yunbaiyao Hong Kong Co., Limited                               | Beneficial owner                     | 3,101,911,000<br><i>(Note 2)</i>      | 45.62%  |
| Shanghai International Trust Corp., Ltd.<br>("Shanghai Trust") | Trustee                              | 1,937,984,496<br><i>(Note 1)</i>      | 28.50%  |

### Notes:

- The Company entered into a subscription agreement with Yunnan Baiyao Group on 14 October 2019 (the "Subscription Agreement"). Pursuant to the Subscription Agreement and the supplemental subscription agreements (collectively, the "Subscription Agreements"), the Company has conditionally agreed to issue, and Yunnan Baiyao Group has conditionally agreed to subscribe for, through its trustee, Shanghai Trust, the Convertible Bond (the "Subscription"). The completion of the Subscription took place on 30 October 2020 in accordance with the terms and conditions of the Subscription Agreements. The principal amount of the Convertible Bond was HK\$500 million with coupon rate of 3% per-annum for 2 years. Under the Subscription, the Convertible Bond has been issued to Shanghai Trust, which subscribes and holds the Convertible Bond on behalf of and as a trustee of Yunnan Baiyao Group. Yunnan Baiyao Group remains as the beneficial owner of the Convertible Bond.

Based on the initial conversion price of HK\$0.258 per conversion share and assuming there is no other change in the issued share capital of the Company between the date of this report and the date of the full conversion of the Convertible Bond, 1,937,984,496 ordinary shares will be allotted and issued by the Company upon exercise in full of the conversion rights attaching to the Convertible Bond, representing approximately 30.05% of the existing issued share capital of the Company. As at the date of this report, there has not been any exercise of any of the Convertible Bond.

For further details of the Subscription, please refer to the announcements of the Company dated 14 October 2019, 4 November 2019, 18 November 2019, 2 December 2019, 16 December 2019, 31 December 2019, 31 January 2020, 14 February 2020, 28 February 2020, 31 March 2020, 3 May 2020, 31 July 2020, 31 August 2020, 10 September 2020, 29 October 2020 and the circular of the Company dated 11 September 2020, respectively.

## DIRECTORS' REPORT

2. On 9 September 2021, New Huadu HK acquired 56,000,000 Shares (namely the Acquisition Shares, which comprise approximately 0.87% of the Shares in issue as at the date of the joint announcement) for a consideration of HK\$0.285 per Share on the secondary market. New Huadu HK is wholly-owned by New Huadu Industrial, which is held as to approximately 93.69% by Mr. Chen Fashu, through his shareholding in Xiamen Huadu and through such shareholding held by him in his own capacity. Mr. Chen Fashu is a director of YNBY Group Co. and together with parties acting in concert with him, holds approximately 25.04% of YNBY Group Co.. Yunbaiyao Hong Kong Co., Limited (the "Offeror") is an indirect wholly-owned subsidiary of YNBY Group Co.. Accordingly, the Offeror, Mr. Chen Fashu, New Huadu HK, Xiamen Huadu, New Huadu Industrial and YNBY Group Co. are presumed to be parties acting in concert under the Takeovers Code. The Offeror and parties acting in concert with it were interested in 1,908,025,360 Shares, representing approximately 29.59% of the entire issued share capital of the Company. As a result of the Acquisition, the Offeror and parties acting in concert with it, became collectively interested in 1,964,025,360 Shares, representing approximately 30.46% of the total issued Shares immediately after the Acquisition and as at the date of the joint announcement. Pursuant to Rule 26.1 of the Takeovers Code, a mandatory conditional general offer in cash for all the issued Shares held by the Independent Shareholders is required to be made.

On 18 January 2022, the Offeror had received valid acceptances in respect of 3,101,911,000 Offer Shares under the Offer as at the date of such announcement. Taking into account the Acceptance Shares and Shares already owned by the Offeror and parties acting in concert with it, the Offeror and the parties acting in concert with it are interested in an aggregate of 5,065,936,360 Shares as at the date of such announcement.

Please refer to the announcements dated 11 November 2021, 15 December 2021, 4 January 2022 and 18 January 2022.

3. On 6 June 2022, 351,762,000 new ordinary shares of the Company have been issued and allotted to Sunwah GreatWall Group Limited under general mandate and pursuant to the terms of the subscription agreement dated 14 April 2022 (the "Subscription") (details of which are disclosed in the announcements of the Company dated 14 April 2022, 16 May 2022 and 6 June 2022). Sunwah GreatWall Group Limited is owned as to 99% by Gold Bricks Holdings Limited, which is in turn wholly-owned by Luo Ga. As such, each of Gold Bricks Holdings Limited and Luo Ga is deemed to be interested in the same number of shares of the Company held by Sunwah GreatWall Group Limited.

Save as disclosed above, as at 31 December 2023, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the nine months ended 31 December 2023, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

### NO PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws although there are no restrictions against such rights under the laws of Bermuda.

### RELIEF FROM TAXATION

The Company is not aware of any relief from taxation available to the shareholders by reason of their holding of the shares of the Company.

### PERMITTED INDEMNITY PROVISION

Pursuant to Bye-Law 164 of the Bye-laws and relevant provisions of the regulations stipulated, every Director or other officer of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all losses and liabilities which he may incur or sustain in or about the execution of the duties of his office or otherwise in relation thereto, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the reporting period. The Company has taken out and maintained Directors' and officers' liabilities insurance throughout the year, which provides appropriate cover for the Directors of the Group.

# DIRECTORS' REPORT

## MAJOR CUSTOMERS AND SUPPLIERS

The percentage of the Group's purchases and sales for the year attributable to major suppliers and customers are as follows:

### Purchases

|                                   |       |
|-----------------------------------|-------|
| – the largest supplier            | 19.4% |
| – five largest suppliers combined | 52.5% |

### Sales

|                                   |       |
|-----------------------------------|-------|
| – the largest customer            | 35.8% |
| – five largest customers combined | 57.9% |

Yunnan Baiyao Group, a shareholder holding more than 5% of the Company's share capital, had a beneficial interest in one of the Group's five largest customers. Save as aforesaid, none of the directors, their associates nor any shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) had an interest in the major suppliers or customers noted above.

The Company is committed to maintaining a good relationship with its employees, customers, suppliers and other stakeholders that have a significant impact on the Company and on which the Company's success depends.

## SUFFICIENCY OF PUBLIC FLOAT

As far as the information publicly available to the Company is concerned and to the best knowledge of the Directors, the public float of the Shares has remained above the minimum percentage required by the Stock Exchange throughout the year.

## EVENTS AFTER THE REPORTING PERIOD

The Company did not have any material subsequent events after 31 December 2023 and up to the date of this report.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

There were no competing business of which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the nine months ended 31 December 2023 which is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

## ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

The Company's corporate governance practices, including the audit committee of the Company (the "Audit Committee"), the nomination committee of the Company (the "Nomination Committee") and the remuneration committee of the Company (the "Remuneration Committee"), are set out in the Corporate Governance Report on pages 30 to 51 of this report.

For details of the Company's Environmental, Social and Governance Report 2023, please refer to pages 52 to 84 of this report.

## AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control, risks management and financial reporting matter, including the review of the financial statements for the nine months ended 31 December 2023.



# DIRECTORS' REPORT

## AUDITORS

HLB Hodgson Impey Cheng Limited (“HLB”) has been the auditor of the Group since 9 March 2017 until 25 April 2023. On 25 April 2023, HLB resigned as the auditor of the Company. The Board, with the recommendation of the Audit Committee, resolved to appoint ZHONGHUI ANDA CPA Limited (“Zhonghui Anda”) as the auditor of the Company with effect from 28 April 2023 to fill the casual vacancy following the resignation of HLB as auditor of the Company, and to hold office until the conclusion of the next annual general meeting of the Company.

On behalf of the Board

**Dong Ming**

*Chairman*

Hong Kong, 22 March 2024



## BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

During the nine months ended 31 December 2023, the composition of the Board and senior management of the Company was as follows:

### Executive Directors:

Mr. Dong Ming (*Chairman*)  
 Mr. Tang Ming (*Chief Executive Officer*)  
 Mr. Yin Pinyao (*ceased as Director on 8 August 2023*)  
 Mr. Liu Zhouyang

### Non-executive Directors:

Mr. Qian Yinghui  
 Mr. Huang Bin

### Independent Non-executive Directors:

Dr. Cecilia Wai Bing Pang (*appointed on 21 November 2023*)  
 Dr. Cheung Hoi Yu (*appointed on 21 November 2023*)  
 Mr. Wong Hin Wing (*appointed on 21 November 2023*)  
 Mr. Jiang Zhi (*ceased as Director on 10 November 2023*)  
 Mr. Leung Ka Kui, Johnny (*ceased as Director on 10 November 2023*)  
 Ms. Wong Chui San, Susan (*ceased as Director on 10 November 2023*)

### Senior Management:

Mr. Huaiyu Liu (*Chief Financial Officer and Company Secretary*)

Up to the publication date of this report, the composition of the Board and senior management of the Company is as follows:

## EXECUTIVE DIRECTORS

**Mr. Dong Ming (“Mr. Dong”)**, aged 47, is and has been the chief executive officer of Yunnan Baiyao Group since 4 March 2021. Mr. Dong obtained a bachelor degree in industrial automation from Northeastern University\* (東北大學) in the PRC in July 1999. Before joining Yunnan Baiyao Group, Mr. Dong engaged in various positions at Huawei Technologies Co., Ltd.\* (華為技術有限公司) (“Huawei Technologies”) during 1999 to 2021, including technical engineer, department heads of various departments, including the landline network marketing department of Xi’an Representative Office, landline network product marketing department of the Eastern Europe Region, VIP system department and the mobile system department, vice president of the Region of Commonwealth of Independent State and Huawei Technologies as well as the general manager of the Beijing Branch.

Mr. Dong has been appointed as executive Director, the Authorised Representative and Process Agent of the Company with effect from 17 January 2022. Furthermore, Mr. Dong has been appointed as the chairman of the Board and the chairman of the nomination committee of the Company with effect from 11 February 2022. With effect from 5 September 2022, Mr. Dong ceased to be the Authorised Representative of the Company.

## BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Liu Zhouyang (“Mr. Liu”)**, aged 37, has been the deputy chief executive officer of the Company since 12 November 2021. Mr. Liu obtained a bachelor’s degree in e-commerce from Hunan Agricultural University\* (湖南農業大學) in 2009 and a master’s degree in national economics in Kunming University of Science and Technology\* (昆明理工大學) in the PRC in 2012. Mr. Liu engaged in various positions at Yunnan Baiyao Group since 2013, including project manager of the centre of operation management, the project manager of the general office of the strategic committee, the investment relations specialist of securities department, the manager of the general office of the general manager and the assistant of general manager of the investment department.

Mr. Liu has been appointed as an executive Director with effect from 11 February 2022. Mr. Liu was appointed as the Authorised Representative and the Process Agent of the Company from 20 April 2022 to 29 November 2023.

**Mr. Tang Ming (“Mr. Tang”)**, aged 49, holds a master of business administration from Cornell University, USA, and a bachelor of electronic engineering from Tianjin University of Technology, PRC. Mr. Tang has over 27 years of experience in international business development. He specializes in building global strategies, setting global business teams, and is familiar with local regulations and ecosystem to start the new business. He has rich experience across marketing and sales, R&D, supply chain, Go-To-Market, etc. Prior to joining the Company, he worked as the Vice President of Intelligent Automotive Solution Business Unit Europe Region, General Manager of consulting services of Enterprise Business Group Europe Region, at Huawei Technologies Co., Ltd from July 2016 to January 2022.

Mr. Tang has been appointed as the Chief Executive Officer of the Company with effect from 15 April 2022, the executive Director with effect from 19 August 2022, and a member of the Remuneration Committee with effect from 3 February 2023.

### NON-EXECUTIVE DIRECTORS

**Mr. Huang Bin (“Mr. Huang”)**, aged 58, obtained a bachelor’s degree in engineering from Harbin Engineering University and had subsequently attended visiting scholar program from European Economic Community and business management courses from Northwestern University in the United States. Mr. Huang is a director of CITIC International Assets Management Limited (中信國際資產管理有限公司) and its subsidiaries such as Radiant International and Goldstone International, respectively.

Mr. Huang is currently a non-executive director and co-chairman of the board of China New Economy Fund Limited (中國新經濟投資有限公司), a company listed on the Stock Exchange with stock code: 80.

Prior to his appointments as stated above, from March 2020 to December 2021, Mr. Huang served as a non-executive director and the chairman of Lamtex Holdings Limited (“Lamtex”) (林達控股有限公司), a company previously listed on the Stock Exchange, a Bermuda company previously listed on the Stock Exchange (stock code: 1041) and was principally engaged in securities trading and investment business, securities brokerage and provision of securities margin finance business, hotel operation business and trading, and manufacturing of electronic products business. Pursuant to the announcement of Lamtex dated 17 March 2021 (the “Lamtex Announcement”), a winding-up petition against Lamtex was filed to the High Court of The Hong Kong Special Administrative Region (the “High Court”) on 20 August 2020 on the grounds that the Lamtex is insolvent and unable to settle the debt in sum of HK\$10,200,000.00, being the principal sum and accrued interests due and owing as at 2 July 2020 in relation to the bond issued by Lamtex on 30 May 2019 for a term of 1 year due repayable on 28 May 2020. On 11 March 2021, Lamtex was ordered to be wound up by High Court. For further details, please refer to the Lamtex Announcement. Pursuant to filing records at the Hong Kong Companies Registry, a liquidator of Lamtex was appointed on 12 May 2021.

## BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

From September 2019 to October 2020, Mr. Huang served as an executive director of GTI Holdings Limited (“GTI”) (共享集團有限公司), a Cayman Islands company listed on the Stock Exchange (stock code: 3344) and was principally engaged in sales and trading of textile products, trading of petroleum and chemical products, RMB banknotes clearing up services and others. Pursuant to announcement of GTI dated 23 November 2021 (the “GTI Announcement”), a winding-up petition against GTI was filed to the High Court by one of the bondholders of GTI on 19 March 2020 on the grounds that GTI failed to pay such individual the outstanding principal amount and accrued interest of the bonds in an aggregate amount of HK\$3,843,876.38 as at 21 April 2020. On 22 November 2021, GTI was ordered to be wound up by High Court. For further details, please refer to the GTI Announcement. Pursuant to filing records at the Hong Kong Companies Registry, a liquidator of GTI was appointed on 22 February 2022.

Mr. Huang initiated the formation of Guangdong-Hongkong-Macao Bay Area Entrepreneurs Union (粵港澳大灣區企業家聯盟) (the “Union”). Mr. Huang is the executive vice chairman of the Union and is in charge of technology and financial sector.

Mr. Huang has extensive professional experience in fund and asset management as well as investment banking and direct investments. Mr. Huang is dedicated to serve in the PRC, throughout the years, he contributed, including but not limited to, developments in cross-border energy, resource mergers and acquisitions, and promoting energy output and international engineering.

Mr. Huang has been appointed as the non-executive Director of the Company with effect from 19 August 2022.

**Mr. Qian Yinghui (“Mr. Qian”)**, aged 40, has been the director of the board office of Yunnan Baiyao Group since April 2021, and the board secretary of Yunnan Baiyao Group since January 2022. Mr. Qian obtained a bachelor’s degree in law from China Youth University of Political Studies\* (中國青年政治學院) in the PRC in 2006, and a master’s degree in international trade and commercial law from the University of Durham in the United Kingdom in 2008. Mr. Qian served as the project manager of the general office of the strategic committee of Yunnan Baiyao Group and the project director of the centre of strategic development of Yunnan Baiyao Group.

Mr. Qian has been appointed as an non-executive Director with effect from 11 February 2022. With effect from 30 March 2022, Mr. Qian has also been appointed as a member of the Audit Committee.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Wong Hin Wing (“Mr. Wong”)**, MH, aged 61, holds a master’s degree in executive business administration from the Chinese University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England & Wales, the Association of Chartered Certified Accountants, the Hong Kong Institute of Directors and the Chartered Governance Institute. He is also a member of the American Institute of Certified Public Accountants and a chartered member of the Chartered Institute for Securities & Investment. Mr. Wong was awarded the Medal of Honour by the Government of the Hong Kong Special Administrative Region.

Mr. Wong is an independent non-executive director of Jiangxi Bank Co., Ltd. (a H shares company listed on the Stock Exchange with stock code: 1916), Zhaoke Ophthalmology Limited (a company listed on the Stock Exchange with stock code: 6622), Kingmaker Footwear Holdings Limited (a company listed on the Stock Exchange with stock code: 1170) and C Cheng Holdings Limited (a company listed on the Stock Exchange with stock code: 1486).

## BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Wong served as an independent non-executive director of Wine's Link International Holdings Limited (a company listed on the Stock Exchange with stock code: 8509) from December 2017 to February 2023, CRCC High-Tech Equipment Corporation Limited (a company listed on the Stock Exchange with stock code: 1786) from November 2015 to October 2022, Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (a A+H shares company listed on the Shanghai Stock Exchange with stock code: 600332 and the Stock Exchange with stock code: 874) from June 2017 to May 2023, and Inner Mongolia Yitai Coal Co., Ltd. (a B+H shares company listed on the Shanghai Stock Exchange with stock code: 900948 and the Stock Exchange with stock code: 3948) from May 2017 to May 2023. Save as disclosed herein, Mr. Wong did not hold any directorship in other public companies the securities of which are listed in Hong Kong or overseas in the last three years.

Mr. Wong is a member of the Anhui Provincial Committee of the Chinese People's Political Consultative Conference, a panel member of Accounting and Financial Reporting Review Tribunal, a member of Betting and Lotteries Commission, Medical Council of Hong Kong and Advisory Committee on Enhancing Self-Reliance Through District Partnership (ESR) Programme. Mr. Wong is also a board member of Ocean Park Corporation.

Mr. Wong is the managing partner and responsible officer of Hermitage Capital HK Limited, a private equity firm licensed under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"). Prior to this, he had worked with an international audit firm for four years and then a listed company as chief financial officer for seven years, after which he co-founded Silk Road International Capital Limited (a licensed corporation formerly known as Legend Capital Partners Inc.) and led the company as the executive director and responsible officer for twenty-three years. Overall, he has over three decades of solid experience in corporate management and governance, investment management and advisory, accounting and finance.

Mr. Wong has been appointed as an independent non-executive director, the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee with effect from 21 November 2023.

**Dr. Cheung Hoi Yu ("Dr. Yu"), JP**, aged 69, obtained a bachelor's degree of science, a master's degree of science, and a doctoral degree of philosophy, from the University of Saskatchewan in Canada, in May 1976, October 1980 and May 1984, respectively. Dr. Yu has published more than 170 scientific papers and is the inventor of more than 70 global patents.

Dr. Yu is currently an independent non-executive director, a member of the remuneration committee and a member of the nomination committee of Sirnaomics Limited, a company listed on the Stock Exchange with stock code: 02257.

Dr. Yu also serves as (i) a director of CR-CP Life Science Fund Management Limited since May 2021; (ii) a member of the Biotech Advisory Panel of the Stock Exchange since April 2018; (iii) a member of the board of trustees of Gordon Research Conference, a group of international scientific conferences covering biological, chemical and physical sciences and the related technologies, since July 2014; (iv) a director at Asian Fund for Cancer Research since November 2012; and (v) a member of the Technology and Innovation Subsector of the Election Committee of Hong Kong since October 2021.

## BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Dr. Yu served as the chairman of the Hong Kong Council for Testing and Certification from January 2016 to December 2021. In addition to that, Dr. Yu serves as a professor at the Neuroscience Research Institute (北京大學神經科學研究所) at Peking University (北京大學) since January 2002. Dr. Yu founded the Hong Kong Biotechnology Organization (HKBIO) in September 2009 and the Guangdong – Hong Kong – Macau Greater Bay Area Biotechnology Alliance in December 2017, and has been serving as the president since Dr. Yu's appointment. Dr. Yu also founded Hong Kong DNA Chips Limited, presently Hai Kang Life Corporation Limited, in May 1999, and has been serving as the president of the board. Dr. Yu was appointed as a Justice of the Peace in July 2016.

Dr. Yu has been appointed as an independent non-executive director, the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee with effect from 21 November 2023.

**Dr. Cecilia Wai Bing Pang (“Dr. Pang”), BBS**, aged 68, obtained a bachelor of science degree from the University of Manitoba in Canada in 1976, and bachelor of science with honours and doctor of philosophy degrees from the Monash University in Australia in 1978 and 1983 respectively.

Dr. Pang was the Biotechnology Director of the Innovation and Technology Commission of the Government of the Hong Kong Special Administrative Region for 20 years. She has over thirty years of experience in the research, development and management of the biotechnology industry.

Dr. Pang has been appointed as an independent non-executive director and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee with effect from 21 November 2023.

### COMPANY SECRETARY

**Mr. Huaiyu Liu**, aged 52, was appointed as the Chief Financial Officer in June 2022, and as the Company Secretary in August 2022. He holds a master of business administration from Cornell University, USA, and a bachelor of economics from Shenzhen University, PRC. He is a member of the Hong Kong Institute of Certified Public Accountants, and a member of the Institute of Chartered Accountants in England and Wales.

Mr. Liu has over 25 years of experience in finance and management, and had held senior posts with various listed companies, including the chief financial officer of V1 Group Limited (Stock Code: 00082) in 2019, the executive director, executive vice president, and company secretary of Chiho Environmental Group Limited (Stock Code: 00976) from 2016 to 2017, and the executive director and chief financial officer of Xinyuan Real Estate Company Limited (NYSE: XIN), a company listed on the New York Stock Exchange, from 2015 to 2016. Mr. Liu has been an independent non-executive director, the chairman of audit committee, and the chairman of remuneration committee of Kafelaku Coffee Holding Limited (stock code: 01869) since November 2023.

### SENIOR MANAGEMENT

Throughout the reporting period, the Group has undertaken a strategic restructuring, where key businesses and operational functions are now overseen directly by the Executive Directors, the Chief Executive Officer, the Chief Financial Officer and Company Secretary, all of whom constitute the senior management team of the Group. The Board will review the organisation structure from time to time to complement the Company's corporate strategy.

# CORPORATE GOVERNANCE REPORT

The Board is committed to achieving and maintaining high standards of corporate governance to ensure that all decisions are made in good faith, in the best interest of Shareholders and in long-term shareholders value.

The basis on which the Company generates or preserves value over the longer term and the strategy for delivering its objectives are explained in the section headed “Management Discussion and Analysis” of this annual report.

## CORPORATE GOVERNANCE PRACTICES

The Company has embraced the mission of delivering quality and innovative value-added products and services. Through the Company’s operational practices, policies, and interaction with its stakeholders, including but not limited to customers, investors, suppliers and employees, it is reflected that the Company aims to achieve sustainable growth and success with its culture of building a long-term sustainable development business. The Board has recognised the importance of good corporate governance practices in safeguarding the interest of the shareholders, and the Company is committed to maintaining and achieving a high standard of corporate governance to enhance corporate value, business growth, accountability and transparency.

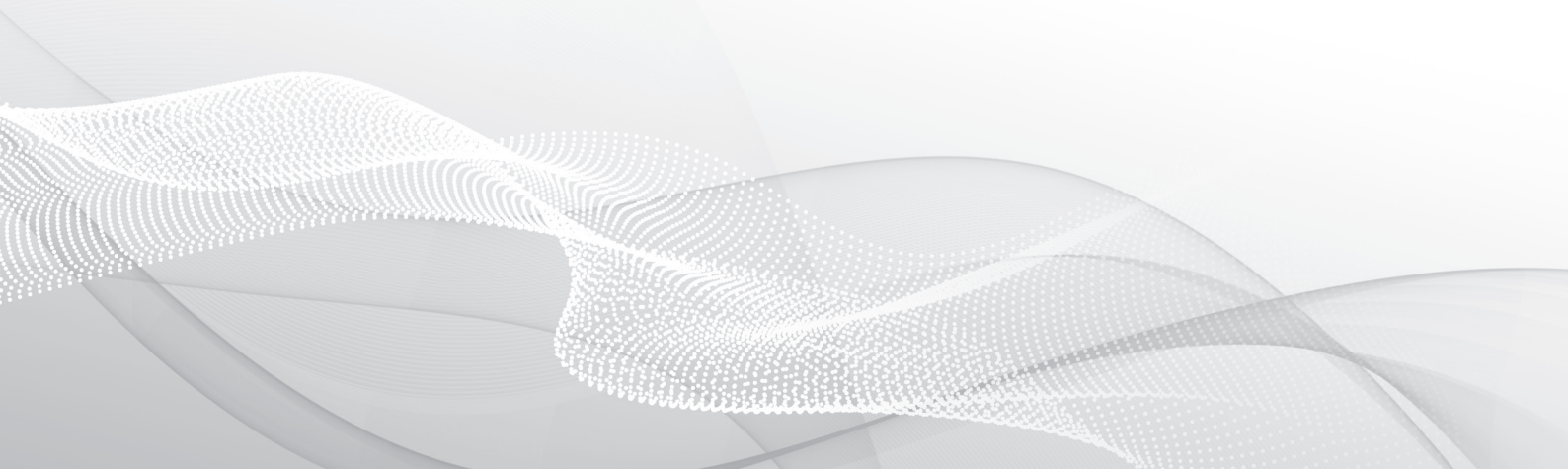
The corporate governance standards of the Company are built on the principles of independence, accountability, transparency and fairness. In the opinion of the Board, save for deviations as set out below, during the nine months ended 31 December 2023 and up to the date of this report, the Group has apply and complied the principles set out in the Corporate Governance Code (“CG Code”) as contained in Appendix C1 to the Listing Rules:

### Insufficient number of independent non-executive directors

Pursuant to the announcement of the Company dated 10 November 2023:

- (i) Mr. Jiang Zhi (“Mr. Jiang”) has tendered his resignation as independent non-executive director of the Company, member of the audit committee, member of the nomination committee, and member of the remuneration committee on 10 November 2023;
- (ii) Mr. Leung Ka Kui, Johnny (“Mr. Leung”) has tendered his resignation as independent non-executive director of the Company, member of the audit committee, member of the nomination committee, and chairman of the remuneration committee, and member of the independent investigation committee on 10 November 2023; and
- (iii) Ms. Wong Chui San, Susan (“Ms. Wong”) has tendered her resignation as independent non-executive director of the Company, chairman of the audit committee, member of the nomination committee, and member of the remuneration committee, and member of the independent investigation committee on 10 November 2023.

Following the resignation of the Departing Directors, the composition of the Board comprises of three executive directors and two non-executive directors at that time. As such, the number of independent non-executive directors and the number of the members of each of the audit committee, remuneration committee and nomination committee had fallen below the minimum number as required under Rules 3.10(1), 3.10A, 3.21, 3.25 and 3.27A of the Listing Rules.



# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES (CONTINUED)

### Insufficient number of independent non-executive directors (Continued)

As a remedial measure, the Board has used its best effort to identify suitable candidates to fill the vacancies as soon as practicable and, in any event, within three-months from 10 November 2023 pursuant to Rules 3.11, 3.23 and 3.27 of the Listing Rules. As at 21 November 2023:

- (i) Mr. Wong Hin Wing (“Mr. Wong”), MH, has been appointed as an independent nonexecutive director, the chairman of the audit committee (the “Audit Committee”) and a member of the remuneration committee (the “Remuneration Committee”) and the nomination committee (the “Nomination Committee”) with effect from 21 November 2023;
- (ii) Dr. Cheung Hoi Yu (“Dr. Yu”), JP, has been appointed as an independent non-executive director, the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee with effect from 21 November 2023;
- (iii) Dr. Cecilia Wai Bing Pang (“Dr. Pang”), BBS, has been appointed as an independent nonexecutive director and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee with effect from 21 November 2023.

Following the appointment of Mr. Wong, Dr. Yu and Dr. Pang as independent non-executive directors and the change in composition of the Board committees as described above, the Company has re-complied with Rules 3.10(1), 3.10A, 3.21, 3.25 and 3.27A of the Listing Rules.

### Code Provision F.2.2

Code provision F.2.2 stipulates that the Chairman of the Board shall attend the annual general meeting of the Company.

Mr. Dong Ming, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 8 February 2024 due to other important business engagement. Mr. Tang Ming, an executive director, was appointed to chair the annual general meeting in replying to questions raised by shareholders of the Company at the meeting.<sup>1</sup>

## DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix C3 of the Listing Rules as the code of conduct regarding securities transactions by the Directors. The prohibitions on securities dealing and disclosure requirements in the Model Code also apply to the Group’s senior management and persons who are privy to price sensitive information of the Group. Having made specific enquiry, all Directors confirmed to the Company that they have complied with the Model Code during the year and up to the date of publication of this report.

## SHARE OPTION SCHEME

The share option scheme of the Company adopted on 30 September 2013 has expired on 29 September 2023. No share option of the Company has been granted under the Share Option Scheme since its adoption. As the Share Option Scheme expired on 29 September 2023, there is no share available for issue at the date of this annual report.

During the nine months ended 31 December 2023, no options were granted or exercised under the share option scheme. For further details, please refer to note 34 of the consolidated financial statements.

<sup>1</sup> The announcement of the Company dated 8 February 2024: POLL RESULTS OF THE ANNUAL GENERAL MEETING HELD ON 8 FEBRUARY 2024 <https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0208/2024020800966.pdf>



# CORPORATE GOVERNANCE REPORT

## BOARD DIVERSITY POLICY

With an aim to achieve diversity on the Board, the Board has approved and adopted a board diversity policy (the “Board Diversity Policy”) and revised the terms of reference of the Nomination Committee to ensure the appropriate implementation of the Board Diversity Policy. The Policy was made with a view to achieve a sustainable and balanced development of the Company, through the invitation and selection of different talents to join the Board having due regard to the importance of Board diversity. The Board will periodically review the implementation and effectiveness of the Company’s policy on board diversity.

The Company is committed to establishing procedures of candidates’ selection based on a range of diversity perspectives including gender, age, cultural background, ethnicity, educational background, professional experience, skills and knowledge. The ultimate decision will be based on merit and contribution that the elected candidates will bring to the Board. The Board’s composition will be disclosed in the Corporate Governance Report annually.

As at the date of this annual report, the Board comprises Directors with both genders, diverse background and experiences. The Board has a balanced composition for its executive Directors being in possession of extensive industrial expertise and experience in the operation of Group’s business and the independent non-executive Directors contributing their independent opinions and judgements, which facilitate an effective decision-making process for the Board. The composition of the Board is reviewed on an annual basis by the Nomination Committee.

The Board also recognizes the importance of diversity at the workforce level. As at 31 December 2023, the Group had a total of 34 employees, of which 17 were male and 17 were female. The gender ratio of the Group’s workforce (including senior management) was approximately 50% male to 50% female.

As the plans for the Group in terms of gender diversity in workforce, the Group will periodically review internal records on gender diversity, identify suitable female candidates for relevant positions within the Company, and try to ensure that there is gender diversity when recruiting staff at mid to senior level and training female staff with the aim of promoting them to the senior management or directorship of the Company, so as to maintain the balance of gender diversity in the foreseeable future.

## THE BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company, oversees the Group’s businesses and evaluate the performance of the Group. The Board also focuses on the overall strategies and policies with particular attention paid to the growth and financial performance of the Group.

The Board delegates day-to-day operations of the Group to the Executive Directors and senior management, while reserving certain key matters for its approval. When the Board delegates aspects of its management and administration functions to the management, it has given clear directions as to the powers of the management, in particular, with respect to the circumstances where the management shall report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

The Directors were supplied with adequate and relevant information in a timely manner to enable them to form informed decisions before all the relevant meetings. Every Director is aware that he/she should give sufficient time and attention to the affairs of the Company. Agreed procedures are in place for the member of the Board and/or committee to seek independent professional advice at the Company’s expenses to assist them to discharge their duties. The Company’s senior management regularly supplies the Board and its Committees with adequate information in a timely manner to enable them to make informed decisions. For Board meetings and the Board Committee meetings, the agenda accompanying with Board papers were sent to all Directors at least three days before the intended date of the Board meetings or Board Committee meetings.

# CORPORATE GOVERNANCE REPORT

## THE BOARD OF DIRECTORS (CONTINUED)

### Board Composition

During the nine months ended 31 December 2023, the Board consisted of the directors as follows:

#### Executive Directors:

Mr. Dong Ming (*Chairman*)  
Mr. Tang Ming (*Chief Executive Officer*)  
Mr. Yin Pinyao (*ceased as Director on 8 August 2023*)  
Mr. Liu Zhouyang

#### Non-executive Directors:

Mr. Qian Yinghui  
Mr. Huang Bin

#### Independent Non-executive Directors:

Dr. Cecilia Wai Bing Pang (*appointed on 21 November 2023*)  
Dr. Cheung Hoi Yu (*appointed on 21 November 2023*)  
Mr. Wong Hin Wing (*appointed on 21 November 2023*)  
Mr. Jiang Zhi (*ceased as Director on 10 November 2023*)  
Mr. Leung Ka Kui, Johnny (*ceased as Director on 10 November 2023*)  
Ms. Wong Chui San, Susan (*ceased as Director on 10 November 2023*)

Up to the publication date of this report, the Board consisted of the directors as follows:

#### Executive Directors:

Mr. Dong Ming (*Chairman*)  
Mr. Tang Ming (*Chief Executive Officer*)  
Mr. Liu Zhouyang

#### Non-executive Directors:

Mr. Qian Yinghui  
Mr. Huang Bin

#### Independent Non-executive Directors:

Dr. Cecilia Wai Bing Pang  
Dr. Cheung Hoi Yu  
Mr. Wong Hin Wing

There is no financial, business, family or other material/relevant relationship among members of the Board.

# CORPORATE GOVERNANCE REPORT

## THE BOARD OF DIRECTORS (CONTINUED)

### Board Composition (Continued)

The Board has a policy of appointing Directors with different professional background, industry experiences, skills, knowledge and background so as to bring in valuable contributions and advices for the development of the Group's business. Currently, three out of nine Directors are INEDs and one of them is a qualified accountant. Biographical details of the Directors are set out in the section of "Biographical Information of Directors and Senior Management" in this report.

At each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every director shall be subject to retirement at least once every three years. A retiring director shall be eligible for re-election and shall continue to act as a director throughout the meeting at which he retires. According to the Bye-laws, all newly appointed directors will hold office until the first general meeting after his/their appointment(s) and shall then be eligible for re-election.

### Chairman and Chief Executive Officer

As at 31 December 2023, Mr. Dong Ming ("Mr. Dong") was the Chairman of the Board and Mr. Tang Ming ("Mr. Tang") was the Chief Executive Officer of the Company. There is segregation of duties between Chairman and Chief Executive Officer. The segregation of duties ensures balance of power between the Board and the Group's management as well as their independence and accountability.

The Chairman is the leader of the Board and he oversees the Board so that it acts in the best interests of the Group. The Chairman is responsible for deciding the agenda of each Board meeting, taking into account, where appropriate, matters proposed by other directors for inclusion in the agenda. The Chairman has the overall responsibility for leading the Company and providing leadership, vision and direction in the development of the business of the Company.

The Chief Executive Officer is responsible for the day-to-day management of the business of the Group, attends to formulation and successful implementation of Company's policies, and assumes full accountability to the Board for all operations of the Group. Working with the Chairman and the executive management team of each core business division, he ensures smooth operations and development of the Group. He maintains a constant dialogue with the Chairman and all the Directors to keep them fully informed of all major business developments and issues. He is also responsible for building and maintaining an effective executive team to support him in his role.

### Non-Executive Directors

All non-executive directors of the Company were not appointed for a specific term, but are subject to retirement by rotation at least once every three years and re-election at the annual general meetings of the Company in line with the Bye-laws. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

### Independent Non-Executive Directors

During the nine months ended 31 December 2023, save as disclosed in the section headed "Insufficient number of independent non-executive directors" of this report, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written confirmation from each of the independent non-executive Director of their independence to the Group. The Group considered all of the independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

# CORPORATE GOVERNANCE REPORT

## THE BOARD OF DIRECTORS (CONTINUED)

### Board Meetings

The Board held 7 meetings in the fiscal year. Prior notices and the agenda of the Board meetings were given to the Directors. Directors may attend meetings in person or via telephone, electronic or other communication facilities. Minutes of the Board meetings and the Board Committees meetings are recorded in sufficient details and kept by the company secretary for inspection by Directors. The Board holds meetings on a regular basis and will meet on other occasions when a board-level decision on a particular matter is required. The Board also monitors and controls financial performance in pursuit of the Group's strategic objectives. The attendance of each of the director at Board meetings, Committee meetings and annual/special general meetings held during the nine months ended 31 December 2023 is set out below.

| Name   | Board | Audit Committee | Nomination Committee | Remuneration Committee | Annual/Special General Meetings |
|--|-------|-----------------|----------------------|------------------------|---------------------------------|
| Total numbers of meetings held during the nine months ended 31 December 2023 | 7     | 3               | 0                    | 0                      | 2                               |
| <b>Executive Directors:</b>  |       |                 |                      |                        |                                 |
| Mr. Dong Ming  | 7/7   | N/A             | 0/0                  | N/A                    | 1/2                             |
| Mr. Tang Ming  | 7/7   | N/A             | 0/0                  | N/A                    | 1/2                             |
| Mr. Yin Pinyao ( <i>ceased as Director on 8 August 2023</i> )                | 2/3   | N/A             | 0/0                  | 0/0                    | 0/2                             |
| Mr. Liu Zhouyang   | 7/7   | N/A             | N/A                  | 0/0                    | 2/2                             |
| <b>Non-executive Directors:</b>  |       |                 |                      |                        |                                 |
| Mr. Qian Yinghui   | 6/7   | 3/3             | N/A                  | N/A                    | 0/2                             |
| Mr. Huang Bin  | 7/7   | N/A             | N/A                  | N/A                    | 0/2                             |
| <b>Independent Non-executive Directors:</b>                                  |       |                 |                      |                        |                                 |
| Mr. Jiang Zhi ( <i>ceased as Director on 10 November 2023</i> )              | 5/5   | 1/1             | 0/0                  | 0/0                    | 1/2                             |
| Mr. Leung Ka Kui, Johnny ( <i>ceased as Director on 10 November 2023</i> )   | 4/5   | 1/1             | 0/0                  | 0/0                    | 0/2                             |
| Ms. Wong Chui San, Susan ( <i>ceased as Director on 10 November 2023</i> )   | 5/5   | 1/1             | 0/0                  | 0/0                    | 2/2                             |
| Dr. Cecilia Wai Bing Pang ( <i>appointed on 21 November 2023</i> )           | 1/1   | 2/2             | 0/0                  | 0/0                    | 0/0                             |
| Dr. Cheung Hoi Yu ( <i>appointed on 21 November 2023</i> )                   | 1/1   | 2/2             | 0/0                  | 0/0                    | 0/0                             |
| Mr. Wong Hin Wing ( <i>appointed on 21 November 2023</i> )                   | 1/1   | 2/2             | 0/0                  | 0/0                    | 0/0                             |

Apart from regular board meetings, the Chairman also held one meeting with the independent non-executive Directors without the presence of executive Directors for the nine months ended 31 December 2023.

### Directors' training and professional development

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Training materials and regular updates were made available to the Directors to keep them abreast of the relevant rules and requirements, the topics of the training materials include, amongst others, inside information disclosure requirements under the SFO, continuing and connected transactions under Chapter 14A of the Listing Rules, and other relevant laws and the Listing Rules.

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the following corporate governance functions:

- (a) to develop and review the Company's policies and practices on corporate governance and make recommendations;
- (b) to review and monitor the training and continuous professional development of directors and senior management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual applicable to employees and directors;
- (e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report;
- (f) to evaluate and determine the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives; and
- (g) to ensure that the Group establishes and maintains appropriate and effective risk management and internal control systems and review their effectiveness.

## BOARD COMMITTEES

When the Board delegates aspects of its management and administration functions to management, it has given clear directions as to the powers of management, in particular, with respect to the circumstances where management shall report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

The Company has set up three committees including the Audit Committee, the Nomination Committee and the Remuneration Committee, each Committee with its specific terms of reference as set out in the CG Code. In addition, an Independent Investigation Committee was formed on 20 April 2022.

### Remuneration Committee

The Company has established the Remuneration Committee with written terms of reference in consistent with the CG Code for the purpose of making recommendations to the Board on the Company's remuneration policy and structure for directors and senior management. The written terms of reference are posted on the websites of the Company and the Stock Exchange.

The work of the Remuneration Committee during the nine months ended 31 December 2023 included the following matters:

- i. reviewed and made recommendations to the Board regarding the remuneration packages for each of the individual executive directors and senior management of the Company for the nine months ended 31 December 2023 by assessing their performance with reference to the Board's corporate goals and objectives. The Remuneration Committee has considered factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration;
- ii. reviewed and made recommendations to the Board on the remuneration packages of individual executive directors and senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- iii. ensured no director or any of his associated is involved in deciding his own remuneration;
- iv. reviewed and made recommendations to the Board on the emolument policy of the employees of the Group on the basis of their merit, qualification and competence;

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES (CONTINUED)

### Remuneration Committee (Continued)

- v. reviewed the terms of executive directors' service contracts;
- vi. reviewed matters relating to share schemes under Chapter 17 of the Listing Rules.

The details of the remuneration of the Directors are set out in note 13 to the consolidated financial statements.

Pursuant to code provision E.1.5 of the CG Code, the remuneration of the senior management (other than the Directors) for the nine months ended 31 December 2023 is listed as below by band:

|                               | 2023<br>Number of<br>individuals |
|-------------------------------|----------------------------------|
| HK\$1,000,001 – HK\$1,500,000 | 1                                |

The number of the Remuneration Committee meetings held during the year and record of individual attendance of members, on a named basis, at meetings held during the nine months ended 31 December 2023 was set out in section headed "Board Meetings" above.

During the nine months ended 31 December 2023, the Remuneration Committee consisted of the following members:

#### Independent Non-executive Directors

- Mr. Leung Ka Kui, Johnny (*Chairman*) (*ceased as Director on 10 November 2023*)
- Mr. Jiang Zhi (*ceased as Director on 10 November 2023*)
- Ms. Wong Chui San, Susan (*ceased as Director on 10 November 2023*)

#### Executive Directors

- Mr. Tang Ming
- Mr. Yin Pinyao (*ceased as Director on 8 August 2023*)

Up to the publication date of this report, the Remuneration Committee consisted of the directors as follows:

#### Independent Non-executive Directors

- Dr. Cheung Hoi Yu (*Chairman*) (*appointed on 21 November 2023*)
- Dr. Cecilia Wai Bing Pang (*appointed on 21 November 2023*)
- Mr. Wong Hin Wing (*appointed on 21 November 2023*)

#### Executive Director

- Mr. Tang Ming

Dr. Cheung Hoi Yu, Dr. Cecilia Wai Bing Pang, and Mr. Wong Hin Wing, being directors appointed during the Reporting Period, obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 28 November 2023, and confirmed that they understood their obligation as directors of the Company.

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES (CONTINUED)

### Nomination Committee

The Company has established the Nomination Committee with written terms of reference in consistent with the CG Code for the purpose of reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and identifying individuals suitably qualified to become board members. It is also responsible for assessing the independence of independent non-executive Directors and making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors. The written terms of reference are posted on the websites of the Company and the Stock Exchange.

Board diversity policy and nomination policy have been adopted to maintain the Board with a diversity of directors and with a nomination process of candidates respectively.

In addition, the shareholders have the power to nominate any person to become a director of the Company in accordance with the Bye-laws, the procedures for election of directors were published on the Company's website.

The work of the Nomination Committee during the nine months ended 31 December 2023 included the following matters:

- i. reviewed the Nomination Committee terms of reference and evaluated the Directors' skills, qualifications, knowledge and experiences;
- ii. reviewed the composition of the Board in accordance with the measurable objective of the Board Diversity Policy; and
- iii. reviewed the nomination policy to achieve the selection, appointment and re-appointment of the Directors.

The biographies of the above-named Directors are set out in the section of "Biographical Information of Directors and Senior Management" in this report.

The number of Nomination Committee meetings held during the year and record of individual attendance of members, on a named basis, at meetings held during the nine months ended 31 December 2023 was set out in section headed "Board Meetings" above.



# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES (CONTINUED)

### Nomination Committee (Continued)

#### Board Diversity Policy

With an aim to achieve diversity on the Board, the Board has approved and adopted a board diversity policy (the “Board Diversity Policy”) and revised the terms of reference of the Nomination Committee to ensure the appropriate implementation of the Board Diversity Policy. The Policy was made with a view to achieve a sustainable and balanced development of the Company, through the invitation and selection of different talents to join the Board having due regard to the importance of Board diversity.

The Company is committed to establishing procedures of candidates’ selection based on a range of diversity perspectives including gender, age, cultural background, ethnicity, educational background, professional experience, skills and knowledge. The ultimate decision will be based on merit and contribution that the elected candidates will bring to the Board. The Board’s composition will be disclosed in the Corporate Governance Report annually.

As at the date of this annual report, the Board comprises Directors with both genders, diverse background and experiences. The Board has a balanced composition for its executive Directors being in possession of extensive industrial expertise and experience in the operation of Group’s business and the independent non-executive Directors contributing their independent opinions and judgements, which facilitate an effective decision-making process for the Board. The composition of the Board is reviewed on an annual basis by the Nomination Committee.

As at 31 December 2023, the Board has one female Director and has achieved gender diversity on board level. The Board also recognizes the importance of diversity at the workforce level. As at 31 December 2023, the Group had a total of 34 employees, of which 17 were male and 17 were female. The gender ratio of the Group’s workforce (including senior management) was approximately 50% male to 50% female.

As the plans for the Group in terms of gender diversity in workforce, the Group will periodically review internal records on gender diversity, identify suitable female candidates for relevant positions within the Company, and try to ensure that there is gender diversity when recruiting staff at mid to senior level and training female staff with the aim of promoting them to the senior management or directorship of the Company, so as to maintain the balance of gender diversity in the foreseeable future.



# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES (CONTINUED)

### Nomination Committee (Continued)

#### Nomination Policy

With an aim to set out the criteria and process in relation to the selection, appointment and re-appointment of the Directors to guide the Nomination Committee, the Board has approved and adopted a nomination policy (the “Nomination Policy”) in January 2019 to assess the suitability of a candidate for directorship and make recommendations regarding the appointment of any proposed candidate to the Board or re-appointment of any existing directors to the Board.

The Nomination Committee shall consider the following criteria when they are evaluating and selecting candidates for directorships:

- a. character and integrity;
- b. professional qualifications, knowledge and skills and professional experience that are relevant to the Company’s business and corporate strategy;
- c. willingness to devote adequate time to discharge duties as a Board or committee member and other directorships and significant commitments;
- d. requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out therein;
- e. the Board Diversity Policy and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board; and
- f. such other perspectives appropriate to the Company’s business.



# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES (CONTINUED)

### Nomination Committee (Continued)

#### Nomination Policy (Continued)

The Nomination Committee will recommend to the Board for appointment as additional Director or to fill the Board's casual vacancy in accordance with the following procedures:

- a. The Nomination Committee shall, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out in the above criteria to determine whether such candidate is qualified for directorship.
- b. If the process yields one or more desirable candidates, the Nomination Committee shall rank them by order of preference based on the needs of the Company and conduct reference check of each candidate (where applicable).
- c. The Nomination Committee shall then recommend to the Board to appoint the appropriate candidate for directorship.
- d. Pursuant to section 74(1) of the Bermuda Companies Act, the Directors, on the requisition of shareholders of the Company holding not less than one-tenth of the paid-up capital of the Company, can convene a special general meeting to address specific issues of the Company within 21 days from the date of deposit of written notice to the principal place of business of the Company in Hong Kong.
- e. For any person that is nominated by a shareholder for election as a director at the general meeting of the Company, the Nomination Committee shall evaluate such candidate based on the criteria as set out in the above criteria to determine whether such candidate is qualified for directorship and where appropriate, the Nomination Committee and/or the Board shall make recommendation to shareholders in respect of the proposed election of director at the general meeting.
- f. Pursuant to the Bye-laws, at each annual general meeting one-third of the directors of the Company for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every director shall be subject to retirement at least once every three years. A retiring director shall be eligible for re-election and shall continue to act as a director throughout the meeting at which he/she retires. For all newly appointed directors who will hold office until the first general meeting of shareholders after his/their appointment(s) and shall then be eligible for re-election.
- g. A candidate is allowed to withdraw his/her candidacy at any time before the general meeting by serving a notice in writing to the Company.
- h. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

The Nomination Committee shall review the Board Diversity Policy and Nomination Policy, as appropriate, to ensure the effectiveness of the Board Diversity Policy and Nomination Policy on an annual basis.

Without prejudice to the authority and duties of the Nomination Committee as set out in its terms of reference, the ultimate responsibility for selection and appointment of Directors rests with the entire Board.

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES (CONTINUED)

### Nomination Committee (Continued)

#### Nomination Policy (Continued)

During the nine months ended 31 December 2023, the Nomination Committee consisted of the following members:

#### Independent Non-executive Directors

Mr. Jiang Zhi (*ceased as Director on 10 November 2023*)

Mr. Leung Ka Kui, Johnny (*ceased as Director on 10 November 2023*)

Ms. Wong Chui San, Susan (*ceased as Director on 10 November 2023*)

#### Executive Directors

Mr. Dong Ming (*Chairman*)

Mr. Yin Pinyao (*ceased as Director on 8 August 2023*)

Up to the publication date of this report, the Nomination Committee consisted of the directors as follows:

#### Independent Non-executive Directors

Dr. Cheung Hoi Yu (*appointed on 21 November 2023*)

Dr. Cecilia Wai Bing Pang (*appointed on 21 November 2023*)

Mr. Wong Hin Wing (*appointed on 21 November 2023*)

#### Executive Director

Mr. Dong Ming (*Chairman*)



# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES (CONTINUED)

### Audit Committee

The Company has established the Audit Committee with written terms of reference in consistent with the CG Code. The revised terms of reference are posted on the websites of the Company and the Stock Exchange.

The Audit Committee is responsible for reviewing the accounting principles and practices adopted by the Group, reviewing the Group's financial information, discussing auditing matters and overseeing the Group's financial reporting system, risk management and internal control procedure. The Audit Committee is also responsible for reviewing the interim and final results of the Group prior to recommending them to the Board for approval. In performing its duties, it has unrestricted access to personnel and records, and the power to liaise with external auditors and senior management. During the nine months ended 31 December 2023, the Audit Committee held 3 meetings and the work of the Audit Committee included the following matters:

- i. reviewed and discussed the terms of reference of the Audit Committee in order to be in line with the latest amendment of Listing Rules;
- ii. discussed with management the risk management framework, policies and procedures and ensure that they are in place to identify, assess, manage, control and report risks and draft a written risk management policy to monitor the Group's business objectives;
- iii. discussed with management the status of interim results for the six months ended 30 September 2023 and annual results the nine months ended 31 December 2023;
- iv. reviewed and discussed with management the report of the risk management and internal control systems proposed by an independent consultant to assess the internal control and risk management of the Company during the nine months ended 31 December 2023;
- v. reviewed and discussed with management and the external auditors regarding the financial statements for the nine months ended 31 December 2023 and management letter;
- vi. reviewed and discussed with management and the external auditors regarding the unaudited interim financial statements for the six months ended 30 September 2023 and management letter;
- vii. reviewed the effectiveness of risk management and internal control system;
- viii. reviewed the external auditors' statutory audit plan and engagement letter;
- ix. discussed with the management and ensured that the Board has conducted an annual review such that there is adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function; and
- x. recommended to the Board, for the approval by shareholders, of the re-appointment of the auditors.

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES (CONTINUED)

### Audit Committee (Continued)

The number of the Audit Committee meetings held and record of individual attendance of members, on a named basis, at meetings held during the nine months ended 31 December 2023 was set out in section headed “Board Meetings” above. The Audit Committee has reviewed the consolidated financial statements of the Group for the nine months ended 31 December 2023.

During the nine months ended 31 December 2023, the Audit Committee consisted of the following Directors, of which Ms. Wong Chui San, Susan and Mr. Wong Hin Wing are certified public accountants:

### Independent Non-executive Directors

Ms. Wong Chui San, Susan (*Chairman*) (*ceased as Director on 10 November 2023*)

Mr. Jiang Zhi (*ceased as Director on 10 November 2023*)

Mr. Leung Ka Kui, Johnny (*ceased as Director on 10 November 2023*)

### Non-executive Director

Mr. Qian Yinghui

Up to the publication date of this report, the Audit Committee consisted of the following Directors, of which Mr. Wong Hin Wing is a certified public accountant:

### Independent Non-executive Directors


Mr. Wong Hin Wing (*Chairman*) (*appointed on 21 November 2023*)

Dr. Cheung Hoi Yu (*appointed on 21 November 2023*)

Dr. Cecilia Wai Bing Pang (*appointed on 21 November 2023*)

### Non-executive Director

Mr. Qian Yinghui



# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES (CONTINUED)

### Independent Investigation Committee

On 20 April 2022, the Board formed an independent investigation committee (the “Independent Investigation Committee”) for the purpose of carrying out the investigation and report on the matters and events relating to the outstanding loans and the existing businesses of the Company generally, including the trading of goods and commodities business (the “Scope of Investigation”). The Independent Investigation Committee was formed on 20 April 2022, comprising its executive Directors, namely, Mr. Dong Ming (“Mr. Dong”) and Mr. Liu Zhouyang, and its independent non-executive Directors as at that date, namely, Mr. Leung Ka Kui, Johnny and Ms. Wong Chui San, Susan. Mr. Dong was appointed as the chairman of the Independent Investigation Committee.

On 22 April 2022, an independent professional advisor, a Big-4 accounting firm (the “Independent Professional Investigator”) was appointed by the Independent Investigation Committee to conduct an independent investigation on all matters relating to the Scope of Investigation (the “Investigation”). The Investigation was primarily for the purpose of understanding the then existing businesses of the Company and to investigate and report on the matters and events relating to the outstanding loans and the then existing businesses of the Company.

The Independent Professional Investigator was subsequently appointed by the Board in September 2022 to prepare a report (the “Forensic Investigation Report”) on the findings of the forensic investigation (the “Forensic Investigation”). The Forensic Investigation extended the then on-going Investigation with additional scope. Apart from the original Scope of Investigation, the Independent Professional Investigator was requested by the Company to further examine the issues raised by HLB Hodgson Impey Cheng Limited, the then auditor of the Company, in its resignation letter, details of which are set out in the announcement of the Company dated 28 April 2023. The Board had also appointed SHINEWING Risk Services Limited as the independent internal control consultant (the “Internal Control Consultant”) in September 2022 to conduct an internal control review on the Company (the “Internal Control Review”).

In addition to the duties as disclosed above, in September 2023, the duties of the Independent Investigation Committee were further expanded to (i) review the Forensic Investigation Report and the report of the Internal Control Consultant (the “Internal Control Review Report”); (ii) report to the Board and the Audit Committee on the matters of the and events relating to the Forensic Investigation Report and the Internal Control Review Report; and (iii) provide advice and recommendation to the Board and the Audit Committee on any actions which shall be taken by the Group in accordance with the Forensic Investigation Report.

Please refer to the announcement published on 25 October 2023 for the scope and major procedures of the Forensic Investigation, the summary of the key findings of the Forensic Investigation Report and key findings of the Internal Control Review Report. Having considered the fact as disclosed in that announcement, the Internal Control Consultant and the Independent Investigation Committee to the extent possible, the Independent Investigation Committee is of the view, which the Audit Committee and the Board concurred, that the Company has sufficiently rectified the irregularities identified in the Forensic Investigation to the extent possible, and is satisfied that there exists sufficient safeguards and measures to monitor the businesses of the Group to ensure compliance with the laws of the relevant jurisdictions where the Group operates and the Listing Rules.

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES (CONTINUED)

### Independent Investigation Committee (Continued)

In addition, the management of the Company acknowledged and agreed with the review results of the Internal Control Review. The Company has taken all of the advices and rectification recommendations from the Internal Control Consultant and adopted, revised or enhanced, as the case maybe, the relevant policies and procedures of the Group, and the Internal Control Consultant had performed a follow-up review after the Group has taken the relevant remedial actions. Having reviewed the results of the Internal Control Review, the Internal Control Consultant has not identified any material internal control weakness after the follow-up review. The Internal Control Consultant is of the view that, nothing has come to their attention that would reasonably cause them to doubt that the Group has not put in place adequate internal controls and procedures to meet its obligations under the Listing Rules according to the samples and documents received from the relevant entities of the Group pursuant to the scope of the Internal Control Review. Having considered the Internal Control Review Report and the remedial actions taken by the Company, the Independent Investigation Committee is of the view, which the Audit Committee and the Board concurred, that (a) all the internal control deficiencies identified in the Internal Control Review have been fully remediated; (b) the remedial actions and enhancement measures implemented by the Group are adequate and sufficient; and (c) the Company has in place adequate and reliable corporate governance, internal control and financial reporting systems and procedures to fulfill its obligations under the Listing Rules. The Company will continue to monitor the effectiveness of the Group's corporate governance and internal control systems and procedures so as to meet its obligations under the Listing Rules and ensure reasonable and adequate corporate governance and internal control policies and procedures are in place.

## Accountability and Audit

### Financial Reporting

The directors acknowledge their responsibility for preparing the financial statements of the Group and have adopted the accounting principles generally accepted in Hong Kong and complied with the requirements of Hong Kong Financial Reporting Standards (which include all Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance.

During the nine months ended 31 December 2023, the management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The reporting responsibilities of the Company's independent auditor are set out in the Independent Auditor's Report on pages 85 to 89.



# CORPORATE GOVERNANCE REPORT

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board is accountable for overseeing the Group's risk management, including the risks relating to the Company's environmental, social and governance ("ESG") performance and internal control systems and reviewing their effectiveness, while the management are responsible for implementing and maintaining the internal controls systems that covers governance, compliance, risk management (including ESG risks), financial and operational controls to safeguard the Group's assets and stakeholders' interests. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. Procedures are in place to identify major business risks and evaluate potential financial implications. The Board recognizes the importance of identifying and addressing ESG-related risks, including those related to climate, and believes that a focus on managing these factors can result in an enhanced and long-lasting business value for the Group.

The Group has formulated a risk management policy and adopted a three-tier risk management approach to identify, assess and manage different types of risks. At the first line of defence, business units are responsible for identifying, assessing and monitoring risk associated with each business or transaction. The management, as the second line of defence, defines rule sets and models, provides technical support, develops new system and oversees portfolio management. It ensures that risks are within acceptable range and that the first line of defence is effective. As the final line of defence, the independent consultant, as an internal audit function, assists the Audit Committee to review the first and second lines of defence.

The Group is committed to the identification, evaluation and management of risks associated with its business activities through ongoing assessment, by considering the likelihood and impact of each identified risk. The Group has implemented an effective control system which includes a defined management structure with limits of authority, a sound management system and periodic review of the Group's performance by the Audit Committee and the Board.

Through the Audit Committee, the Board has conducted an annual review of the effectiveness of the Group's risk management (including ESG risks) and internal control systems the nine months ended 31 December 2023, covering the material financial, operational and compliance controls, which are considered effective and adequate. The Audit Committee has reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting, internal audit, financial reporting and ESG reporting functions on an annual basis.

Based on the framework for risk management (including ESG risks) and internal control system established by the Group, the Board and the Audit Committee admitted that through the review of risk management (including ESG risks) and internal control systems of the Group, it can evaluate and improve its effectiveness. The Board, with the concurrence of the Audit Committee, considered that such systems, including financial, operational and compliance were effective and adequate for the nine months ended 31 December 2023 based on the work performed and report prepared by the independent consultant. The Company will perform the ongoing assessment to update all material risk factors on a regular basis. In any case, review on risk management (including ESG risks) and internal control system will be conducted annually.

### Internal audit function

The Group had engaged an independent internal control consultant to assess the Group's overall internal controls for the nine months ended 31 December 2023 and to give recommendations to make any enhancement. It was reported that there were no material deficiencies in relation to the Group's internal controls. The assessment was conducted annually and the results have been finalized in March 2024 and communicated with the Audit Committee. The Board is of the view that the internal control measures of the Group are adequately and effectively monitoring its business operations for the nine months ended 31 December 2023.



# CORPORATE GOVERNANCE REPORT

## RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

### Inside Information

The Group has adopted and implemented its own disclosure policy aiming to provide a general guide to the Directors and senior management of the Company in handling of confidential information and/or monitoring of information disclosure pursuant to applicable laws and regulations in compliance with the Main Board Listing Rules and SFO and shall seek legal advice where necessary. The disclosure policy provides the procedures and internal controls for the handling and dissemination of inside information by publication of the announcement to the respective websites of the Stock Exchange and the Company on a timely basis to enable the public, namely shareholders, institutional investors, potential investors and other stakeholders of the Company to access the latest information of the Group, unless such information fall within the safe harbours with the SFO. The management has notified all employees to comply with the disclosure policy. Briefing and training on the implementation of the policy have been provided to Directors, officers and senior management of the Group. The Board emphasises that only the authorised representatives registered in the Stock Exchange are authorised to speak on behalf of the Company.

## MECHANISMS TO ENSURE INDEPENDENT VIEWS IN THE BOARD

The Board has established mechanisms to ensure independent views are available to the Board in the Company's director nomination policy and board diversity policy. The Board will periodically review the implementation and effectiveness of such mechanisms. A summary of the mechanism is set out below:

### Composition

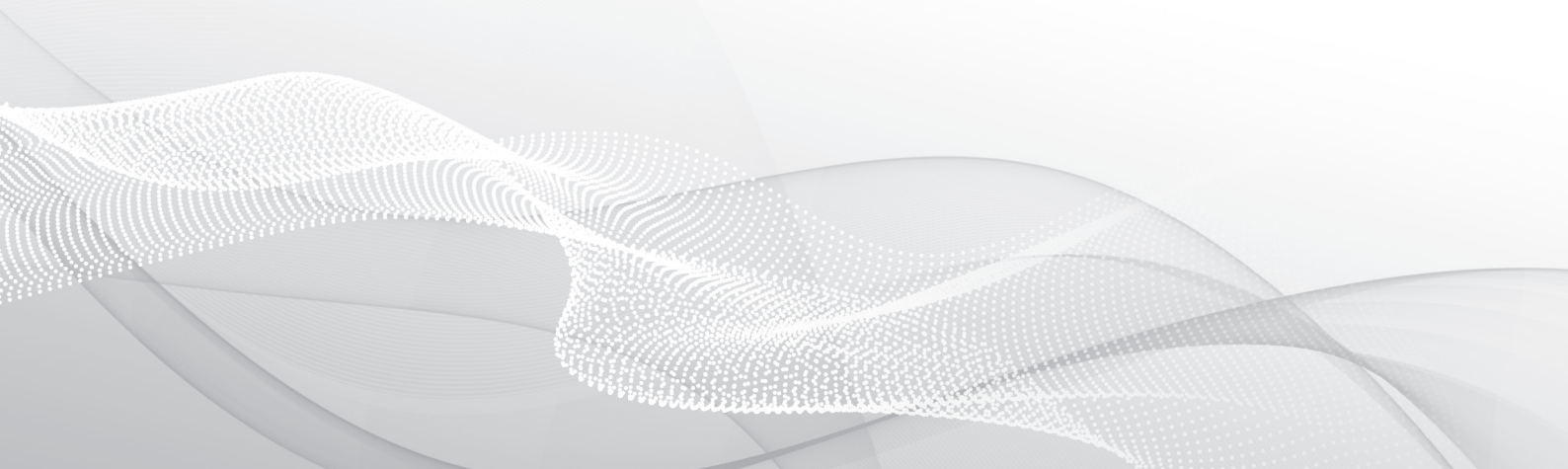
The Board shall ensure the appointment of at least three independent non-executive Directors ("INED(s)") and at least one-third of its members being INEDs (or such higher threshold as may be required by the Listing Rules from time to time).

### Independence Assessment

The Nomination Committee shall adhere to the nomination policy with regard to the nomination and appointment of INEDs. The INED candidate must satisfy the independence requirements under Rule 3.13 of the Listing Rules. Each INED is also required to inform the Company as soon as practicable if there is any change in his or her own personal particulars that may materially affect his or her independence and provide an annual confirmation of his or her independence pursuant to Rule 3.13 of the Listing Rules.

### Channel for Communication

The Company is committed to ensuring that the INEDs will be given the opportunity and channel for Directors to communicate and express their independent views and inputs to the Board and its committees. The Company has established channels through formal and informal means whereby INEDs can express their views in an open, candid as well as confidential manner, should circumstances require, these include meetings with the Chairman of the Company without the presence of the other Directors to discuss major issues and any concerns, and dedicated meeting sessions with the Chairman of the Company and interaction with management and other Board members including the Chairman of the Company outside the boardroom.



# CORPORATE GOVERNANCE REPORT

## WHISTLEBLOWING POLICY

The Company has adopted arrangement, including a whistleblowing policy and the policy of anti-corruption to allow and encourage employees and other stakeholders to raise concerns, in confidential, about possible improprieties in financial reporting, internal control, criminal action, compliance and other malpractices or other matters. All the concerns received will be handled confidential in prompt and fair manner. The Board shall regularly review such arrangement, conduct independent investigation on these matters if necessary, and considers appropriate follow-up action.

## AUDITORS' REMUNERATION

The financial statements for the nine months ended 31 December 2023 have been audited by ZHONGHUI ANDA CPA LIMITED. Fee paid or payable to the auditors for audit service provided to the Group is approximately HK\$2,100,000. The auditors' remuneration has been duly approved by the Audit Committee and there was no disagreement between the Board and the Audit Committee on the selection and appointment of the auditors. For the nine months ended 31 December 2023, there was HK\$400,000 non-audit service fee payable to the auditors for interim review services provided to the Group.

## COMPANY SECRETARY

The company secretary of the Company (the "Company Secretary") assists the Board by ensuring that the Board policy and procedures are followed. The Company Secretary is also responsible for advising that Board on corporate governance matters.

During the nine months ended 31 December 2023, Mr. Liu Huaiyu ("Mr. Liu") is the Company Secretary of the Company and has complied with all the required qualifications, experiences and training requirements under the Listing Rules. He was the full-time employee of the Company and had possessed knowledge of the Company's affairs. Mr. Liu is a member of The Hong Kong Institute of Certified Public Accountants, he has over 25 years of experience in finance and management with various large organizations and listed companies.

For the nine months ended 31 December 2023, Mr. Liu complied with the Listing Rules by taking not less than 15 hours of relevant professional training. The biographic of Mr. Liu is set out in the section headed "Biographical Information of Directors and Senior Management" in this report.

# CORPORATE GOVERNANCE REPORT

## COMMUNICATION WITH SHAREHOLDERS

### Effective communication

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The Company has established a shareholders communication policy which sets out the Group's commitment of and channels for maintaining an effective ongoing dialogue with shareholders, with the aim to ensure that the shareholders' views and concerns are appropriately addressed. The Company has reviewed the implementation and effectiveness of such policy during the nine months ended 31 December 2023 and considered that it is sufficient and effective.

In order to enable shareholders to exercise their rights in an informed manner, and to allow shareholders and the investment community to engage actively with the Company, the Company has established a number of channels for maintaining on-going dialogue with the shareholders as follows:

- (a) corporate communications such as annual reports, interim reports, announcements and circulars are issued and are available on the respective websites of the Stock Exchange and of the Company;
- (b) general meetings of the Company provide a forum for communication between the shareholders and the Board. The Chairman of the Board as well as chairman of the Audit Committee and Remuneration Committee, or in their absence, other members of the respective committees, are available to answer questions at the shareholders' meetings;
- (c) separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors;
- (d) designated senior management maintains regular dialogue with investors and analysis to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner; and
- (e) the Company's share registrar serves the shareholders in respect of share registration, dividend payment, change of shareholders' particulars and related matters.



# CORPORATE GOVERNANCE REPORT

## COMMUNICATION WITH SHAREHOLDERS (CONTINUED)

### Voting by poll

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Bye-laws. Details of such rights to demand a poll and the poll procedures are included in all circulars to shareholders and will be explained during the proceedings of meetings.

Poll results of the general meetings were published on the website of the Stock Exchange as well as the Company's website.

### Dividend Policy

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

## SHAREHOLDERS' RIGHTS

### Convening extraordinary general meeting and putting forward proposals at Shareholder's meetings

Pursuant to section 74(1) of the Bermuda Companies Act, the Directors, on the requisition of shareholders of the Company holding not less than one-tenth of the paid-up capital of the Company, can convene a special general meeting to address specific issues of the Company within 21 days from the date of deposit of written notice to the principal place of business of the Company in Hong Kong. The same requirement and procedure also applies to any proposal to be tabled at shareholders' meetings for adoption.

### Shareholders' Enquiries to the Board

The Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary. The contact details are set out in the Company's website ([www.0030.com.hk](http://www.0030.com.hk)).

## ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

The Group has from time to time endeavoured to comply with laws and regulations regarding environmental protection and adopted effective environmental policies to ensure its projects meet the required standards and ethics in respect of environmental protection and to lead its reduction in greenhouse gas emissions that contribute to climate change. Information on the environmental policies and performance of the Group is set out in the "Environmental, Social and Governance Report" on pages 52 to 84 of this report.

## CONSTITUTIONAL DOCUMENTS

The Bye-laws are available on the Company's website: [www.0030.com.hk](http://www.0030.com.hk) and the Stock Exchange's website: [www.hkexnews.hk](http://www.hkexnews.hk). No significant change is made to the Company's constitutional documents for the nine months ended 31 December 2023.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 1. ABOUT THE REPORT

### 1.1 Prologue

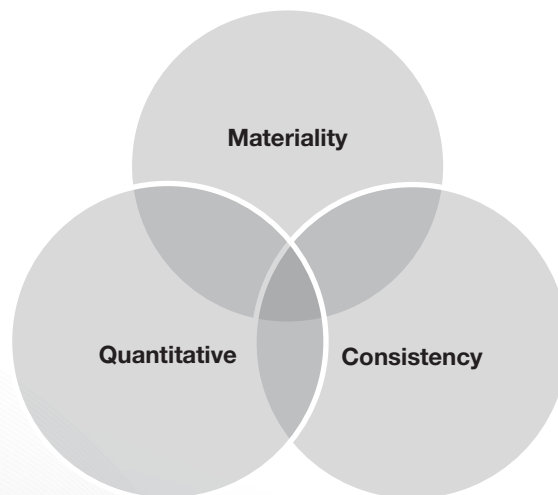
YNBY International Limited and its subsidiaries (collectively referred to as the “Group” or “We”) are pleased to present the Environmental, Social and Governance (“ESG”) Report (the “ESG Report” or the “Report”), for the nine months ended 31 December 2023. This ESG Report is prepared in accordance with disclosure obligations under the “comply or explain” provisions contained in the “Environmental, Social and Governance Reporting Guide” (the “ESG Guide”) as set out in Appendix C2 to the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The purpose is to allow all stakeholders to learn more about the Group’s development direction, plans and performance in terms of operations and ESG. The Group is committed to enhancing its corporate social responsibility continuously, in order to have a better response to the sustainable needs of the ever-changing society.

### 1.2 Scope of the Report

This ESG Report covers the ESG performance and Key Performance Indicators (“KPIs”) of the Group’s business operating in Hong Kong from 1 April 2023 to 31 December 2023 (the “Reporting Period” or the “Year”), including marketing services, product registration services, and sourcing for OEM/ODM services. The reporting boundary of the ESG Report and operational scope of the Group cover the operation of Cambridge House, Quarry Bay. A full index is attached to the last chapter of the report for readers to follow the ESG guidelines.

### 1.3 Reporting Principles

The ESG report follows the reporting principles of “Materiality”, “Quantitative” and “Consistency”.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Materiality

Stakeholder engagement and materiality assessment were conducted for the determination of the content of the ESG Report. The Group has identified ESG-related issues, collected and reviewed the views of internal management and various stakeholders, assessed the relevance and materiality of the issues, and prepared and validated the information in the ESG Report. The ESG Report covered a comprehensive range of material ESG issues of concern to the Group's stakeholders.

## Quantitative

The Group has disclosed qualitative environmental and social KPIs in the ESG Report. To enable stakeholders to have a full understanding of the Group's ESG performance, the standards, methodologies, references and conversion factors used to calculate the KPIs are described wherever appropriate.

## Consistency

The Group uses consistent reporting and calculation methods, as far as practicable, to facilitate the comparability of ESG performance between years. The Group uses the number of employees to calculate the density of environmental KPIs. In case of any changes in methodologies, the Group will present and explain in detail in the corresponding sections.

## 1.4 Stakeholder Feedback

For more information on the Group's environmental, social and governance, please refer to the Group's website at [www.0030hk.com](http://www.0030hk.com). The Group values the opinions of stakeholders. If you have any questions or recommendations about the content or form of reporting of this report, you are welcome to contact the Group through the following methods:

Address: 32/F, Cambridge House,  
No. 979 King's Road, Quarry Bay,  
Hong Kong  
Email: [info@0030.com.hk](mailto:info@0030.com.hk)  
Tel: +852 2549 8222

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 2. ESG MANAGEMENT

### 2.1 Board Statement

The Group believes that complete ESG governance principles effectively enhance the value of our investments and deliver long-term returns to our stakeholders and the Group. In order to implement and improve the ESG management policy, the Group's Board of Directors (the "Board") is responsible for ESG management and supervision, establishing and reviewing the overall ESG vision, approach, strategy or initiative. A variety of communication channels have been established to promote coordination and communication between departments. Regarding ESG-related risk management, the Board provides oversight throughout the entire process of forecasting ESG risks and implementing mitigation strategies. We closely monitor potential impacts of market trends on business operations, and make policy adjustments to minimise any adverse effects on the company.

In addressing significant ESG issues, the Group has engaged the services of a third-party ESG advisory firm during the Reporting Period. This collaboration aims to identify key ESG issues and provide recommendations on the Group's ESG performance. The advisory firm assists in collecting and analysing stakeholders' opinions on ESG matters, conducting assessments of their importance. The Board also participates in the importance assessment process as stakeholders, offering their insights, reviewing assessment results, and identifying the Group's significant ESG issues.

The Board is responsible for formulating policies in response to significant ESG issues. To develop and implement effective ESG measures, the Board regularly reviews the Group's ESG performance and progress towards its goals. The Board has set corresponding targets and indicators for important ESG issues and reviews the plans and implementation of ESG-related work during regular meetings. Additionally, the Board adjusts ESG management policies in line with policy development trends to lead the Group's ESG initiatives. Effective communication channels have been established between departments to ensure close collaboration. The Group also shares its ESG progress with various stakeholders, particularly through its annual ESG report. The Board will continue to seek opportunities for improving its ESG performance.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 2.2 Stakeholder Engagement

The Group acknowledges the crucial importance of stakeholder engagement and input in formulating sustainable development strategies. We are committed to maintaining close and positive relationships with stakeholders, understanding and responding to their expectations and requirements, and implementing various strategies for improvement. Our key stakeholders include government entities, shareholders and investors, employees, customers, suppliers/partners, industry associations, regulatory bodies, public and communities. The table below outlines the expectations and requirements of our key stakeholders, as well as the methods of communication and response, and measures that we employ:

| Stakeholder                       | Expectations and Requirements   | Communication and Response  | Measures   |
|-----------------------------------|---|---|--|
| <b>Government</b>                 | <ul style="list-style-type: none"> <li>- To comply with laws</li> <li>- Proper tax payment</li> <li>- Promote regional economic development and employment</li> </ul>   | <ul style="list-style-type: none"> <li>- On-site inspections and checks</li> <li>- Research and discussion through work conferences, work reports preparation and submission for approval</li> <li>- Public information disclosed in Stock Exchange website, such as: interim reports, annual reports and announcements</li> <li>- Company website</li> </ul> | <ul style="list-style-type: none"> <li>- Operated, managed, paid taxes according to laws and regulations, strengthened safety management, accepted the government's supervision, inspection and evaluation, and actively undertook social responsibilities.</li> </ul>   |
| <b>Shareholders and Investors</b> | <ul style="list-style-type: none"> <li>- Return on investment</li> <li>- Information disclosure and transparency</li> <li>- Protection of interests and fair treatment of shareholders</li> <li>- Business risk management</li> </ul> | <ul style="list-style-type: none"> <li>- Annual general meeting and other shareholder meetings</li> <li>- Public information disclosed on Stock Exchange website, such as: interim reports, annual reports and announcements</li> <li>- Meeting with investors and analysts</li> <li>- Company website</li> </ul>   | <ul style="list-style-type: none"> <li>- Issued notices of general meeting and proposed resolutions according to regulations, disclosed company's information by publishing announcements/ circulars and periodic reports in the Year.</li> <li>- Disclosed company contact details on website and in reports and ensured all communication channels available and effective.</li> </ul> |



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

| Stakeholder                              | Expectations and Requirements   | Communication and Response   | Measures  |
|--|---|--|---|
| <b>Employees</b>                         | <ul style="list-style-type: none"> <li>- Safeguard rights and interests of employees</li> <li>- Health and safety</li> <li>- Working environment</li> <li>- Career development opportunities</li> <li>- Self-actualisation</li> </ul> | <ul style="list-style-type: none"> <li>- Regular meetings</li> <li>- Training, seminars and briefing sessions</li> <li>- Intranet and emails</li> <li>- Annual performance appraisal</li> <li>- Employee activities</li> </ul>                                       | <ul style="list-style-type: none"> <li>- Provided a healthy and safe working environment</li> <li>- Developed a fair mechanism for promotion.</li> </ul>  |
| <b>Customers</b>                         | <ul style="list-style-type: none"> <li>- Safe and high-quality products and services</li> <li>- Stable relationship</li> <li>- Information transparency</li> <li>- Integrity</li> <li>- Business ethics</li> </ul>                    | <ul style="list-style-type: none"> <li>- Company website, brochures, interim reports, annual report and announcements</li> <li>- Email and customer service hotline</li> <li>- Feedback forms</li> <li>- Regular meetings</li> <li>- Calling for feedback</li> </ul> | <ul style="list-style-type: none"> <li>- Strengthened quality management to ensure stable service quality, and entered into long-term strategic cooperation agreements.</li> </ul>  |
| <b>Suppliers/ Partners</b>               | <ul style="list-style-type: none"> <li>- Long-term partnership</li> <li>- Honest cooperation</li> <li>- Fair and open</li> <li>- Information resources sharing</li> <li>- Risk reduction</li> </ul>                                   | <ul style="list-style-type: none"> <li>- Business meetings, supplier conferences, phone calls and interviews</li> <li>- Regular meetings</li> <li>- Review and assessment</li> <li>- Email, circulars and manual</li> <li>- Company website</li> </ul>               | <ul style="list-style-type: none"> <li>- Invited tenders publicly to select the best suppliers/partners, performed contracts obligation according to agreements, enhanced daily communication, and established long-term cooperation with quality suppliers/partners</li> </ul> |
| <b>Horizontal/ Industry associations</b> | <ul style="list-style-type: none"> <li>- Experience sharing</li> <li>- Corporations</li> <li>- Fair competition</li> </ul>  | <ul style="list-style-type: none"> <li>- Industry conferences</li> <li>- Site visit</li> </ul>   | <ul style="list-style-type: none"> <li>- Stuck to fair play, cooperated with horizontal to realise win-win results, shared experiences and attended different seminars of the industry so as to promote sustainable development of the industry.</li> </ul>                     |

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

| Stakeholder                   | Expectations and Requirements  | Communication and Response  | Measures   |
|-------------------------------|--|---|--|
| <b>Market regulator</b>       | <ul style="list-style-type: none"> <li>- Compliance with the law and regulations</li> <li>- Information disclosures</li> </ul>   | <ul style="list-style-type: none"> <li>- Information disclosure</li> <li>- Reports</li> </ul>   | <ul style="list-style-type: none"> <li>- Complied with regulatory requirements in a strict manner, disclosed and reported real information in a timely and accurate manner according to law.</li> </ul>  |
| <b>Public and communities</b> | <ul style="list-style-type: none"> <li>- Community involvement</li> <li>- Social responsibilities</li> <li>- Employment promotion</li> <li>- Transparent information disclosure</li> </ul> | <ul style="list-style-type: none"> <li>- Voluntary work</li> <li>- Charity and social investment</li> <li>- Company announcements</li> <li>- Company website</li> </ul> | <ul style="list-style-type: none"> <li>- Gave priority to local people seeking jobs from the Company so as to promote community building and development, protected the communities' ecological environment, and provided timely compensation and assistance.</li> </ul> |

## 2.3 Materiality Assessment

In order to develop ESG management policies effectively, the Group has conducted materiality assessments to identify ESG issues that are material to the business. The assessment is based on an internal stakeholder questionnaire, which was conducted with the assistance from the third-party ESG consultant to collect valuable opinions from various departments and business units regarding ESG issues, with reference to the materiality map by well-known external organisations<sup>1</sup> to identify the essential ESG issues relevant to the Group.

| Aspects                         | Material Issues                             | Corresponding Section   |
|---------------------------------|---|---|
| Environment                     | Greenhouse gases emissions                  | "Emissions – GHG Emission"  |
| Employment and Labour Practices | Employment Compliance                       | "Employment Practices", "Health and Safety" and "Labour Standards"      |
|                                 | Remuneration and Benefits                   | "Employment Practices"  |
|                                 | Training and Development                    | "Development and Training"  |
| Operational Compliance          | Customer Privacy Protection and Data Safety | "Product Responsibility – Privacy and Intellectual Property Protection" |
|                                 | Business ethics                             | "Anti-corruption"   |

<sup>1</sup> The materiality maps referenced in the materiality assessment are ESG industry Materiality Map from Morgan Stanley Capital International and Sustainability Accounting Standards Board Materiality Map from SASB.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 3. PROTECTING OUR ENVIRONMENT

### 3.1 Environmental Principles

The Group is committed to promoting green operations and taking the social responsibility of protecting the environment. For such purpose, the Group formulates and implements the “Environmental Protection Policy”. We had set up the environmental goals at Year 2021/2022 and the progress of the Year is as follows:

| Environmental Goals  | Progress of the Year  |
|--|---|
| For exhaust emissions, we are committed to reducing the use of vehicles and reducing petrol consumption.                               | Petrol consumption for the Year was lower than previous years.  |
| In order to reduce greenhouse gas emissions, we are committed to reducing energy consumption at all levels of business operations.     | Decrease in office electricity consumption compared to previous years through promotion of energy saving and emission reduction in offices. |
| Implement waste reduction at source, strive to reduce waste generated during operation, and actively reuse and recycling.              | Enhancement of employees’ awareness of waste reduction at source and resource conservation.   |
| Committed to reducing waste of resources such as water, electricity and paper in daily operations.                                     | Reduction in paper consumption compared to previous years through paperless implementation.   |
| Strictly abide by relevant laws and regulations on environmental protection, and review environmental management systems and policies. | The Group was not aware of any material breaches of laws and regulations relating to environmental protection during the Reporting Period.  |

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 3.2 Emissions

The Group's major emissions are exhaust, waste, and greenhouse gases ("GHG"), which come from the daily activities of office operations. In order to reduce the various types of emissions produced during our operations, we improve their management and ensure that the emissions comply with relevant statutory requirements including but not limited to the Air Pollution Control Ordinance and the Waste Disposal Ordinance of Hong Kong and the Atmospheric Pollution Prevention and Control Law of the People's Republic of China and the Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes of China.

### i. Exhaust Emission

The main source of emissions in the Group is from the fuel consumption of our daily vehicles. During the Reporting Period, the Group's total fuel consumption amounted to approximately 3,977 liters of petrol. In order to effectively reduce the emissions generated by vehicle usage, we have implemented the following emission reduction measures:

1. Encourage employees to utilise public transportation for conferences and activities whenever feasible. Besides, the Group also provides vehicles for transportation purposes to reduce the individual private car usage.
2. If a destination is close to the company, we encourage our employees to go there by foot instead of using public transportation.
3. Set up video conferences for both internal and external meetings, enabling employees to conduct online meetings with customers.
4. Maintain correct tyre pressure through regular inspections and inflation, ensuring smooth vehicle operation and reducing fuel consumption and exhaust emission.

During the Reporting Period, emissions are as follows:

| Types of Emissions (Note 1) | Units | 2023 |
|-----------------------------|-------|------|
| Nitrogen oxides             | kg    | 5.61 |
| Sulphur oxides              | kg    | 0.06 |
| Particulate matter          | kg    | 0.41 |

Note:

- (1) The calculation and emission factors are based on "How to prepare an ESG report—Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange ("Appendix 2").

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ii. GHG Emission

The primary sources of greenhouse gas emissions in the Group include direct emissions from vehicles use, indirect emissions from the electricity consumption of office operations, and other indirect emissions from the disposal of waste papers. We are actively implementing feasible measures to achieve our goal of reducing greenhouse gas emissions.

During the Reporting Period, GHG emissions are as follows:

| GHG Gases (Note 1)                         | Units                       | 2023  |
|--|-----------------------------|-------|
| Total GHG emissions                        | tCO <sub>2</sub> e          | 35.85 |
| Scope 1: Direct emissions (Note 2)         | tCO <sub>2</sub> e          | 10.61 |
| Scope 2: Indirect emissions (Note 3)       | tCO <sub>2</sub> e          | 14.10 |
| Scope 3: Other indirect emissions (Note 4) | tCO <sub>2</sub> e          | 11.14 |
| GHG emissions intensity                    | tCO <sub>2</sub> e/employee | 0.92  |

Notes:

- (1) The calculation of GHG emissions is based on Appendix 2 and "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purpose) in Hong Kong" issued by the Environmental Protection Department and Electrical and Mechanical Services Department of Hong Kong. The GHG inventory of the Group include carbon dioxide (CO<sub>2</sub>), methane and nitrous oxide. All the GHG emissions data are presented in tonnes of CO<sub>2</sub> equivalent.
- (2) Scope 1 direct emissions include the daily consumption of vehicle fuels of the Group. The emission factors are based on Appendix 2.
- (3) Scope 2 indirect emissions include indirect GHG emissions generated by the purchased electricity of the Group. The emission factors are based on Hong Kong Electric Company, Limited.
- (4) Scope 3 other indirect emissions include other indirect emissions occurring outside the Group, including waste paper disposal and business air travels. The emission factors of methane from waste paper disposal in landfills are based on Appendix 2 and the carbon emissions from business air travels are based on the International Civil Aviation Organisation Carbon Emission Calculator.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## iii. Waste and Wastewater

Due to the nature of the business, the Group does not generate hazardous waste during our daily operations. The main source of the waste in the Group consist of non-hazardous wastes, for instance office paper and other household wastes.

The data of waste generated during the Year is as follows:

| Waste                        |              | Units           | 2023 |
|------------------------------|--------------|-----------------|------|
| Non-hazardous waste (Note 1) | Total amount | tonnes          | 3.15 |
|                              | Recycled     | tonnes          | 0.05 |
|                              | Landfill     | tonnes          | 3.10 |
|                              | Intensity    | tonnes/employee | 0.08 |

Note:

(1) Non-hazardous waste is estimated based on the Group's daily office operations.

The Group places high attention on the proper disposal of waste and has clearly set out ways of disposing of office waste in its "Environmental Protection Policy." It has established a waste sorting system for recycling and contacted contractors to recycle used toner cartridges from time to time to reduce waste.

The Group is committed to reducing waste production and encourages employees to reuse stationery items, including envelopes, binders, and file cards. The carboy used for water in the office will be returned to the supplier after use, where it undergoes thorough cleaning and sanitisation for recycling purposes. Meanwhile, we reduce the use of disposable and non-recyclable products, such as disposable water cups and wooden chopsticks, by replacing them with non-disposable items. In addition, the Group accesses office material usage to minimise excess inventory and reduce waste generation from the source. Besides, the Group has adopted a digitised operational model to centralised file management and regularly convey environmental protection messages to employees. Nevertheless, the office printers select recyclable toner or ink cartridges. Furthermore, the Group also implements print permissions, monitors and adjusts paper usage statistics to improve resource efficiency.

The property management company is responsible for the water supply and drainage in our leased office space. The Group has taken measures to reduce water consumption. All sewage is discharged to the sewage treatment plant through the local pipe network.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 3.3 Use of Resources

The Group aims and highly focuses on the efficient use of resources in its daily operations. During the Reporting Period, the Group has complied with the relevant laws and regulations on energy use, including but not limited to the Water Pollution Control Ordinance of Hong Kong, the Environmental Protection Law of the People's Republic of China and the Water Pollution Prevention and Control Law of the People's Republic of China of China.

### i. Energy

The primary sources of energy used in the Group include direct energy from daily petrol usage in vehicles and indirect energy from the purchased electricity. The Group recognises the importance of conserving electrical energy and aims to enhance environmental awareness and energy conservation among all employees to actively reduce daily office electricity usage. The following strategies are promoted as follows:

#### Energy Conservation Measures

##### Office operation

- Use of energy efficient electronic equipment such as lighting, printers, and air conditioners
- Place reminders of "For electricity savings, please switch off the light when leaving" at prominent places in the office

##### Air conditioning system

- Set the air conditioning to a moderate temperature and switch off if they are not in use
- Clean the filters/fan coils regularly
- Avoid installing air conditioning units under direct sunlight
- Install weather-stripping on doors and windows to prevent conditioned air from leaking out
- Adopt Central Control and Monitoring System (CCMS) or Building Management System (BMS)
- Apply anti-ultraviolet films on windows to reduce heat gain

##### Lighting system

- Ensuring regular cleaning of lighting fixtures to enhance energy efficiency and implementing independently controlled lighting switches in different lighting zones.
- Reducing the number of light fixtures in areas where the brightness exceeds the required level
- Implement sleep mode functionality for electronic devices
- Adopt energy efficient lighting (e.g. T5 fluorescent lamps and LEDs)

During the Reporting Period, total energy consumption is as follows:

| Type of Energy                       | Units        | 2023  |
|--------------------------------------|--------------|-------|
| Total energy consumption             | MWh          | 59.27 |
| Direct energy consumption (Note 1)   | MWh          | 38.54 |
| Indirect energy consumption (Note 2) | MWh          | 20.73 |
| Energy consumption intensity         | MWh/employee | 1.52  |

Notes:

- (1) The direct energy consumption is calculated based on the actual consumption amount of vehicle fuels consumption. The conversion factors of fuel and energy units are adopted from the "Energy Statistics Manual" issued by the International Energy Agency.
- (2) The indirect energy consumption is calculated based on the actual consumption amount of purchased electricity by the Group for daily operations.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ii. Water

Considering the nature of the business, the usage of water by the Group is mainly based on the daily office operations. There is no data on water consumption as it is managed by the property management company. Nevertheless, we have not encountered any issues regarding access to suitable water sources. As part of the commitment to water conservation and environmental protection, we have implemented a range of initiatives aimed at reducing water consumption in our day-to-day activities. These measures include actively educate its employees about the importance of water conservation, display water conservation postages in prominent places, and immediately report to the property management company to repair dripping taps when they are damaged.

## iii. Paper and Packaging Materials

The Group does not engage in manufacturing process nor using any packaging materials. Throughout the Reporting Period, total office paper consumption amounted to approximately 260 kilograms. The Group has adopted environmental protection measures to minimise office paper usage. Employees are encouraged to reuse paper and use both sides of the paper whenever possible. Single-sided paper is repurposed for printing or used as scratch paper. Computers and printers are also set to double-sided printing and ink saving modes. If possible, we strive to minimise paper usage by adjusting font sizes or utilising shrink-to-fit mode to reduce page sizes. Additionally, the Group actively employs electronic communication technologies to transmit information, thereby minimising paper consumption. We have also implemented network faxing to filter out junk faxes. Furthermore, we have established recycling stations to collect paper-based documents such as waste paper, posters, letters, and envelopes, promoting environmentally-friendly practices within the organisation.

## 3.4 The Environment and Natural Resources

The Group has been committed to promoting sustainable environmental development, and highly focused on the impact of its business on the environment and natural resources. The Group's business operations are not associated with soil pollution, soil erosion or biodiversity conservation.

The Group strives to integrate various environmental protection measures into its internal management policies to reduce the impact on the environment and natural resources, and to enhance environmental sustainability. For example, the "Environmental Protection Policy" emphasises the protection of scarce natural resources and efforts to reduce the use of resources, as well as fosters an environmental culture within the Group to enhance employees' environmental awareness.

To ensure that employees implement measures for resource conservation, the Group has formulated an "Office Checklist" for the administrative management department to conduct audits. The checklist includes items related to water and resources conservations, and measures such as paper and other materials reuse. In case of non-compliance, the auditor is required to propose specific corrective measures.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 3.5 Responding to Climate Change

Climate change has become a major challenge worldwide today. As the extreme weather events are getting more serious, the Group highly concerned about the impacts of climate change. In order to prepare for and respond to extreme weather events and natural disasters in the future, the Group has identified, prioritised and evaluated the potential climate related risks to the business, so as to determine the level of risk resilience, and actively investigate relevant risk management measures.

In terms of physical risks, extreme weather conditions caused by climate change could lead to potential increases in operating costs and negative impacts on employee safety. The Group recognised that building resilience to climate change is critical to our business. The Group has comprehensive insurance coverage for property and other assets that are susceptible to damage from extreme weather or other physical impacts caused by climate change. For the safety of employees, the Group has established a crisis and emergency management plan and special working arrangements in the “Employee Handbook”. The Group regularly reviews the special working arrangements for adverse weather conditions such as typhoons or rainstorms, and continues to enhance the employee’s ability to cope with such conditions in order to ensure safety and maintain smooth operation of our daily business.

The Group has identified several transition risks, such as market risks that the corporate products will be replaced by low-carbon commodities and shifts in consumer preferences. As consumers’ expectations for existing products increase, the Group’s operating costs for investment in technology development increase. In addition, the Group faces the risk that existing products will encounter tightening obligation and requirements and results in increase in operating costs (such as increased legal liability and compliance costs).

To mitigate the negative impact of climate change on our business in the future, the Group closely monitors international climate governance trends and the relevant policies and regulations relating to our business operations, and identifies, evaluates and monitors various potential climate-related risks and opportunities on a regular basis.

## 4. EMPLOYMENT AND LABOUR PRACTICES

### 4.1 Employment Practices

The Group considers employees as the cornerstone of business operations and development, and therefore places great emphasis on employee training and welfare, striving to provide an excellent working environment. The Group provides competitive remuneration and favourable opportunities for career advancement to foster employees’ professional growth. Meanwhile, the Group has adopted a series of policies and measures concerning employment regulations, occupational safety and health, training and development, and labour guidelines, aiming for a mutually beneficial development for both employees and the employer.

The Group aims to attract and retain talents, ensure a safe and equal working environment for employees, provide development opportunities, and promote employees’ health and wellbeing. The Group has formulated the “Employee Handbook” according to relevant labour regulations, covering the Group’s remuneration and dismissal, recruitment and promotion, working hours, statutory holidays, social security, and standards of other rights and benefits. The Group strictly complied with the labour laws and regulations, like the “Employment Ordinance” of Hong Kong, in relation to employment and equal opportunities.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, the Group strictly complied with the labour laws and regulations of Hong Kong, and there were no employment-related violations that had a significant impact on the Group. As of 31 December 2023, the total number of employees<sup>2</sup> is 39. The distribution of employees is as follows:

| Employment Indicators (Number of Employees (Proportion)) | 2023     |
|--|----------|
| <b>By gender</b>   |          |
| Male   | 23 (59%) |
| Female   | 16 (41%) |
| <b>By age group</b>                                      |          |
| Below 30   | 6 (15%)  |
| 30-50  | 29 (74%) |
| Above 50   | 4 (10%)  |
| <b>By geographical regions</b>                           |          |
| Hong Kong  | 20 (51%) |
| Mainland China   | 10 (26%) |
| Southeast Asia (Thailand & Singapore)                    | 2 (5%)   |
| East Asia (Japan & Korea)                                | 2 (5%)   |
| North America (Canada & USA)                             | 2 (5%)   |
| Western Europe   | 3 (8%)   |
| <b>By employment type</b>                                |          |
| Permanent  | 34 (87%) |
| Temporary  | 5 (13%)  |

<sup>2</sup> The total number of employees covers the entire Group, including employees in Hong Kong, Mainland China, Thailand, Singapore, Japan, Korea, Canada, the United States and Western Europe.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The total employee turnover rate<sup>3</sup> of the Group during the Year was 39%, and its turnover rate by category is as follows:

| Turnover Rate Indicators              | 2023 |
|---------------------------------------|------|
| <b>By gender</b>                      |      |
| Male                                  | 39%  |
| Female                                | 40%  |
| <b>By age group</b>                   |      |
| Below 30                              | 20%  |
| 30-50                                 | 43%  |
| Above 50                              | 40%  |
| <b>By geographical region</b>         |      |
| Hong Kong                             | 28%  |
| Mainland China                        | 27%  |
| Southeast Asia (Thailand & Singapore) | 100% |
| East Asia (Japan & Korea)             | 100% |
| North America (Canada & USA)          | 100% |
| Western Europe                        | 100% |

## ii. Talent Recruitment and Retention

Employees are the core assets to maintain corporate competitiveness, and the key to corporate success. The Group provides a fair and impartial talent selection system and continuously improves the system to recruit talents. The Group has formulated a recruitment plan and filled job vacancies based on the principle of “internal employee superior to external candidates” in order to offer internal promotion opportunities to existing employees. The Group recruits external candidates through the recruitment website, job market, headhunting companies and employee’s referral. The Group ensures that the process is fair, open and transparent, and selects candidates depending on objective criteria such as their working experience, skills, academic background, communication skills, and personal qualities.

The Group adheres to the principle of employing individuals who possess both moral character and competence, using integrity, knowledge, abilities, and performance as the primary evaluation criteria. In doing so, we strive to effectively utilise and retain talent within the Group. The Group conducts appropriate remuneration adjustment annually based on employee performance to reduce talent attrition.

<sup>3</sup> The total employee turnover rate covers employee data for the entire Group, including employees in Hong Kong, Mainland China, Thailand, Singapore, Japan, Korea, Canada, the United States and Western Europe.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## iii. Remuneration and Benefits

We offer reasonable and competitive salary and benefits to employee. Employees are awarded salary adjustment and promotion based on their job performance, as well as progress achievement and the results of performance appraisal. The Group strictly adheres to the relevant regulations in the jurisdictions where its business operates, including, but not limited to, the Hong Kong Employment Ordinance (Cap. 57 of the Laws of Hong Kong), the Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong) and the Employees' Compensation Ordinance (Cap. 282 of the Laws of Hong Kong), Labour Law of the People's Republic of China, Fair Labour Standards Act of United States of America, Canada Labour Code, Labour Protection Act of Thailand, Guide on Employment Law of Singapore, Labour Standards Act of Japan and Labour Standards Act of Korea. The Group diligently fulfills its obligations by timely contributing to the "Five Insurances and One Fund" (comprising five social insurance schemes: pension insurance, medical insurance, unemployment insurance, maternity insurance, and work-related injury insurance, as well as housing provident fund), mandatory provident fund, and labour insurance as required by law. In addition to the statutory holidays, the Group provides its employees with additional leaves such as marriage leave, bereavement leave, maternity leave, work-related injury leave, annual leave, family planning leave, and paternity leave. Furthermore, we offer additional benefits to employees, including discretionary bonuses, holiday gifts or cash, long-term service rewards, compensatory leave or allowances for employees working overtime, as well as subsidies for transportation and business trips. These supplementary benefits aim to enhance employees' sense of belonging, foster a positive work environment, and strengthen the cohesion of the company.

In addition, the Group organises various social activities, such as monthly birthday parties and annual dinners, and more, to enhance cultural exchange among employees and enrich their lives. These activities aim to create a warm and inclusive atmosphere within the company, fostering a sense of unity and boosting employee morale, while also strengthening the overall cohesion of the company.



Employees' Birthday Party

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## iv. Equal Opportunity and Diversity

As a diversified enterprise, the Group strives to create a fair, diversified and harmonious working environment for employees and protect them from discrimination and harassment. The Group formulates employment policies in strict accordance with relevant regulations of location we operate including but not limited to Employment Ordinance, Sex Discrimination Ordinance, Disability Discrimination Ordinance, Family Status Discrimination Ordinance and Race Discrimination Ordinance of Hong Kong and Labour Law of the People's Republic of China, and Americans with Disabilities Act of United States of America to provide equal opportunities in respect of recruitment, training, promotion, job transfer, remuneration, benefits, and termination of contracts. The Group has established an employment policy that ensures equal opportunities for individuals of all ages, genders, physical conditions, marital status, family positions, races, ethnicities, nationalities, religions, political affiliations, and sexual orientations. This policy guarantees that all individuals are treated equitably throughout the hiring process, training programs, promotion decisions, job transfers, salary allocations, provision of benefits, and contract terminations. The Group formulates policies addressing "Promotion, Equal Opportunities, Diversity and Antidiscrimination" to make sure every employee being treated fairly in terms of recruitment process, remuneration and benefits, training opportunities, working arrangement, promotion and disciplinary punishment.

The Group values the professional development of female employees and ensures they have equal opportunities for advancement as male employees. We guarantee that female employees will not be unjustifiably terminated or have their employment contracts terminated during pregnancy, maternity leave, or breastfeeding. Furthermore, we ensure their right to receive basic wages during these periods. Our office in Thailand actively employs LGBTQ<sup>4</sup> colleagues, demonstrating our commitment to diversity and inclusivity. We are dedicated to ensuring that no one is subjected to prejudice, discrimination, or differential treatment, regardless of age, gender, physical condition, marital status, family status, race, color, nationality, religion, political affiliation, or sexual orientation. We are committed to building an equal and friendly office environment.

## v. Dismissal Policy

Regarding the policy on employee termination, in cases where an employee's behaviour is deemed severely inappropriate and fails to improve despite repeated warnings, the employee's supervisor and management within the Group will engage in thorough internal discussions before announcing the termination decision. The employee will be given an opportunity to provide explanations and respond to the concerns raised. The reasons for termination will be clearly communicated to the employee. Our termination procedures also comply with applicable laws and regulations.

<sup>4</sup> LGBTQ covers people who are lesbian, gay, bisexual, transgender, queer, intersex, asexual, and other non-normative sexual orientations, gender identities, and gender expressions not mentioned above.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## vi. Employee Communication

We appreciate the significance of communication with and care for our employees. We believe that maintaining a close relationship with our employee allows us to better understand their needs. Besides, orientation with introduction of corporate system, culture and other information would be conveyed to employees when they are on board. The Group has also established relevant personnel management system and reporting mechanism management system.

## vii. Working Hours and Rest Periods

The Group has formulated policies based in accordance with relevant regulations in the jurisdictions where we operate, including but not limited to Employment Ordinance of Hong Kong and Labour Law of the People's Republic of China, Fair Labour Standards Act of United States of America, Canada Labour Code, Labour Protection Act of Thailand, Guide on Employment Law of Singapore, Labour Standards Act of Japan and Labour Standards Act of Korea, and Directive on Working Time of European Union. These policies are designed to define employee working hours and rest periods. In cases where employees are required to work overtime, the Group provides financial compensation for overtime work.

## 4.2 Health and Safety

The Group values the health and welfare of every employee. Due to the nature of our operations, which primarily involve clerical work and no position has been identified as having high safety risks. However, the Group understands that our employee spend prolonged periods working on computers. Therefore, we plan to enhance employee safety education activities related to office health and safety, such as promoting safety use of office equipment and adopting correct working postures to reduce the risk of injuries or occupational illnesses among employees.

The Group encourages employees to undergo occupational health check-ups before and during their employment. These check-ups help in early detection of potential diseases and allow for timely treatment. Additionally, if an employee is found to have contracted an infectious disease, we promptly arrange for their rest and treatment. We also ensure that relevant departments implement isolation protocols and provide vaccinations to employees lacking antibodies. First aid kits are available within the office premises, and we provide labour protection equipment to ensure the well-being of our employees.

Over the past three years (including the current Reporting Period), there was no accident of work-related injuries/fatalities and no lost days due to work injury recorded by the Group. The Group has no violation of the laws and regulations regarding the provision of safe working environment during the Reporting Period.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 4.3 Development and Training

The Group values the continuous development of employees and strives to enable our employees to grow alongside with the Group. The Group has established a comprehensive training system that outlines the administrative responsibilities of training officers within each department, as well as the related policies. The system offers a wide range of learning and training courses for employees, enabling them to continually update their job knowledge and skills. Besides, we conduct regular internal training sessions covering various topics to deepen our employees' understanding of the Group's business operations and the functioning of each department, to facilitate cross-departmental cooperation, and to give our employees a broader perspective on career planning and personal development.



**Employees' Internal Training**

In addition to the internal training and the inspections and assessments afterwards, the Group also encourages and provides subsidies to employees to participate training courses held by other institutions in a compensated way, so as to enhance job-specific knowledge and enrich their skill sets. In accordance with "Employee Handbook", the Group will provide training subsidy to eligible employee at a minimum of 30% of the total amount and one annual subsidy of up to \$3,000 for professional qualification fees for employee. Besides, the "Employee Handbook" outlines the training and development policy for newly hired employees, including the arrangements and contents of training, to facilitate them to quickly understand of job-specific knowledge and integration into the work environment. The training covers a variety of topics to meet the needs of employees in different departments. The employee training data for the Year is as follows:

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

| <b>Training Indicators<sup>5</sup></b>                                       | <b>2023</b> |
|--|-------------|
| <b>Average number of hours of training (percentage of employees trained)</b> | 13 (100%)   |
| <b>By Gender</b>   |             |
| Male   | 16 (100%)   |
| Female   | 10 (100%)   |
| <b>By employee category</b>  |             |
| Senior   | 19 (100%)   |
| Middle   | 19 (100%)   |
| Junior   | 7 (100%)    |

In order to evaluate employees' working performance and potential effectively, the Group has established a fair and comprehensive competition and promotion environment. We encourage employees to enhance their work quality and capability. Additionally, employees have the opportunity to apply for inter-department transfers based on their individual development needs.

#### 4.4 Labour Standards

The Group strictly complies with the Labour Law and has a zero-tolerance policy towards the employment of child labour or forced and compulsory labour. We strongly prohibit any practices that violate international standards and relevant laws regarding the employment of minors. Candidates are required to present identity for verification to prevent child labour recruitment. If any instances of employing child labour are discovered, we take immediate action to cease their employment, contact their parents or legal guardians, and arrange for their safe return home at our expense.

The Group bans the employment of forced labour in any way and ensures all job duties are in compliance with labour contracts. It is clearly stated in the labour contracts that employees have the right to refuse any dangerous work arrangement. Our employees can immediately terminate the labour contract and obtain economic compensation if they are forced to perform such job duties by means of violence, threats, or illegal restrictions on personal freedom. The Group will never force employees to work overtime. The Group would compensate those who work overtime with extra pay or additional days off. If labour disputes are found, employees can also reflect and put on record with the Group's Human Resources Department or report to management through the reporting mechanism management system.

During the Reporting Period, no non-compliance regarding child labour, forced or compulsory labour has been recorded by the Group in its operation.

<sup>5</sup> The training data covers the entire Group, including employees in Hong Kong, Mainland China, Thailand, Japan, Korea, Canada, the United States and Western Europe.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 5. OPERATION MANAGEMENT

### 5.1 Supply Chain Management

The Group believes that establishing a sustainable supply chain and facilitating interaction and communication with suppliers and banks could improve confidence of customers and other stakeholders in the Group. Therefore, the Group only maintains long-term cooperative relationships with logistics and banks with good credit rating, strong reputation, high products and services quality, and a proven track record. During the Year, the Group has collaborated with 60 major suppliers<sup>6</sup> from Hong Kong to meet the demand for product supply.

Focusing on establishing close cooperation relationships with suppliers, the Group has been working together with them to reduce impacts on the environment from production processes while ensuring the quality of service to customers. The Group takes the environmental, social and governance policies into consideration when managing all the suppliers. The Group also insists on selecting suppliers who demonstrate product quality assurance, contractual integrity, and ethical business practices. Factors such as product quality and certification, on-time delivery, and product diversity are evaluated to manage social risks within the supply chain. The Group will cease cooperation with suppliers which fail to meet its requirements. During the Reporting Period, there was no supplier which failed to meet such requirements. Supplier Management Measures of the Group include the following:

1. To conduct evaluations to ensure suppliers' ESG policies, including emissions, use of resources, environmental and natural resources, health and safety, employee development and training, the prevention of child labour, product responsibility and anti-corruption
2. To conduct continuous regular quality inspection
3. To conduct unscheduled quality inspection
4. To protect product supply and reduce risks through decentralised procurement
5. To formulate acceptance criteria and procedures, which are detailed in the procurement contract, for each type of products

### 5.2 Product Responsibility

#### i. Product Responsibility

Providing efficient and high-quality services to customers has always been the utmost concern for the Group. The Group's objective is for customers have confidence in our services and to be provided with sufficient information to make informed choices. To improve service quality of the Group, we conduct site visits and regular visits in order to gain an in-depth understanding of customers' actual demands and development targets. By establishing long-term and mutually beneficial cooperation with customers, we have effectively supported economic development in the regions where we operate and indirectly facilitated employment in those regions. Meanwhile, the Group has proactively seek customer feedback through channels, such as phone calls, to ensure that their opinions are efficiently collected and addressed.

<sup>6</sup> Data of suppliers covers only the Group's operations in Hong Kong and Mainland China.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Except for pre-sales product selection and supply chain management, the Group categorises incidents occurring after product supply and sales that pose risks to public health and safety. These incidents are classified based on their severity as general, significant, or severe accidents. According to the classification of incidents, responsible personnel at all levels within the Group are required to take prompt action to mitigate risks and hazards to the community.

| Rankings of product liability incidents | Allocation of responsibility by positions   |
|---|---|
| General                                 | To be handled under the authorisation and instruction of the person in charge of the relevant business department |
| Significant                             | To be handled jointly by the person in charge of the relevant business department and the Group management        |
| Severe                                  | To be handled by joint team formed by the Group management and insurance company                                  |

## ii. Quality Control

The Group values the health and safety of its customers and fulfills its comprehensive product responsibility. As to edible oil, the Group carefully examines the “Business License” and relevant regulatory supporting documents of the finished product suppliers or raw material producers when selecting supply goods in order to ensure the health and product safety of customers and the public.

Regarding the product quality, the Group exclusively selects suppliers who deliver high-quality and authentic products. We evaluate the supplier quality through their audit reports, product quality and the effectiveness of the quality assurance system, etc. We established agreements with suppliers that include quality assurance requirements. For those suppliers with repeated quality issues, audits will be conducted to evaluate the overall quality system of the supplier and we will put forward the requirements for improvement within a set deadline to ensure the quality of the products. Given that each product has distinct quality control standards, the Group has strict quality inspection procedures to ensure that the products meet the stringent requirements. If the clients have suspicion on the quality of the commodities products, the Sales Management Department would assist the clients to investigate and coordinate with the suppliers. To ensure the quality of products, the Group has developed an exchange and return process. Product returns are mainly divided into quality reasons and non-quality reasons categories. Through strict examination and approval, products that are in line with the categories will be exchanged or returned after the completion of identification to protect the health and safety of customers. The returned products that fail to meet the quality requirements will be recycled, and the finished products confirmed to be deteriorated or unqualified will be destroyed and discarded. For products returned for quality reasons, the group will analyse comprehensively to determine whether other batch number of products are involved and assess whether recall and return of products with batch number involved will be required.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group complies with the provisions concerning product liability as set out under Product Quality Law of the People's Republic of China, Administrative Regulations of Shenzhen Special Economic Zone on Product Quality, Labour Standards Act of Thailand, Japan and Korea and the Directive on Liability for Defective Products of European Union and other laws and regulations. During the Reporting Period, the Group had not identified any non-compliance of laws and regulations in relation to product liability (including customers' health, safety, advertising, labelling and customers' privacy-related matters) and any recalls of products for safety and health reasons. The Group had not received any complaint in relation to product or service and had not identified any case in relation to leakage, theft or loss of customers' information.

### iii. Privacy and Intellectual Property Protection

The Group places significant importance on privacy issues concerning our clients, internal employees, data, and external partners and suppliers. We have implemented strict confidentiality guidelines for both internal and external parties to reinforce our unwavering dedication to safeguarding privacy.

The Group deals with significant amount of data involving third parties and we firmly believe that information security and privacy are fundamental principles of our operations. To ensure the protection and non-disclosure of customer data, the Group mandates that all employees sign a confidentiality commitment, acknowledging their responsibilities and obligations in this regard. The use of information is strictly limited to authorised business activities and any disclosure of such information to external parties is regarded as data theft. Employees found responsible for such actions will face appropriate consequences.

During the Reporting Period, there were no noted case of violation of relevant laws or regulations regarding privacy protection and intellectual property rights.

## 5.3 Anti-corruption

The Group is dedicated to maintaining ethics and integrity in its operations. It strictly prohibits any form of corruption or bribery. It is essential to exercise sound judgment when engaging in transactions with customers, suppliers, contractors, job seekers, colleagues, and other third parties. Compliance with all relevant laws and regulations is mandatory to uphold the highest standards of integrity consistently.

The Group has developed and implemented an "Anti-Corruption Policy" to strengthen governance and integrity within its workforce. The policy includes providing anti-corruption training, such as interpreting relevant laws and compliance requirements before employee gatherings, to enhance awareness of corruption risks and reinforce professional ethics. In addition, this system also prohibits employees from accepting any expensive offerings such as monetary gift, credit card and cash voucher, etc. Furthermore, the "Employee Handbook" of the Group also sets forth the basic principles of anti-corruption, and states that employees should make appropriate adjustment in terms of benefits, for example, employees are not supposed to make any personal gain through the exercise of their official duties or they are supposed to avoid arousing suspicion and report to relevant authorities when dealing with business involving in their relatives' benefits in accordance with regulations.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In addition to “Policy of Integrity Management”, the Company has issued guidelines to its employees on the “Anti-Corruption Policy” in relation to the giving and receiving of gifts, hospitality and gratuities and the related declaration and approval procedures. The Group strives to ensure that employees are familiar with these policies and the control procedures relating to their duties. Employees are required to receive regular anti-corruption and internal control training to enhance their knowledge and understanding of the Code of Conduct and related policies. The Company participates in and encourages its employees to support charitable activities, subject to compliance with relevant laws and regulations, and to ensure that charitable donations do not influence any business decisions and that there is no conflict of interest between an employee’s membership in a society and his or her status as an employee. Employees must not represent or purport to represent the Company in any social or political forum or use the Company’s brand, time, or assets to further the interests of any social or political party or group.

During the Reporting Period, the Group rigidly abided by laws and regulations in respect of anti-corruption, bribery, extortion, fraud and money laundering, such as the Anti-Money Laundering Law of the People’s Republic of China, China’s Efforts to Combat Corruption and Build a Clean Government, Prevention of Bribery Ordinance of Hong Kong, Foreign Corrupt Practices Act of United States of America, Corruption of Foreign Public Officials Act of Canada, Anti-Corruption Act of Thailand, Japan Penal Code and Directive on the Fight against Fraud of European Union. With reference to the aforesaid laws and regulations, the Company has developed the “Anti-Money Laundering Policy”. This policy mandates that business department employees, before commencing business dealings with potential customers, thoroughly understand their background by reviewing documents and engaging in communication, following relevant internal guidelines. The Group’s financial management department also collects information on the income usage, repayment fund sources, and business status of existing customers to manage risks. They regularly update this information and promptly report any abnormal findings to senior management.

In order to prevent corruption incidents, the Group has formulated and implemented “Reporting Mechanism Management System” that allow all employees to report through channels such as mailboxes and emails. The Group ensures strict confidentiality for all reports and guarantees that the identity of the reporting employee will not be disclosed without their consent, except when legally obligated to do so. Whistleblowers are protected from punishment or unfair treatment for making good-faith disclosures. To foster an open, responsible, and honest culture, the Group takes appropriate actions or disciplinary measures against employees who violate disciplinary regulations. In cases involving suspected corruption or other criminal offenses, the Group reports to the relevant authorities. As of the Reporting Period, the Group has no concluded corruption litigation cases.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 6. COMMUNITY INVESTMENT

The Group deeply recognises the importance of giving back to society and actively fulfilling its corporate social responsibility. We are committed to addressing the needs of vulnerable groups and different social communities, and strive to make a positive impact in the community. We provide employment opportunities for people with disabilities and prioritise hiring individuals from this group. Additionally, we give preference to suppliers who are engaged in relevant support programs. The Group strongly encourages employees to actively participate in community activities and contribute to society in various ways. We believe in promoting a harmonious society and sustainable development through our collective efforts.

### Case Study 1 – Bank of China (Hong Kong) Hong Kong – Zhuhai – Macao Bridge (HK Section) Half Marathon

On November 19, 2023, the Group sponsored the first half marathon (Hong Kong section) since the opening of the Hong Kong-Zhuhai-Macao Bridge. As a significant sponsor, Yunnan Baiyao Aerosol (Hong Kong Edition) was one of the essential products included in the participants' race kits, providing comprehensive health protection throughout the event. The race garnered widespread attention and media coverage, and the participation of celebrities and social media influencers further increased brand awareness. This sponsorship successfully linked Yunnan Baiyao with health, sports, and vitality, solidifying the brand's position and generating more sales opportunities for the product.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Case Study 1 – Bank of China (Hong Kong) Hong Kong – Zhuhai – Macao Bridge (HK Section) Half Marathon



Left photo illustrates the Group as a significant sponsor of the event;  
 Right photo highlights Yunnan Baiyao Aerosol (Hong Kong Edition)  
 as an indispensable product in the participants' race kits

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Case Study 2 – Preserving and Promoting China’s Precious Traditional Medicine Culture: Yunnan Baiyao’s Legacy and International Outreach

The Group is dedicated to making contributions in the field of traditional Chinese medicine. In the current year, at the Hong Kong Food Expo, the Group showcased the strategic positioning, exploration, and effectiveness of Yunnan Baiyao in the broader health industry. Through various platforms such as the digital platform for the Sanqi industry, Yunnan Baiyao implemented standardised process management and full traceability, enhancing the quality of its products and the industry as a whole. Visitors highly acknowledged these efforts and expressed recognition for Yunnan Baiyao’s historical usage and brand. They appreciate the diverse and depth of the products and seeking consultation on purchasing. The Group collected valuable demand registrations through multiple channels, which will serve as important guidance and decision-making references for expanding into the Hong Kong market. Moreover, the Group utilised this event to promote the cultural inheritance and development of traditional Chinese medicine while assisting in the internationalisation of Chinese medicine products.



The Group’s Promotion of Traditional Chinese Medicine Culture at the Hong Kong Food Expo

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Case Study 3 – Conveying the Fundamental Principles and Beliefs of the Brand

Throughout the Year, the Group has engaged in comprehensive advertising campaigns across various regions in Hong Kong to promote the international brand image of Yunnan Baiyao, as well as the company's mission and vision: "Guarding Life and Health" and "Realising the Aspirations of Individuals and the Nation through Health." Additionally, the advertising highlights the operational strategy of the Group: "Based in Hong Kong, Relying on Yunnan, and Building an International Platform.". These advertising initiatives have played a crucial role in expanding the brand awareness and recognition of Yunnan Baiyao, solidifying its competitive advantage, and laying a strong foundation for long-term development.



The above photos demonstrate the promotion of the brand in various regions in Hong Kong



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 7. APPENDIX: CONTENT INDEX OF “ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE”

| Aspects                     | Summaries   | Sections                                     | Page No.     |
|-----------------------------|---|--|--------------|
| <b>A. Environment</b>       |   |  |              |
| <b>A1: Emissions</b>        |   |  |              |
| General Disclosure          | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | Environmental Principle;<br>Emission         | 58-61        |
| KPI A1.1                    | The types of emissions and respective emissions data.   | Emission                                     | 59           |
| KPI A1.2                    | Direct (Scope 1) and indirect (Scope 2) greenhouse gas emissions and intensity.   | Emission                                     | 60           |
| KPI A1.3                    | Total hazardous waste produced and intensity.   | Emission                                     | 61           |
| KPI A1.4                    | Total non-hazardous waste produced and intensity.   | Emission                                     | 61           |
| KPI A1.5                    | Description of emissions target(s) set and steps taken to achieve them.   | Environmental Principle;<br>Emission         | 58-61        |
| 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.  | Environmental Principle;<br>Emission         | 61           |
| <b>A2: Use of Resources</b> |   |  |              |
| General Disclosure          | Policies on the efficient use of resources, including energy, water and other raw materials.  | Environmental Principle;<br>Use of Resources | 58,<br>62-63 |
| KPI A2.1                    | Direct and/or indirect energy consumption by type in total and intensity.   | Use of Resources                             | 62           |
| KPI A2.2                    | Water consumption in total and intensity.   | Use of Resources                             | 63           |
| KPI A2.3                    | Description of energy use efficiency target(s) set and steps taken to achieve them.   | Environmental Principle;<br>Use of Resources | 62           |
| 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.  | Environmental Principle;<br>Use of Resources | 63           |
| KPI A2.5                    | Total packaging material used for finished products and, if applicable, with reference to per unit produced.  | Use of Resources                             | N/A          |

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

| Aspects  | Summaries   | Sections   | Page No. |
|--|---|--|----------|
| <b>A3: The Environment and Natural Resources</b> |   |  |          |
| General Disclosure                               | Policies on minimising the issuer's significant impacts on the environment and natural resources.   | The Environment and Natural Resources                    | 63       |
| KPI A3.1   | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.   | The Environment and Natural Resources                    | 63       |
| <b>A4: Climate Change</b>                        |   |  |          |
| General Disclosure                               | Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.  | Protecting Our Environment -Responding to Climate Change | 64       |
| 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.  | Protecting Our Environment -Responding to Climate Change | 64       |
| <b>B. Social</b>                                 |   |  |          |
| <b>Employment and Labour Practices</b>           |   |  |          |
| <b>B1: Employment</b>                            |   |  |          |
| General Disclosure                               | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. | Employment Practices                                     | 64-69    |
| KPI B1.1   | Total workforce by gender, employment type, age group and geographical region.  | Employment Practices                                     | 65       |
| KPI B1.2   | Employee turnover rate by gender, age group and geographical region.  | Employment Practices                                     | 66       |

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

| Aspects                             | Summaries   | Sections                 | Page No. |
|-------------------------------------|---|--------------------------|----------|
| <b>B2: Health and Safety</b>        |   |                          |          |
| General Disclosure                  | Information on:<br>(a) the policies; and<br>(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. | Health and Safety        | 69       |
| KPI B2.1                            | Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.   | Health and Safety        | 69       |
| KPI B2.2                            | Lost days due to work injury.   | Health and Safety        | 69       |
| KPI B2.3                            | Description of occupational health and safety measures adopted, and how they are implemented and monitored.   | Health and Safety        | 69       |
| <b>B3: Development and Training</b> |   |                          |          |
| General Disclosure                  | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.   | Development and Training | 70-71    |
| KPI B3.1                            | The percentage of employees trained by gender and employee category.  | Development and Training | 71       |
| KPI B3.2                            | The average training hours completed per employee by gender and employee category.  | Development and Training | 71       |
| <b>B4: Labour Standards</b>         |   |                          |          |
| General Disclosure                  | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.  | Labour Standards         | 71       |
| KPI B4.1                            | Description of measures to review employment practices to avoid child and forced labour.  | Labour Standards         | 71       |
| KPI B4.2                            | Description of steps taken to eliminate such practices when discovered.   | Labour Standards         | 71       |

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

| Aspects                            | Summaries   | Sections                | Page No. |
|------------------------------------|---|-------------------------|----------|
| <b>Operating Practices</b>         |   |                         |          |
| <b>B5: Supply Chain Management</b> |   |                         |          |
| General Disclosure                 | Policies on managing environmental and social risks of the supply chain.  | Supply Chain Management | 72       |
| KPI B5.1                           | Number of suppliers by geographical region.   | Supply Chain Management | 72       |
| KPI B5.2                           | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.   | Supply Chain Management | 72       |
| KPI B5.3                           | Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.  | Supply Chain Management | 72       |
| KPI B5.4                           | Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.   | Supply Chain Management | 72       |
| <b>B6: Product Responsibility</b>  |   |                         |          |
| General Disclosure                 | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | Product Responsibility  | 72-74    |
| KPI B6.1                           | Percentage of total products sold or shipped subject to recalls for safety and health reasons.  | Product Responsibility  | 74       |
| KPI B6.2                           | Number of products and service-related complaints received and how they are dealt with.   | Product Responsibility  | 73-74    |
| KPI B6.3                           | Description of practices relating to observing and protecting intellectual property rights.   | Product Responsibility  | 74       |
| KPI B6.4                           | Description of quality assurance process and recall procedures.   | Product Responsibility  | 73       |
| KPI B6.5                           | Description of consumer data protection and privacy policies, and how they are implemented and monitored.   | Product Responsibility  | 74       |

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

| Aspects                         | Summaries  | Sections             | Page No. |
|---------------------------------|--|----------------------|----------|
| <b>B7: Anti-corruption</b>      |  |                      |          |
| General Disclosure              | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering. | Anti-corruption      | 74-75    |
| KPI B7.1                        | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.                                     | Anti-corruption      | 75       |
| KPI B7.2                        | Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.   | Anti-corruption      | 74-75    |
| KPI B7.3                        | Description of anti-corruption training provided to directors and employee.  | Anti-corruption      | 74-75    |
| <b>Community</b>                |  |                      |          |
| <b>B8: Community Investment</b> |  |                      |          |
| General Disclosure              | Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.                 | Community Investment | 76-79    |
| KPI B8.1                        | Focus areas of contribution. (e.g. education, environmental concerns, labour needs, health, culture, sport).   | Community Investment | 76-79    |
| KPI B8.2                        | Resources contributed (e.g. money or time) to the focus area.  | Community Investment | 76-79    |

# INDEPENDENT AUDITOR'S REPORT



## TO THE SHAREHOLDERS OF YNBY INTERNATIONAL LIMITED (FORMERLY KNOWN AS BAN LOONG HOLDINGS LIMITED)

雲白國際有限公司(前稱：萬隆控股集團有限公司)

*(Incorporated in Bermuda with limited liability)*

### QUALIFIED OPINION

We have audited the consolidated financial statements of YNBY International Limited (formerly known as Ban Loong Holdings Limited) (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 90 to 153, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the nine months ended 31 December 2023, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the nine months ended 31 December 2023 in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR QUALIFIED OPINION

#### 1. Revenue and cost of sales reversed during the year ended 31 March 2023

Due to the departure of certain former key management personnel who were responsible for the operational, financial and accounting matters in 2022, who the Group were unable to contact and communicate with, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the appropriateness of the revenue and cost of sales transactions reversed by the subsidiary of the Company, Wan Long Xing Ye Commercial Trading (Shenzhen) Limited (“Wan Long Shenzhen”), of RMB67,165,177 (equivalent to HK\$76,995,023) and RMB66,875,294 (equivalent to HK\$76,662,715), respectively, for the year ended 31 March 2023 (“2023 Reversed Transactions”). As a result, we were unable to determine whether any adjustments might have been found necessary in respect of the 2023 Reversed Transactions.

#### 2. Trade and other payables

Due to the departure of certain former key management personnel who were responsible for the operational, financial and accounting matters in 2022, who the Group were unable to contact and communicate with, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the existence, rights and obligations, completeness and valuation and allocation of the trade and other payables amounted to HK\$18,183,078 as at 31 March 2023. There are no other satisfactory audit procedures that we could adopt to determine whether any adjustments might have been found necessary in respect of the trade and other payables for the year ended 31 March 2023.

## INDEPENDENT AUDITOR'S REPORT

### 3. Insufficient accounting records of Wan Long Shenzhen

As advised by the board of directors, since the departure of certain former key management personnel who were responsible for the operational, financial and accounting matters of Wan Long Shenzhen in 2022, who the Group were unable to contact and communicate with, Wan Long Shenzhen has retained the basic business records, including but not limited to management accounts, ledgers and sub-ledgers accounts, certain vouchers, bank statements, certain agreements and documentation (collectively referred to as the "Basic Records"), that were left behind by the former management and accounting departments of Wan Long Shenzhen as far as possible. The Basic Records were not considered to be of a sufficient level for our audit purposes. More specific business records and supporting explanations of Wan Long Shenzhen's accounting records were needed for our audit, including but not limited to, (i) certain supporting documents of certain business transactions, such as invoices, receipts and purchase orders; (ii) detailed explanation of the accounting entries made (collectively, the "Specific Records").

In the absence of the Specific Records of the Wan Long Shenzhen following the departure of certain former key management personnel in 2022, the board of directors considered that they could only use their best endeavor to preserve the books and records that were left behind by the former management and the accounting departments and they were unable to determine whether these Specific Records were complete in the first place, and they had no other access to such Specific Records despite they have taken all reasonable steps and have used their best endeavor to locate such Specific Records.

As a result of the above matters, in addition to paragraph 1 and 2, we have not been able to obtain sufficient appropriate audit evidence to ascertain whether the income and expenses for the year ended 31 March 2023 and nine months ended 31 December 2023 and the assets and liabilities as at 31 March 2023 of Wan Long Shenzhen, as detailed below, and other related disclosure notes in relation to Wan Long Shenzhen, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements.

#### Extract of Statement of Profit or Loss and Other Comprehensive Income

|  | <b>For the nine<br/>months ended<br/>31 December<br/>2023<br/>HK\$</b> | For the<br>year ended<br>31 March<br>2023<br>HK\$ |
|--|--|---|
| Revenue                                  | –  | –   |
| Cost of sales                            | –  | –   |
| Other income, gains and losses           | <b>22,815,913</b>  | (818,034)   |
| Net allowance for expected credit losses | –  | (131,724,848)                                     |
| Selling and distribution costs           | <b>(2,780)</b>   | (138,880)   |
| Administrative expenses                  | <b>(35,527)</b>  | (2,748,193)                                       |
| Finance costs                            | –  | (3,528)   |
| Income tax credit/(expense)              | <b>23,579</b>  | (24,564)  |

# INDEPENDENT AUDITOR'S REPORT

## Extract of Statement of Financial Position

|   | As at<br>31 March 2023<br>HK\$ |
|---|--------------------------------|
| <b>Non-current asset</b>                    | 1,710,907                      |
| <b>Current assets</b>                       |                                |
| Trade receivables                           | –                              |
| Other receivables, deposits and prepayments | 1,532,838                      |
| Other current assets                        | 46,440                         |
| <b>Current liabilities</b>                  |                                |
| Trade and other payables                    | 90,962,696                     |
| Contract liabilities                        | 34,950,735                     |
| Other current liabilities                   | 1,377,957                      |

Accordingly, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded transactions and the elements making up the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 March 2023 and nine months ended 31 December 2023.

During the nine months ended 31 December 2023, Wan Long Shenzhen was disposed of in December 2023, gain on disposal of approximately HK\$137,542,825 was recognised in the consolidated statement of profit or loss and other comprehensive income for the nine months ended 31 December 2023 and as disclosed in note 36 to the consolidated financial statements of the Group.

As a result of the matters mentioned above and in paragraphs 2, we have not been able to obtain sufficient appropriate audit evidence to ascertain whether the gain arisen from the disposal of Wan Lon Shenzhen included in the consolidated statement of profit or loss and other comprehensive income for the nine months ended 31 December 2023 and other related disclosure notes in relation to the disposal of Wan Long Shenzhen, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements.

Any adjustments to the figures as described from paragraph 1 to 3 above might have a consequential effect on the Group's consolidated financial performance and its consolidated cash flows for the nine months ended 31 December 2023 and year ended 31 March 2023 and the consolidated financial position of the Group as at 31 March 2023, and the related disclosures thereof in the consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") 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 qualified opinion.



# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTER

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Qualified Opinion section, we have determined the matter described below to be the key audit matter to be communicated in our report.

## TRADE RECEIVABLES

### Refer to Note 22 to the consolidated financial statements

The Group tested the amount of trade receivables for impairment. This impairment test is significant to our audit because the balance of trade receivables of HK\$110,344,093 as at 31 December 2023 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:

- Assessing the Group's procedures on granting credit limits and credit periods to customers;
- Assessing the Group's relationship and transaction history with the customers;
- Evaluating the Group's impairment assessment;
- Assessing ageing of the debts;
- Assessing creditworthiness of the customers;
- Checking subsequent settlements from the customers; and
- Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements.

We consider that the Group's impairment test for trade receivables is supported by the available evidence.

## OTHER INFORMATION

The directors 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 do not express any form of assurance conclusion thereon.

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence about the matters described in paragraph 1 to 3. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to these matters.

# INDEPENDENT AUDITOR'S REPORT

## RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## 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: <https://www.hkicpa.org.hk/en/Standards-setting/Standards/Our-views/auditre>

This description forms part of our auditor's report.

### **ZHONGHUI ANDA CPA Limited**

*Certified Public Accountants*

#### **Li Shun Fai**

*Audit Engagement Director*

Practising Certificate Number P05498

Hong Kong, 22 March 2024

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

For the nine months ended 31 December 2023

|  | Notes | For the nine<br>months ended<br>31 December<br>2023<br>HK\$ | For the<br>year ended<br>31 March<br>2023<br>HK\$ |
|--|-------|---|---|
| <b>Revenue</b>   | 8     | <b>578,741,466</b>  | 452,908,674                                       |
| Cost of sales  |       | <b>(529,136,617)</b>  | (429,997,831)                                     |
| <b>Gross profit</b>  |       | <b>49,604,849</b>   | 22,910,843  |
| Other income, gains and losses                                   | 9     | <b>135,974,567</b>  | 396,670   |
| Net reversal of allowance/(allowance) for expected credit losses | 12    | <b>904,402</b>  | (130,410,893)                                     |
| Selling and distribution costs                                   |       | <b>(5,142,193)</b>  | (13,226,323)                                      |
| Administrative expenses  |       | <b>(31,468,076)</b>   | (39,623,800)                                      |
| <b>Profit/(loss) from operations</b>                             |       | <b>149,873,549</b>  | (159,953,503)                                     |
| Finance costs  | 10    | <b>(3,466,672)</b>  | (5,906,421)                                       |
| Share of loss of a joint venture                                 |       | <b>(1,353)</b>  | (42,720)  |
| <b>Profit/(loss) before tax</b>                                  |       | <b>146,405,524</b>  | (165,902,644)                                     |
| Income tax expense   | 11    | <b>(2,671,852)</b>  | (2,956,277)                                       |
| <b>Profit/(loss) for the period/year</b>                         | 12    | <b>143,733,672</b>  | (168,858,921)                                     |
| <b>Attributable to:</b>  |       |   |   |
| Owners of the Company  |       | <b>143,744,973</b>  | (168,870,808)                                     |
| Non-controlling interests  |       | <b>(11,301)</b>   | 11,887  |
|  |       | <b>143,733,672</b>  | (168,858,921)                                     |
| <b>Earnings/(loss) per share</b>                                 | 14    |   |   |
| Basic (HK cents per share)                                       |       | <b>2.11</b>   | (2.51)  |
| Diluted (HK cents per share)                                     |       | <b>1.67</b>   | (2.51)  |

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 31 December 2023

|   | Notes | For the nine<br>months ended<br>31 December<br>2023<br>HK\$ | For the<br>year ended<br>31 March<br>2023<br>HK\$ |
|---|-------|---|---|
| <b>Profit/(loss) for the period/year</b>                              | 12    | <b>143,733,672</b>  | (168,858,921)                                     |
| <b>Other comprehensive (expenses)/income</b>                          |       |   |   |
| <i>Items that may be reclassified subsequently to profit or loss:</i> |       |   |   |
| Release of exchange reserve upon deconsolidation of subsidiaries      | 37    | <b>(2,007)</b>  | 2,937   |
| Release of exchange reserve upon disposal of a subsidiary             | 36    | <b>(16,186,412)</b>   | –   |
| Exchange differences on translation of foreign operations             |       | <b>4,494,603</b>  | (2,173,698)                                       |
| <b>Total comprehensive income/(expenses) for the period/year</b>      |       | <b>132,039,856</b>  | (171,029,682)                                     |
| <b>Attributable to:</b>   |       |   |   |
| Owners of the Company   |       | <b>132,113,633</b>  | (170,986,257)                                     |
| Non-controlling interests   |       | <b>(73,777)</b>   | (43,425)  |
|   |       | <b>132,039,856</b>  | (171,029,682)                                     |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

|  | Notes | As at<br>31 December<br>2023<br>HK\$ | As at<br>31 March<br>2023<br>HK\$ |
|--|-------|--------------------------------------|-----------------------------------|
| <b>Non-current assets</b>                    |       |                                      |                                   |
| Property, plant and equipment                | 17    | 3,820,705                            | 976,207                           |
| Right-of-use assets                          | 18    | 14,235,984                           | 2,750,928                         |
| Investment in a joint venture                | 19    | 15,927                               | 17,280                            |
|  |       | <b>18,072,616</b>                    | 3,744,415                         |
| <b>Current assets</b>                        |       |                                      |                                   |
| Inventories                                  | 20    | 39,747,819                           | 50,290,472                        |
| Trade receivables                            | 22    | 110,344,093                          | 72,979,248                        |
| Loan and interest receivables                | 23    | –                                    | –                                 |
| Other receivables, deposits and prepayments  | 24    | 13,709,416                           | 24,434,492                        |
| Amounts due from a joint venture             | 25    | 68,455                               | 61,200                            |
| Tax recoverable                              |       | 8,960,179                            | 9,525,322                         |
| Cash and cash equivalents                    | 26    | 199,324,292                          | 159,003,957                       |
|  |       | <b>372,154,254</b>                   | 316,294,691                       |
| <b>Current liabilities</b>                   |       |                                      |                                   |
| Trade and other payables                     | 27    | 79,368,810                           | 126,582,036                       |
| Contract liabilities                         | 28    | 4,286,288                            | 34,950,735                        |
| Amount due to a shareholder                  | 29    | 17,447,343                           | 17,392,891                        |
| Bank borrowings                              | 30    | 17,655,760                           | –                                 |
| Convertible bond                             | 31    | 13,024,059                           | 13,615,541                        |
| Lease liabilities                            | 32    | 3,577,988                            | 2,753,903                         |
|  |       | <b>135,360,248</b>                   | 195,295,106                       |
| <b>Net current assets</b>                    |       | <b>236,794,006</b>                   | 120,999,585                       |
| <b>Total assets less current liabilities</b> |       | <b>254,866,622</b>                   | 124,744,000                       |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

|  | Notes | As at<br>31 December<br>2023<br>HK\$ | As at<br>31 March<br>2023<br>HK\$ |
|--|-------|--------------------------------------|-----------------------------------|
| <b>Non-current liabilities</b>               |       |                                      |                                   |
| Convertible bond                             | 31    | –                                    | 11,342,531                        |
| Lease liabilities                            | 32    | 10,211,781                           | 98,172                            |
| Other payables                               | 27    | 1,500,000                            | –                                 |
|  |       | <b>11,711,781</b>                    | 11,440,703                        |
| <b>NET ASSETS</b>                            |       | <b>243,154,841</b>                   | 113,303,297                       |
| <b>Capital and reserves</b>                  |       |                                      |                                   |
| Share capital                                | 33    | 67,999,142                           | 67,999,142                        |
| Reserves                                     |       | 175,155,699                          | 43,042,066                        |
| Equity attributable to owners of the Company |       | 243,154,841                          | 111,041,208                       |
| Non-controlling interests                    |       | –                                    | 2,262,089                         |
| <b>TOTAL EQUITY</b>                          |       | <b>243,154,841</b>                   | 113,303,297                       |

Approved by:

**Dong Ming**  
Director

**Tang Ming**  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2023

|   | Attributable to owners of the Company |                          |                                  |                                |                     |                        |                    |                              |                    |      |      |      |      |      |      |      |      |
|---|---------------------------------------|--------------------------|----------------------------------|--------------------------------|---------------------|------------------------|--------------------|------------------------------|--------------------|------|------|------|------|------|------|------|------|
|   | Share capital                         | Share premium<br>account | Capital<br>redemption<br>reserve | Convertible<br>bond<br>reserve | Exchange<br>reserve | Accumulated<br>losses  | Total              | Non-controlling<br>interests | Total equity       |      |      |      |      |      |      |      |      |
|   |                                       |                          |                                  |                                |                     |                        |                    |                              |                    | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ |
|   |                                       |                          |                                  |                                |                     |                        |                    |                              |                    |      |      |      |      |      |      |      |      |
| At 1 April 2022   | 64,481,522                            | 988,278,817              | 176,000                          | 554,296,709                    | 12,627,981          | (1,417,601,171)        | 202,259,858        | 916,860                      | 203,176,718        |      |      |      |      |      |      |      |      |
| (Loss)/profit for the year  | -                                     | -                        | -                                | -                              | -                   | (168,870,808)          | (168,870,808)      | 11,887                       | (168,858,921)      |      |      |      |      |      |      |      |      |
| Release of exchange reserve upon<br>deconsolidation of a subsidiary         | -                                     | -                        | -                                | -                              | 2,937               | -                      | 2,937              | -                            | 2,937              |      |      |      |      |      |      |      |      |
| Exchange difference arising on translating<br>foreign operations            | -                                     | -                        | -                                | -                              | (2,118,386)         | -                      | (2,118,386)        | (55,312)                     | (2,173,698)        |      |      |      |      |      |      |      |      |
| Total comprehensive expenses for the year                                   | -                                     | -                        | -                                | -                              | (2,115,449)         | (168,870,808)          | (170,986,257)      | (43,425)                     | (171,029,682)      |      |      |      |      |      |      |      |      |
| Issue of shares on placement  | 3,517,620                             | 96,734,550               | -                                | -                              | -                   | -                      | 100,252,170        | -                            | 100,252,170        |      |      |      |      |      |      |      |      |
| Modification of a convertible bond  | -                                     | -                        | -                                | (498,128,478)                  | -                   | 477,643,915            | (20,484,563)       | -                            | (20,484,563)       |      |      |      |      |      |      |      |      |
| Capital contributions from a non-controlling<br>shareholder of a subsidiary | -                                     | -                        | -                                | -                              | -                   | -                      | -                  | 1,388,654                    | 1,388,654          |      |      |      |      |      |      |      |      |
| At 31 March 2023  | 67,999,142                            | 1,085,013,367            | 176,000                          | 56,168,231                     | 10,512,532          | (1,108,828,064)        | 111,041,208        | 2,262,089                    | 113,303,297        |      |      |      |      |      |      |      |      |
| <b>At 1 April 2023</b>  | <b>67,999,142</b>                     | <b>1,085,013,367</b>     | <b>176,000</b>                   | <b>56,168,231</b>              | <b>10,512,532</b>   | <b>(1,108,828,064)</b> | <b>111,041,208</b> | <b>2,262,089</b>             | <b>113,303,297</b> |      |      |      |      |      |      |      |      |
| Profit/(loss) for the period  | -                                     | -                        | -                                | -                              | -                   | 143,744,973            | 143,744,973        | (11,301)                     | 143,733,672        |      |      |      |      |      |      |      |      |
| Release of exchange reserve upon<br>deconsolidation of subsidiaries         | -                                     | -                        | -                                | -                              | (2,007)             | -                      | (2,007)            | -                            | (2,007)            |      |      |      |      |      |      |      |      |
| Release of exchange reserve upon<br>disposal of a subsidiary                | -                                     | -                        | -                                | -                              | (16,186,412)        | -                      | (16,186,412)       | -                            | (16,186,412)       |      |      |      |      |      |      |      |      |
| Exchange difference arising on<br>translating foreign operations            | -                                     | -                        | -                                | -                              | 4,557,079           | -                      | 4,557,079          | (62,476)                     | 4,494,603          |      |      |      |      |      |      |      |      |
| Total comprehensive (expenses)/income<br>for the period                     | -                                     | -                        | -                                | -                              | (11,631,340)        | 143,744,973            | 132,113,633        | (73,777)                     | 132,039,856        |      |      |      |      |      |      |      |      |
| Deregistration of subsidiaries  | -                                     | -                        | -                                | -                              | -                   | -                      | -                  | (2,188,312)                  | (2,188,312)        |      |      |      |      |      |      |      |      |
| At 31 December 2023   | 67,999,142                            | 1,085,013,367            | 176,000                          | 56,168,231                     | (1,118,808)         | (965,083,091)          | 243,154,841        | -                            | 243,154,841        |      |      |      |      |      |      |      |      |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 31 December 2023

|   | For the nine<br>months ended<br>31 December<br>2023<br>HK\$ | For the<br>year ended<br>31 March<br>2023<br>HK\$ |
|---|---|---|
| <b>Cash flows from operating activities</b>                                       |   |   |
| Profit/(loss) before tax  | 146,405,524   | (165,902,644)                                     |
| Adjustments for:  |   |   |
| Depreciation – property, plant and equipment                                      | 438,193   | 667,152   |
| Depreciation – right-of-use assets  | 3,811,014   | 4,904,448   |
| Gain on termination of leases   | –   | (53,332)  |
| Loss on disposal of property, plant and equipment                                 | 150,815   | 3,723   |
| Share of net loss of a joint venture  | 1,353   | 42,720  |
| (Gain)/loss on deconsolidation of subsidiaries                                    | (2,007)   | 671,162   |
| Gain on disposal of a subsidiary  | (137,542,825)   | –   |
| Allowance for expected credit losses on other receivables                         | –   | 131,781,958                                       |
| Reversal of allowance for expected credit losses on other receivables             | (4,402)   | (303,865)   |
| Reversal of allowance for expected credit losses on loan and interest receivables | (900,000)   | (1,067,200)                                       |
| Finance costs   | 3,466,672   | 5,906,421   |
| Bank interest income  | (246,700)   | (227,944)   |
| Exchange difference   | 2,160,927   | 392,664   |
| Operating cash flows before working capital changes                               | 17,738,564  | (23,184,737)                                      |
| Change in inventories   | 10,821,196  | (44,161,156)                                      |
| Change in trade receivables   | (38,494,720)  | (28,355,111)                                      |
| Change in loan and interest receivables   | 900,000   | 1,067,200   |
| Change in other receivables, deposits and prepayments                             | 10,540,073  | (108,594,070)                                     |
| Change in trade and other payables  | 42,087,982  | 71,740,976  |
| Change in contract liabilities  | 4,284,263   | –   |
| Change in amount due to a shareholder   | 54,452  | –   |
| Cash generated from/(used in) operations  | 47,931,810  | (131,486,898)                                     |
| Income tax paid   | (2,091,681)   | (9,493,233)                                       |
| <b>Net cash flows generated from/(used in) operating activities</b>               | <b>45,840,129</b>   | <b>(140,980,131)</b>                              |



# CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 31 December 2023

|   | Notes | For the nine<br>months ended<br>31 December<br>2023<br>HK\$ | For the<br>year ended<br>31 March<br>2023<br>HK\$ |
|---|-------|---|---|
| <b>Cash flows from investing activities</b>                         |       |   |   |
| Bank interest received  |       | 246,700   | 227,944   |
| Investment in a joint venture                                       |       | –   | (60,000)  |
| Advance to a joint venture  |       | (7,255)   | (61,200)  |
| Net cash outflow from disposal of a subsidiary                      | 36    | (40,853)  | –   |
| Net cash outflow from deconsolidation of a subsidiary               | 37    | –   | (2,766)   |
| Purchases of property, plant and equipment                          |       | (3,694,181)   | (392,563)   |
| <b>Net cash flows used in investing activities</b>                  |       | <b>(3,495,589)</b>  | <b>(288,585)</b>                                  |
| <b>Cash flows from financing activities</b>                         |       |   |   |
| Issue of shares   |       | –   | 100,252,170                                       |
| Interest paid   |       | (400,685)   | (194,353)   |
| New bank borrowing raised   |       | 17,606,304  | –   |
| Capital injection from a non-controlling interest of a subsidiary   |       | –   | 1,388,654   |
| Capital element of lease liabilities paid                           |       | (2,844,435)   | (4,939,426)                                       |
| Change in amount due to a shareholder                               |       | (15,000,000)  | 2,331,656   |
| <b>Net cash flows (used in)/generated from financing activities</b> |       | <b>(638,816)</b>  | <b>98,838,701</b>                                 |
| <b>Net increase/(decrease) in cash and cash equivalents</b>         |       | <b>41,705,724</b>   | <b>(42,430,015)</b>                               |
| Effect of foreign exchange rate changes                             |       | (1,385,389)   | (2,428,024)                                       |
| Cash and cash equivalents at beginning of period/year               |       | 159,003,957   | 203,861,996                                       |
| <b>Cash and cash equivalents at end of period/year</b>              |       | <b>199,324,292</b>  | <b>159,003,957</b>                                |
| <b>Analysis of cash and cash equivalents</b>                        |       |   |   |
| Bank and cash balances  |       | 199,324,292   | 159,003,957                                       |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 1. GENERAL INFORMATION

The Company was incorporated in the Bermuda with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of its principal place of business is 32/F, Cambridge House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong. The Company's shares are listed on the Stock Exchange. Yunnan Baiyao Group Co., Limited ("Yunnan Baiyao"), a company incorporated in China and listed on The Shenzhen Stock Exchange, is the ultimate holding company of the Company.

The principal activity of the Company is investment holding. The Group is principally engaged in trading of goods and commodities.

Referring to the announcements of the Company dated on 20 June 2022 and 21 June 2022, the trading of ordinary shares of the Company on the Stock Exchange has been halted since 21 June 2022.

Referring to the announcements of the Company dated on 26 July 2022 and 15 November 2023, the Company has been notified by the Stock Exchange of the resumption guidance (the "Resumption Guidance") for the Company including (i) publish all outstanding financial results required under the Listing Rules and address any audit modifications, (ii) demonstrate the Company's compliance with Rule 13.24 of the Listing Rules, (iii) conduct an appropriate independent forensic investigation, announce the findings and take appropriate remedial actions, (iv) demonstrate that there is no reasonable regulatory concern about the management integrity and/or the integrity of any persons with substantial influence over the Company's management and operations, which may pose a risk to investors and damage market confidence, (v) conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to meet its obligations under the Listing Rules, (vi) announce all material information for the Company's shareholders and investors to appraise its position and (vii) re-comply with Rules 3.10(1), 3.10A, 3.21, 3.25 and 3.27A of the Listing Rules.

Referring to the announcement of the Company dated on 30 January 2024, as the Resumption Guidance has been fully fulfilled to the Stock Exchange's satisfaction, an application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 31 January 2024.

## 2. BASIS OF PREPARATION

Pursuant to a resolution of the Board dated 13 October 2023, the Company's financial year end date has been changed from 31 March to 31 December commencing from the financial period from 1 April 2023 to 31 December 2023 in order to enable the Group to rationalise and mobilise its resources with higher efficiency for the preparation of results announcement as well as reports. Accordingly, the consolidated financial statement for the current period covers the nine months ended 31 December 2023. The comparative figures presented for the consolidated statement of profit or loss and other comprehensive income, consolidated statement of change in equity, consolidated statement of cash flows and related notes cover the figures of the financial year from 1 April 2022 to 31 March 2023 which may not be comparable with the amounts shown for the current period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) that are relevant to its operations and effective for its accounting year beginning on 1 April 2023. 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 period and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

## 4. MATERIAL ACCOUNTING POLICIES

### Statement of compliance

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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention. The consolidated financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest dollar except when otherwise indicated.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of key assumptions and estimates. It also requires the management of the Group to exercise their judgments in the process of applying the accounting policies. The areas involving critical judgments and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 5 to the consolidated financial statements.

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

### 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 deconsolidated from the date the control ceases.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Consolidation (Continued)

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 exchange 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 consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling interests 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 interests 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.

### 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.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Joint arrangements (Continued)

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.

### Foreign currency translation

#### (a) Functional and presentation currency

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Foreign currency translation (Continued)

#### (b) 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.

#### (c) Translation on consolidation

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

- (i) 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;
- (ii) 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
- (iii) All resulting exchange differences are recognised in the exchange reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the exchange 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 nine months ended 31 December 2023

## 4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 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 rate is as follows:

|                        |            |
|------------------------|------------|
| Furniture and fixtures | 25.0–33.3% |
| Computer equipment     | 33.3%      |
| Leasehold improvement  | 20.0%      |
| Motor vehicles         | 16.7%      |

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.

### 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 rates are as follows:

|                    |            |
|--------------------|------------|
| Land and buildings | 25.0–50.0% |
|--------------------|------------|

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 US\$5,000.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to its present location and condition, is calculated using the first-in, first-out method. Net realisable value is based on estimated selling prices less further costs expected to be incurred to completion and disposal.

### 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.

### 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 investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified as financial assets at amortised cost.

### Financial assets at amortised cost

Financial assets (including trade receivables, loan and interest receivables and other receivables) 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 amount outstanding.

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 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.

### Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand with banks.

### Financial liabilities and equity instruments

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

### Trade and other payables

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

### Convertible bonds

Convertible loans which entitle the holder to convert the loans into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consist of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The fair value of any derivative features embedded in the compound instruments is included in the liability component. The difference between the proceeds of issue of the convertible loans and the fair values assigned to the liability component, representing the embedded option for the holder to convert the loans into equity of the Group, is included in equity as capital reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative components are measured at fair value with gains and losses recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Convertible bonds (Continued)

If the identifiable consideration received by the Group appears to be less than the fair value of the convertible loans issued, the Group measures the unidentifiable services received (to be received) as the difference between the fair value of the convertible loans issued and that of the identifiable consideration received, and the difference is recognised in profit or loss.

Transaction costs are apportioned between the liability and equity components of the convertible loans based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

### Equity instruments

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

### 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.

### Other revenue

Interest income is recognised on a time-proportion basis using the effective interest method.

### Employee benefits

#### (a) 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Employee benefits (Continued)

#### (b) Pension obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme ("MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on 5% of the employees' relevant income, subject to a ceiling of monthly relevant income of HK\$30,000 and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group also participates in a defined contribution retirement scheme organised by the government in the People's Republic of China (the "PRC"). The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

#### (c) 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.

### Borrowing

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.

### 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 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.

### Share-based payment transactions

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 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.

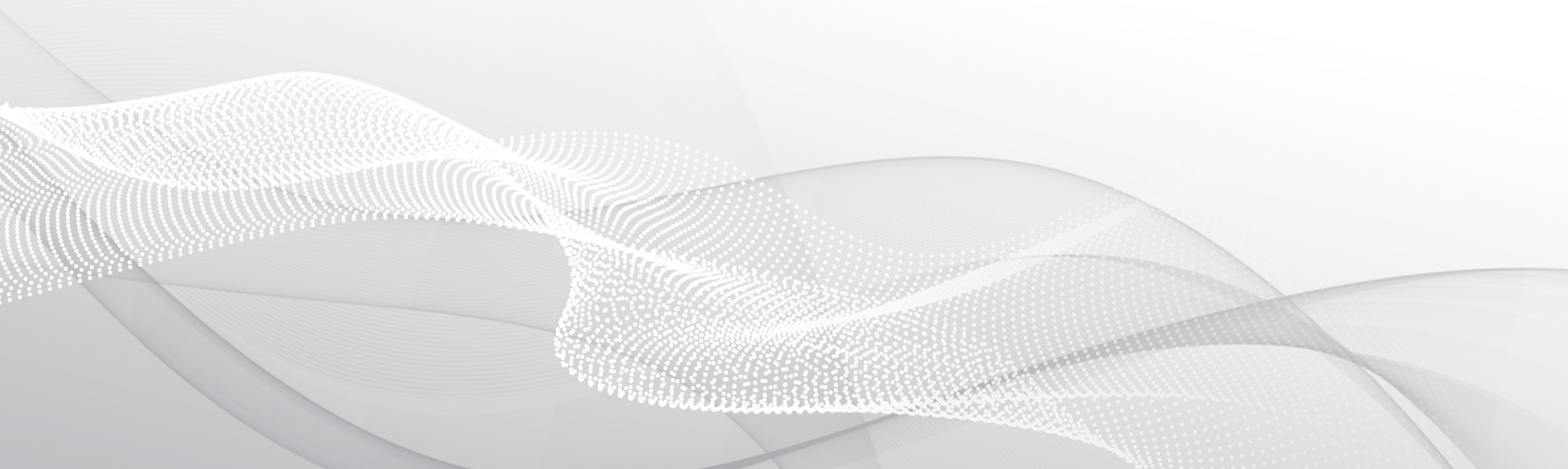
Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 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.

(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.

### 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 to, 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 production 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets except 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 cash generating unit 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.

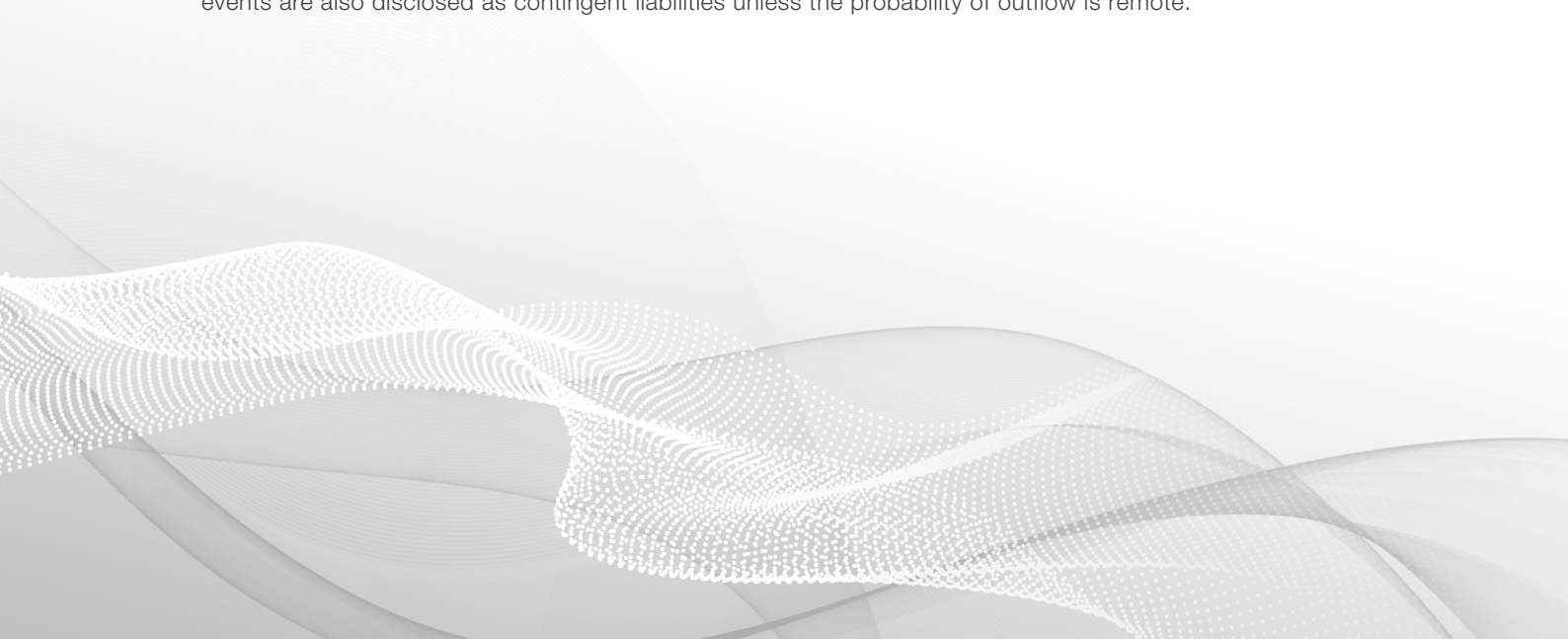
If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried 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 cash-generating unit 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 cash-generating unit 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.

### 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 5. KEY ESTIMATES

### Key sources of estimation uncertainty

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

#### (a) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

#### (b) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade, loan and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

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

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal and the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

#### (d) Net realisable value of inventories

Net realisable value of inventories 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 manufacturing and selling products 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.

#### (e) 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 6. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include trade receivables, loan and interest receivables, other receivables and deposits, amount due from a joint venture, cash and cash equivalents, trade and other payables, convertible bond, bank borrowings, lease liabilities and amount due to a shareholder. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments including market risk (currency risk and interest rate risk), credit risk and liquidity risk. According to the Group's risk management policies and guidelines, the financial risk shall be assessed continuously by the management taken into account of the prevailing conditions of the financial market and other relevant variables to avoid excessive concentrations of risk. The Group has not used any derivatives or other instruments for hedging purpose. The most significant financial risks to which the Group is exposed to are described below.

### (a) Credit risk

The carrying amounts of bank balances, trade receivables, loan and interest receivables, other receivables and deposits and amount due from a joint venture 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.

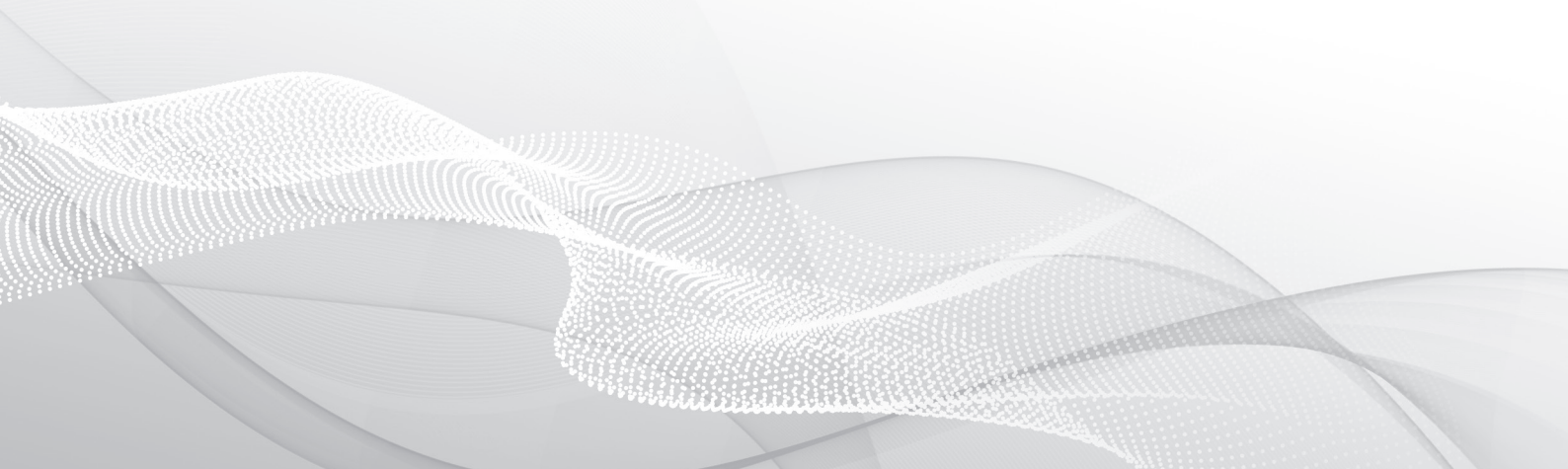
It has policies in place to ensure that sales are made to customers with an appropriate credit history. Amounts due from a joint venture is closely monitored by the directors.

The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit-ratings agencies.

A quantitative disclosures in respect of the Group's exposure to credit risk arising trade receivables are set out in notes 22 to the consolidated financial statements.

The Group is subject to the credit risk from the recoverability of loan and interest receivables and other receivables and deposits. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual receivable at each reporting period to ensure that adequate impairment losses are recognised for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk in relation to loan and other receivables is significantly reduced.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statements of financial position. The Group does not provide any guarantees which would expose the Group to credit risk.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 6. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

The Group considers whether there has been a significant increase in credit risk of financial assets 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;
- 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; 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.

Financial assets 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 loan or receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

### Loan and interest receivables

In order to minimise the credit risk arising from money lending business, the management of the Group has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The team monitors customers' repayment ability, requests the customers to provide collaterals and reviews the fair value of the collaterals. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 6. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### Loan and interest receivables (Continued)

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Therefore, significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. 4% (31 March 2023: 4%) of the total loan and interest receivables as at 31 December 2023 was due from the largest borrower from the money lending segment and 21% (31 March 2023: 21%) of the total loan and interest receivables as at 31 December 2023 was due from the five largest borrowers from the money lending segment.

|                            | 12m ECL<br>HK\$ | Lifetime ECL<br>(not credit<br>impaired)<br>HK\$ | Lifetime<br>ECL (credit-<br>impaired)<br>HK\$ | Total<br>HK\$ |
|----------------------------|-----------------|--|---|---------------|
| <b>At 31 December 2023</b> |                 |  |   |               |
| ECL rate                   | 0.00%           | 0.00%  | 100%  | 100%          |
| Gross carrying amount      | –               | –  | 476,875,767                                   | 476,875,767   |
| Lifetime ECL               | –               | –  | (476,875,767)                                 | (476,875,767) |
|                            | –               | –  | –   | –             |
| <b>At 31 March 2023</b>    |                 |  |   |               |
| ECL rate                   | 0.00%           | 0.00%  | 100.00%                                       | 100.00%       |
| Gross carrying amount      | –               | –  | 477,775,767                                   | 477,775,767   |
| Lifetime ECL               | –               | –  | (477,775,767)                                 | (477,775,767) |
|                            | –               | –  | –   | –             |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 6. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### Loan and interest receivables (Continued)

Movement of allowance for ECL is as follows:

|  | 12m ECL | Lifetime<br>ECL (not<br>credit<br>impaired) | Lifetime<br>ECL<br>(credit-<br>impaired) | Total              |
|--|---------|---|--|--------------------|
|  | HK\$    | HK\$  | HK\$                                     | HK\$               |
| <b>At 1 April 2022</b>                   | –       | –   | 478,842,967                              | 478,842,967        |
| Reversal of allowance for ECL            | –       | –   | (1,067,200)                              | (1,067,200)        |
| <b>At 31 March 2023 and 1 April 2023</b> | –       | –   | <b>477,775,767</b>                       | <b>477,775,767</b> |
| Reversal of allowance for ECL            | –       | –   | <b>(900,000)</b>                         | <b>(900,000)</b>   |
| <b>At 31 December 2023</b>               | –       | –   | <b>476,875,767</b>                       | <b>476,875,767</b> |

#### Trade receivables

The Group has concentration of credit risk as 24% (31 March 2023: 41%) and 55% (31 March 2023: 75%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively at 31 December 2023.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 6. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### Trade receivables (Continued)

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

|                              | Within<br>90 days | 91-180<br>days | 181-365<br>days | Over<br>365 days | Total              |
|------------------------------|-------------------|----------------|-----------------|------------------|--------------------|
| <b>At 31 December 2023</b>   |                   |                |                 |                  |                    |
| ECL rate                     | 0%                | 0%             | 0%              | 0%               |                    |
| Gross carrying amount (HK\$) | 101,650,176       | 8,693,917      | -               | -                | 110,344,093        |
| Lifetime ECL (HK\$)          | -                 | -              | -               | -                | -                  |
|                              |                   |                |                 |                  | <b>110,344,093</b> |

|                              | Within<br>90 days | 91-180<br>days | 181-365<br>days | Over<br>365 days | Total             |
|------------------------------|-------------------|----------------|-----------------|------------------|-------------------|
| <b>At 31 March 2023</b>      |                   |                |                 |                  |                   |
| ECL rate                     | 0%                | 0%             | 0%              | 100%             |                   |
| Gross carrying amount (HK\$) | 72,979,248        | -              | -               | 12,528,824       | 85,508,072        |
| Lifetime ECL (HK\$)          | -                 | -              | -               | (12,528,824)     | (12,528,824)      |
|                              |                   |                |                 |                  | <b>72,979,248</b> |

Movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach ECL, is as follows:

|  | HK\$                |
|--|---------------------|
| <b>At 1 April 2022</b>                   | 13,513,538          |
| Exchange realignment                     | (984,714)           |
| <b>At 31 March 2023 and 1 April 2023</b> | <b>12,528,824</b>   |
| Disposal of a subsidiary (Note 36)       | <b>(12,069,197)</b> |
| Exchange realignment                     | <b>(459,627)</b>    |
| <b>At 31 December 2023</b>               | <b>-</b>            |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 6. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### Other receivable

For other receivables relating to accounts that are long overdue with significant amounts, known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance. The Group recognised the provision for ECL by assessing the credit risk characteristics of debtor, discount rate and the likelihood of recovery and considering the prevailing economic conditions. The Group recognised reversal of impairment loss of HK\$4,402 (31 March 2023: impairment loss of HK\$131,781,958 and reversal of impairment loss of HK\$303,865) in respect of other receivables for the period ended 31 December 2023. The expected credit loss rate for other receivables is nil (31 March 2023: 3.10%). The management of the Group believes that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL.

The movement of loss allowance for ECL on other receivables is as follows:

|  | 12m ECL<br>HK\$ | Lifetime<br>ECL (not<br>credit<br>impaired)<br>HK\$ | Lifetime<br>ECL<br>(credit-<br>impaired)<br>HK\$ | Total<br>HK\$        |
|--|-----------------|---|--|----------------------|
| <b>At 1 April 2022</b>                       | –               | –   | 563,777,772                                      | 563,777,772          |
| Allowance for ECL                            | –               | –   | 131,781,958                                      | 131,781,958          |
| Reversal of allowances for ECL               | –               | –   | (303,865)  | (303,865)            |
| Exchange realignment                         | –               | –   | (19,754,545)                                     | (19,754,545)         |
| <b>At 31 March 2023 and<br/>1 April 2023</b> | –               | –   | <b>675,501,320</b>                               | <b>675,501,320</b>   |
| Reversal of allowances for ECL               | –               | –   | <b>(4,402)</b>                                   | <b>(4,402)</b>       |
| Disposal of a subsidiary<br>(Note 36)        | –               | –   | <b>(363,872,819)</b>                             | <b>(363,872,819)</b> |
| Exchange realignment                         | –               | –   | <b>(12,799,366)</b>                              | <b>(12,799,366)</b>  |
| <b>At 31 December 2023</b>                   | –               | –   | <b>298,824,733</b>                               | <b>298,824,733</b>   |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 6. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (b) Liquidity risk

In the management of liquidity risk, the Directors monitor and maintain a level of bank balances deemed adequate to finance the Group's operations, investment opportunities and expected expansion. The Group finances its working capital requirements mainly by the funds generated from operations and from funds raising activities such as obtaining of new borrowings and issuance of new shares.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of reporting period) and the earliest date the Group can be required to pay:

#### At 31 December 2023

|                              | On demand or<br>less than<br>1 year<br>HK\$ | 1 -5 years<br>HK\$ | Total<br>contractual<br>undiscounted<br>cash flow<br>HK\$ | Carrying<br>amounts<br>HK\$ |
|------------------------------|---|--------------------|---|-----------------------------|
| Trade and other payables     | 79,368,810                                  | 1,500,000          | 80,868,810  | 80,868,810                  |
| Amounts due to a shareholder | 17,447,343                                  | –                  | 17,447,343  | 17,447,343                  |
| Bank borrowings              | 18,059,948                                  | –                  | 18,059,948  | 17,655,760                  |
| Convertible bond             | 15,000,000                                  | –                  | 15,000,000  | 13,024,059                  |
| Lease liabilities            | 4,027,429                                   | 10,732,661         | 14,760,090  | 13,789,769                  |
|                              | <b>133,903,530</b>                          | <b>12,232,661</b>  | <b>146,136,191</b>  | <b>142,785,741</b>          |

#### At 31 March 2023

|                              | On demand or<br>less than 1 year<br>HK\$ | 1 -5 years<br>HK\$ | Total<br>contractual<br>undiscounted<br>cash flow<br>HK\$ | Carrying<br>amounts<br>HK\$ |
|------------------------------|--|--------------------|---|-----------------------------|
| Trade and other payables     | 126,582,036                              | –                  | 126,582,036   | 126,582,036                 |
| Amounts due to a shareholder | 17,392,891                               | –                  | 17,392,891  | 17,392,891                  |
| Convertible bond             | 15,000,000                               | 15,000,000         | 30,000,000  | 24,958,072                  |
| Lease liabilities            | 2,809,254                                | 101,500            | 2,910,754   | 2,852,075                   |
|                              | <b>161,784,181</b>                       | <b>15,101,500</b>  | <b>176,885,681</b>  | <b>171,785,074</b>          |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 6. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Interest rate risk

The Group's interest-bearing bank deposits, convertible bond and bank borrowings bear interest at fixed interest rate and therefore are subject to fair value interest rate risks. The interest rate and repayment terms of the convertible bond and bank borrowings outstanding at the period end are disclosed in note 31 and note 30 to the consolidated financial statements respectively.

The Group is exposed to cash flow interest rate risk mainly in relation to variable-rate bank balances. Sensitivity of the Group's profit for the period to a reasonable change in the interest rate is assessed to be immaterial.

### (d) Currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

### (e) Categories of financial instruments

|   | As at<br>31 December<br>2023<br>HK\$ | As at<br>31 March<br>2023<br>HK\$ |
|---|--------------------------------------|-----------------------------------|
| <b>Financial assets:</b>  |                                      |                                   |
| Financial assets at amortised cost<br>(including cash and cash equivalents) |                                      |                                   |
| – Trade receivables   | 110,344,093                          | 72,979,248                        |
| – Loan and interest receivable  | –                                    | –                                 |
| – Financial assets included in other receivables and deposits               | 11,599,943                           | 18,328,902                        |
| – Amount due from a joint venture   | 68,455                               | 61,200                            |
| – Cash and cash equivalents   | 199,324,292                          | 159,003,957                       |
|   | <b>321,336,783</b>                   | 250,373,307                       |
| <b>Financial liabilities:</b>   |                                      |                                   |
| Financial liabilities measured at amortised cost                            |                                      |                                   |
| – Financial liabilities included in trade and other payables                | 80,868,810                           | 126,582,036                       |
| – Amount due to a shareholder   | 17,447,343                           | 17,392,891                        |
| – Bank borrowings   | 17,655,760                           | –                                 |
| – Convertible bond  | 13,024,059                           | 24,958,072                        |
| – Lease liabilities   | 13,789,769                           | 2,852,075                         |
|   | <b>142,785,741</b>                   | 171,785,074                       |

### (f) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2023 and 31 March 2023.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 7. 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 Company 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.

## 8. REVENUE

|                                  | <b>For the nine<br/>months ended<br/>31 December<br/>2023<br/>HK\$</b> | For the<br>year ended<br>31 March<br>2023<br>HK\$ |
|----------------------------------|--|---|
| Trading of goods and commodities | 569,541,466  | 452,908,674                                       |
| Other services                   | 9,200,000  | –   |
| <b>Total</b>                     | <b>578,741,466</b>   | 452,908,674                                       |

### Disaggregation of revenue from contracts with customers:

| <b>Segments</b>                      | <b>For the nine<br/>months ended<br/>31 December<br/>2023<br/>HK\$</b> | For the<br>year ended<br>31 March<br>2023<br>HK\$ |
|--------------------------------------|--|---|
| <b>Geographical markets</b>          |  |   |
| Hong Kong                            | 280,812,286  | 258,701,742                                       |
| The People's Republic of China       | 268,319,370  | 193,358,269                                       |
| Others                               | 29,609,810   | 848,663   |
| <b>Total</b>                         | <b>578,741,466</b>   | 452,908,674                                       |
| <b>Timing of revenue recognition</b> |  |   |
| At a point in time                   | 569,541,466  | 452,908,674                                       |
| Over time                            | 9,200,000  | –   |
| <b>Total</b>                         | <b>578,741,466</b>   | 452,908,674                                       |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 8. REVENUE (CONTINUED)

### General trading

The Group sells goods and other commodities to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, 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.

### Other services

Other services represent the provision of marketing services, product registration services and sourcing of OEM/ODM services.

## 9. OTHER INCOME, GAINS AND LOSSES

|  | For the nine<br>months ended<br>31 December<br>2023<br>HK\$ | For the<br>year ended<br>31 March<br>2023<br>HK\$ |
|--|---|---|
| Bank interest income                                     | 246,700   | 227,944   |
| Loss on disposal of property, plant and equipment        | (150,815)   | (3,723)   |
| Government subsidy                                       | 660,236   | 549,600   |
| Gain on disposal of a subsidiary (Note 36)               | 137,542,825   | –   |
| Gain/(loss) on deconsolidation of subsidiaries (Note 37) | 2,007   | (671,162)   |
| Gain on termination of leases                            | –   | 53,332  |
| Exchange loss  | (2,160,927)   | (392,664)   |
| Other (loss)/income                                      | (165,459)   | 633,343   |
|  | <b>135,974,567</b>  | 396,670   |

## 10. FINANCE COSTS

|  | For the nine<br>months ended<br>31 December<br>2023<br>HK\$ | For the<br>year ended<br>31 March<br>2023<br>HK\$ |
|--|---|---|
| Effective interest expense on convertible bond (Note 31) | 3,065,987   | 5,712,068   |
| Interest expenses on bank borrowings                     | 205,535   | –   |
| Interest expenses on lease liabilities                   | 195,150   | 194,353   |
| <b>Finance costs expended</b>                            | <b>3,466,672</b>  | 5,906,421   |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 11. INCOME TAX EXPENSE

|                                       | <b>For the nine<br/>months ended<br/>31 December<br/>2023<br/>HK\$</b> | For the<br>year ended<br>31 March<br>2023<br>HK\$ |
|---------------------------------------|--|---|
| Current tax                           |  |   |
| – Enterprise Income Tax in the PRC    | <b>2,695,557</b>   | 2,755,981   |
| (Over)/under provision in prior years | <b>(23,705)</b>  | 200,296   |
|                                       | <b>2,671,852</b>   | 2,956,277   |

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries of the Company in the PRC is 25% during the period ended 31 December 2023 (31 March 2023: 25%).

The reconciliation between the income tax expense and profit/(loss) before tax multiplied by the tax rate applicable to losses in the countries concerned is as follows:

|  | <b>For the nine<br/>months ended<br/>31 December<br/>2023<br/>HK\$</b> | For the<br>year ended<br>31 March<br>2023<br>HK\$ |
|--|--|---|
| <b>Profit/(loss) before tax</b>  | <b>146,405,524</b>   | (165,902,644)                                     |
| Notional tax credit on profit/(loss) before income tax, calculated at the rates applicable to profits in the countries concerned | <b>27,125,579</b>  | (37,962,549)                                      |
| Tax effect on share of loss of a joint venture   | <b>223</b>   | 7,049   |
| Tax effect on non-deductible expenses  | <b>1,198,736</b>   | 35,108,360  |
| Tax effect on non-taxable income   | <b>(25,008,931)</b>  | (10,095)  |
| (Over)/under provision in prior years  | <b>(23,705)</b>  | 200,296   |
| Tax effect of utilisation of tax losses not previously recognised  | <b>(817,466)</b>   | (1,113,799)                                       |
| Tax effect on tax losses not recognised  | <b>577,898</b>   | 6,737,280   |
| Tax effect of temporary differences not recognised   | <b>(34,259)</b>  | (10,265)  |
| Statutory tax concession*  | <b>(346,223)</b>   | –   |
| <b>Income tax expense</b>  | <b>2,671,852</b>   | 2,956,277   |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 11. INCOME TAX EXPENSE (CONTINUED)

\* Certain subsidiaries in the PRC were qualified as "Small Low-profit Enterprise". From 1 January 2019 to 31 December 2021, the first RMB1 million taxable income and the portion of more than RMB1 million but less than RMB3 million taxable income of these qualifying subsidiaries would be reduced to 25% and 50% of the actual taxable income, respectively and such reduced taxable income and the taxable income which more than RMB3 million of these qualifying subsidiaries would be subject to the preferential income tax rate of 20%. From 1 January 2022 to 31 December 2024, the qualifying deduction of actual taxable income for first 2 tier taxable income of these qualifying subsidiaries would be reduced to 12.5% and 25% of the actual taxable income, respectively and such reduced taxable income and the taxable income which more than RMB3 million of these qualifying subsidiaries would continue to be subject to the preferential income tax rate of 20%.

At the end of the reporting period the Group has unused tax losses of HK\$846,789,629 (31 March 2023: HK\$848,241,556) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. All losses may be carried forward indefinitely.

## 12. PROFIT/(LOSS) FOR THE PERIOD/YEAR

The Group's profit/(loss) for the period/year is stated after charging/(crediting) the following:

|   | For the nine<br>months ended<br>31 December<br>2023<br>HK\$ | For the<br>year ended<br>31 March<br>2023<br>HK\$ |
|---|---|---|
| Depreciation  |   |   |
| – right-of-use assets (Note 18)                                   | 3,811,014   | 4,904,448   |
| – property, plant and equipment (Note 17)                         | 438,193   | 667,152   |
|   | <b>4,249,207</b>  | 5,571,600   |
| Auditor's remuneration  | 2,100,000   | 1,500,000   |
| Cost of inventories sold  | 529,136,617   | 429,997,831                                       |
| Net (reversal of allowance)/allowance for expected credit losses: |   |   |
| – allowance for ECL on other receivables                          | –   | 131,781,958                                       |
| – reversal of allowance for ECL on other receivables              | (4,402)   | (303,865)   |
| – reversal of allowance for ECL on loan and interest receivables  | (900,000)   | (1,067,200)                                       |
|   | <b>(904,402)</b>  | 130,410,893                                       |
| Expenses relating to short-term lease                             | 389,605   | 200,400   |
| Staff costs (including directors' remuneration):                  |   |   |
| – salaries, bonuses and allowances                                | 14,432,342  | 16,967,681  |
| – retirement benefits scheme contributions                        | 273,393   | 531,448   |
|   | <b>14,705,735</b>   | 17,499,129  |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 13. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

### (a) Directors' and chief executives' emoluments

| For the nine months ended 31 December 2023 |              |                           |  |   |               |
|--|--------------|---------------------------|--|---|---------------|
|  | Fees<br>HK\$ | Basic<br>salaries<br>HK\$ | Contributions<br>to defined<br>contribution<br>retirement<br>plans<br>HK\$ | Discretionary<br>bonus<br>(note(7))<br>HK\$ | Total<br>HK\$ |
| <b>Executive directors</b>                 |              |                           |  |   |               |
| Yin Pingyao (note (1) & (6))               | -            | -                         | -  | -   | -             |
| Dong Ming (note (1))                       | -            | -                         | -  | -   | -             |
| Liu Zhouyang                               | -            | 782,000                   | 13,500   | 610,000                                     | 1,405,500     |
| Tang Ming (note (2))                       | -            | 1,666,660                 | 13,500   | 1,650,000                                   | 3,330,160     |
| <b>Non-executive directors</b>             |              |                           |  |   |               |
| Qian Yinghui (note (1))                    | -            | -                         | -  | -   | -             |
| Huang Bin (note (2))                       | 180,000      | -                         | -  | -   | 180,000       |
| <b>Independent non-executive directors</b> |              |                           |  |   |               |
| Leung Ka Kui (note (4))                    | 155,467      | -                         | -  | -   | 155,467       |
| Wong Chui San, Susan (note (4))            | 155,467      | -                         | -  | -   | 155,467       |
| Jiang Zhi (note (4))                       | 155,467      | -                         | -  | -   | 155,467       |
| Cecilia Wai Bing Pang (note (5))           | 40,000       | -                         | -  | -   | 40,000        |
| Cheung Hoi Yu (note (5))                   | 40,000       | -                         | -  | -   | 40,000        |
| Wong Hin Wing (note (5))                   | 40,000       | -                         | -  | -   | 40,000        |
|  | 766,401      | 2,448,660                 | 27,000   | 2,260,000                                   | 5,502,061     |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 13. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS (CONTINUED)

### (a) Directors' and chief executives' emoluments (Continued)

|  | For the year ended 31 March 2023 |                        |  |  |               |
|--|----------------------------------|------------------------|--|--|---------------|
|  | Fees<br>HK\$                     | Basic salaries<br>HK\$ | Contributions<br>to defined<br>contribution<br>retirement<br>plans<br>HK\$ | Discretionary<br>bonus<br>(note (7))<br>HK\$ | Total<br>HK\$ |
| <b>Executive directors</b>                 |                                  |                        |  |  |               |
| Chow Wang (note (3))                       | -                                | 488,968                | 7,500  | -  | 496,468       |
| Wang Zhaoqing (note (3))                   | -                                | 268,932                | 7,500  | -  | 276,432       |
| Yin Pingyao (note (1) & (6))               | -                                | -                      | -  | -  | -             |
| Dong Ming (note (1))                       | -                                | -                      | -  | -  | -             |
| Liu Zhouyang                               | -                                | 960,000                | 18,000   | 200,000                                      | 1,178,000     |
| Tang Ming (note (2))                       | -                                | 999,996                | 9,000  | 468,000                                      | 1,476,996     |
| <b>Non-executive directors</b>             |                                  |                        |  |  |               |
| Qian Yinghui (note (1))                    | -                                | -                      | -  | -  | -             |
| Huang Bin (note (2))                       | 148,387                          | -                      | -  | -  | 148,387       |
| <b>Independent non-executive directors</b> |                                  |                        |  |  |               |
| Leung Ka Kui (note (4))                    | 254,400                          | -                      | -  | -  | 254,400       |
| Wong Chui San, Susan (note (4))            | 254,400                          | -                      | -  | -  | 254,400       |
| Jiang Zhi (note (4))                       | 254,400                          | -                      | -  | -  | 254,400       |
|  | 911,587                          | 2,717,896              | 42,000   | 668,000                                      | 4,339,483     |

Notes:

- (1) Agreed not to receive any remuneration during the period/year
- (2) Appointed on 19 August 2022
- (3) Removed on 16 August 2022
- (4) Resigned on 10 November 2023
- (5) Appointed on 21 November 2023
- (6) Resigned on 8 August 2023
- (7) The amounts represent performance-based bonuses paid to the directors to reward their contributions to the Group, based on the performance of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 13. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS (CONTINUED)

### (a) Directors' and chief executives' emoluments (Continued)

During the period, Mr. Dong Ming and Mr. Yin Pingyao, executive directors of the Company, Mr. Qian Yinghui, non-executive director of the Company have not received any emoluments. There was no arrangement under which a director and chief executive waived or agreed to waive any remuneration during the period.

During the period ended 31 December 2023 and the year ended 31 March 2023, no emolument was paid by the Group to the directors and chief executives as an inducement to join or upon joining the Group, or as compensation for loss of office. During the period ended 31 December 2023, a total of HK\$162,000 housing allowance, other allowances and benefits in kind were paid by the Group to the directors and chief executives in respect of their services as directors and chief executives (31 March 2023: HK\$210,000).

### (b) Five highest paid individuals

The five highest paid individuals of the Group included two (31 March 2023: two) directors whose emoluments are included in the disclosures in note 13(a) to the consolidated financial statements above.

The emoluments of the three (31 March 2023: three) individuals other than director of the Company was as follows:

|                                 | <b>For the nine<br/>months ended<br/>31 December<br/>2023<br/>HK\$</b> | For the<br>year ended<br>31 March<br>2023<br>HK\$ |
|---------------------------------|--|---|
| Salaries and allowances         | 3,085,000  | 2,567,952   |
| Retirement scheme contributions | 40,500   | 40,500  |
|                                 | <b>3,125,500</b>   | 2,608,452   |

The emoluments of the three (31 March 2023: three) individuals with the highest emoluments are within the following band:

|                               | <b>For the nine<br/>months ended<br/>31 December<br/>2023<br/>Number of<br/>individuals</b> | For the<br>year ended<br>31 March<br>2023<br>Number of<br>individuals |
|-------------------------------|---|---|
| Nil – HK\$1,000,000           | 2   | 2   |
| HK\$1,000,001 – HK\$1,500,000 | 1   | 1   |

None of the directors and these highest paid employees waived any emoluments or received any inducement to join or compensation for loss of office during the period ended 31 December 2023 and year ended 31 March 2023.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 14. EARNINGS/(LOSS) PER SHARE

### Basic earnings/(loss) per share

Basic earnings per share is calculated based on the profit for the period attributable to the owners of the Company of approximately HK\$143,744,973 (31 March 2023: loss for the year attributable to the owners of the Company of approximately HK\$168,870,808) and on the weighted average number of 6,799,914,160 ordinary shares (31 March 2023: 6,736,307,881 ordinary shares).

### Diluted earnings/(loss) per share

The calculation of diluted earnings per share for the period ended 31 December 2023 based on the profit for the year attributable to the owners of the Company of approximately HK\$146,305,072 and on the weighted average number of approximately 8,737,898,656 ordinary shares.

The calculation of the basic and diluted earnings/(loss) per share is based on the following:

|   | <b>For the nine<br/>months ended<br/>31 December<br/>2023<br/>HK\$</b> | For the<br>year ended<br>31 March<br>2023<br>HK\$ |
|---|--|---|
| <b>Earnings/(loss)</b>  |  |   |
| Earnings/(loss) for the purpose of calculating basic earnings/(loss) per share                              | <b>143,744,973</b>   | (168,870,808)                                     |
| Finance costs saving after tax on conversion of convertible bond outstanding                                | <b>2,560,099</b>   | N/A*  |
| <b>Earnings/(loss) for the purpose of calculating diluted earnings/(loss) per share</b>                     | <b>146,305,072</b>   | (168,870,808)                                     |
|   |  |   |
|   | <b>For the nine<br/>months ended<br/>31 December<br/>2023<br/>HK\$</b> | For the<br>year ended<br>31 March<br>2023<br>HK\$ |
| <b>Number of shares</b>   |  |   |
| Issued ordinary shares at the beginning of the period/year  | <b>6,799,914,160</b>   | 6,448,152,160                                     |
| Effect of new shares issued   | –  | 288,155,721                                       |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings per share          | <b>6,799,914,160</b>   | 6,736,307,881                                     |
| Effect of dilutive potential ordinary shares arising from convertible loans outstanding                     | <b>1,937,984,496</b>   | N/A*  |
| <b>Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share</b> | <b>8,737,898,656</b>   | 6,736,307,881                                     |

\* As the exercise of the Group's outstanding convertible bond for the year ended 31 March 2023 would be anti-dilutive, the calculation of diluted loss per share for the year ended 31 March 2023 does not assume the exercise of the Group's convertible bond.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 15. SEGMENT REPORTING

Information reported to the executive directors and senior management, being the chief operating decision maker, the purposes of resource allocation and assessment of segment performance focus on types of goods or services delivered or provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reporting segments of the Group. Specifically, the Group's reportable operating segments under HKFRS 8 are (i) trading of goods and commodities; and (ii) other segment engages in the provision of marketing services, product registration services and sourcing of OEM/ODM services.

### (a) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

|  | <b>Trading of<br/>goods and<br/>commodities</b><br>HK\$               | <b>Others</b><br>HK\$                                       | <b>Total</b><br>HK\$ |
|--|---|---|----------------------|
| <b>Period ended 31 December 2023</b>     |   |   |                      |
| Revenue                                  |   |   |                      |
| External sales                           | <b>569,541,466</b>  | <b>9,200,000</b>  | <b>578,741,466</b>   |
| Segment result                           | <b>40,992,678</b>   | <b>1,302,184</b>  | <b>42,294,862</b>    |
| <b>Year ended 31 March 2023</b>          |   |   |                      |
| Revenue                                  |   |   |                      |
| External sales                           | 452,908,674   | –   | 452,908,674          |
| Segment result                           | (122,494,022)   | –   | (122,494,022)        |
|  | <b>For the nine<br/>months ended<br/>31 December<br/>2023</b><br>HK\$ | <b>For the<br/>year ended<br/>31 March<br/>2023</b><br>HK\$ |                      |
| Segment result                           | <b>42,294,862</b>   | (122,494,022)   |                      |
| Unallocated income, gains and losses     | <b>136,031,128</b>  | 2,385,062   |                      |
| Unallocated expenses                     | <b>(28,452,441)</b>   | (39,844,543)  |                      |
| Profit/(loss) from operations            | <b>149,873,549</b>  | (159,953,503)   |                      |
| Finance costs                            | <b>(3,466,672)</b>  | (5,906,421)   |                      |
| Share of loss of a joint venture         | <b>(1,353)</b>  | (42,720)  |                      |
| Profit/(loss) before tax                 | <b>146,405,524</b>  | (165,902,644)   |                      |
| Income tax expense                       | <b>(2,671,852)</b>  | (2,956,277)   |                      |
| <b>Profit/(loss) for the period/year</b> | <b>143,733,672</b>  | (168,858,921)   |                      |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 15. SEGMENT REPORTING (CONTINUED)

### (a) Segment revenue and results (Continued)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment result represents the profit earned/(loss incurred) from each segment without allocation of certain items, mainly comprising interest revenue, depreciation, central administration costs, directors' and chief executives' salaries, finance costs, share of loss of a joint venture and gain on disposal of a subsidiary. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

### (b) Segment assets and liabilities

|                               | Trading of<br>goods and<br>commodities<br>HK\$ | Total<br>HK\$        |
|-------------------------------|--|----------------------|
| <b>As at 31 December 2023</b> |  |                      |
| Segment assets                | 326,618,282                                    | 326,618,282          |
| Unallocated assets            |  | 63,608,588           |
|                               |  | <b>390,226,870</b>   |
| Segment liabilities           | (82,365,991)                                   | (82,365,991)         |
| Unallocated liabilities       |  | (64,706,038)         |
|                               |  | <b>(147,072,029)</b> |
| <b>As at 31 March 2023</b>    |  |                      |
| Segment assets                | 283,896,559                                    | 283,896,559          |
| Unallocated assets            |  | 36,142,547           |
|                               |  | 320,039,106          |
| Segment liabilities           | (147,600,075)                                  | (147,600,075)        |
| Unallocated liabilities       |  | (59,135,734)         |
|                               |  | (206,735,809)        |

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable and operating segments other than certain property, plant and equipment, certain right-of-use assets, investment in a joint venture, certain other receivables, deposits and prepayments and certain bank balances and cash which are managed on a group basis.
- all liabilities are allocated to reportable and operating segments other than certain other payables, convertible bond and certain lease liabilities which are managed on a group basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 15. SEGMENT REPORTING (CONTINUED)

### (c) Other segment information

|   | Trading of<br>goods and<br>commodities<br>HK\$ | Unallocated<br>HK\$ | Total<br>HK\$ |
|---|--|---------------------|---------------|
| <b>Period ended 31 December 2023</b>  |  |                     |               |
| <b>Amounts included in the measure of segment profit or loss or segment assets:</b> |  |                     |               |
| Depreciation of property, plant and equipment                                       | 130,429  | 307,764             | 438,193       |
| Depreciation of right-of-use assets   | 993,446  | 2,817,568           | 3,811,014     |
| Additions to non-current assets (Note)  | 623,560  | 18,642,690          | 19,266,250    |
| Bank interest income  | 103,515  | 143,185             | 246,700       |
| Reversal of allowance for ECL on other receivables                                  | (4,402)  | –                   | (4,402)       |
| Reversal of allowance for ECL on loan and interest receivables                      | –  | (900,000)           | (900,000)     |
| <b>Year ended 31 March 2023</b>   |  |                     |               |
| <b>Amounts included in the measure of segment profit or loss or segment assets:</b> |  |                     |               |
| Depreciation of property, plant and equipment                                       | 365,524  | 301,628             | 667,152       |
| Depreciation of right-of-use assets   | 1,450,010                                      | 3,454,438           | 4,904,448     |
| Additions to non-current assets (Note)  | 339,785  | 366,736             | 706,521       |
| Bank interest income  | 213,001  | 14,943              | 227,944       |
| Reversal of allowance for ECL on other receivables                                  | (303,865)                                      | –                   | (303,865)     |
| Allowance for ECL on other receivables  | 131,781,958                                    | –                   | 131,781,958   |
| Reversal of allowance for ECL on loan and interest receivables                      | –  | (1,067,200)         | (1,067,200)   |

Note: Non-current assets excluded investment in a joint venture.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 15. SEGMENT REPORTING (CONTINUED)

### (d) Geographic information

The Group's operations are mainly located in Hong Kong and the People's Republic of China (the "PRC").

Information about the Group's revenue from external customers is presented based on the location of operations. Information about the Group's non-current assets, excluding investment in a joint venture, is presented based on the geographical location of the assets.

|                           | Revenue  |  | Non-current assets             |                             |
|---------------------------|--|--|--------------------------------|-----------------------------|
|                           | For the nine months ended 31 December 2023<br>HK\$ | For the year ended 31 March 2023<br>HK\$ | As at 31 December 2023<br>HK\$ | As at 31 March 2023<br>HK\$ |
| Hong Kong                 | 280,812,286  | 258,701,742                              | 17,600,453                     | 1,991,498                   |
| PRC (excluding Hong Kong) | 268,319,370  | 193,358,269                              | 278,923                        | 1,710,907                   |
| Others                    | 29,609,810   | 848,663                                  | 177,313                        | 24,730                      |
| <b>Consolidated total</b> | <b>578,741,466</b>                                 | 452,908,674                              | <b>18,056,689</b>              | 3,727,135                   |

### (e) Revenue from major customers:

|                           | For the nine months ended 31 December 2023<br>HK\$ | For the year ended 31 March 2023<br>HK\$ |
|---------------------------|--|--|
| Customer A <sup>1,2</sup> | 206,981,647  | 197,378,951                              |

<sup>1</sup> Revenue from trading of goods and commodities.

<sup>2</sup> Customer A was an independent third party.

## 16. DIVIDENDS

The board of the directors do not recommend the payment of any dividend in respect of the nine months ended 31 December 2023 (Year ended 31 March 2023: nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 17. PROPERTY, PLANT AND EQUIPMENT

|   | Furniture<br>and<br>fixtures<br>HK\$ | Computer<br>equipment<br>HK\$ | Leasehold<br>improvement<br>HK\$ | Motor<br>vehicles<br>HK\$ | Total<br>HK\$    |
|---|--------------------------------------|-------------------------------|----------------------------------|---------------------------|------------------|
| <b>Cost:</b>                                    |                                      |                               |                                  |                           |                  |
| <b>At 1 April 2022</b>                          | 1,338,650                            | 646,610                       | 3,891,342                        | 3,293,803                 | 9,170,405        |
| Additions                                       | 21,550                               | 183,613                       | 187,398                          | –                         | 392,561          |
| Disposals                                       | (16,614)                             | (176,951)                     | –                                | –                         | (193,565)        |
| Exchange differences                            | (71,064)                             | (9,941)                       | –                                | –                         | (81,005)         |
| <b>At 31 March 2023 and 1 April 2023</b>        | <b>1,272,522</b>                     | <b>643,331</b>                | <b>4,078,740</b>                 | <b>3,293,803</b>          | <b>9,288,396</b> |
| Additions                                       | 16,695                               | 158,381                       | 3,519,105                        | –                         | 3,694,181        |
| Disposal of a subsidiary (Note 36)              | (873,444)                            | (133,239)                     | –                                | –                         | (1,006,683)      |
| Disposals                                       | (346,805)                            | (198,407)                     | (2,870,760)                      | (1,976,312)               | (5,392,284)      |
| Exchange differences                            | (30,723)                             | (5,283)                       | –                                | –                         | (36,006)         |
| <b>At 31 December 2023</b>                      | <b>38,245</b>                        | <b>464,783</b>                | <b>4,727,085</b>                 | <b>1,317,491</b>          | <b>6,547,604</b> |
| <b>Accumulated depreciation and impairment:</b> |                                      |                               |                                  |                           |                  |
| <b>At 1 April 2022</b>                          | 821,830                              | 511,999                       | 3,668,544                        | 2,874,122                 | 7,876,495        |
| Charge for the year                             | 157,330                              | 66,596                        | 219,113                          | 224,113                   | 667,152          |
| Disposals                                       | (16,614)                             | (173,228)                     | –                                | –                         | (189,842)        |
| Exchange differences                            | (34,256)                             | (7,360)                       | –                                | –                         | (41,616)         |
| <b>At 31 March 2023 and 1 April 2023</b>        | <b>928,290</b>                       | <b>398,007</b>                | <b>3,887,657</b>                 | <b>3,098,235</b>          | <b>8,312,189</b> |
| Charge for the period                           | 114,070                              | 68,089                        | 98,920                           | 157,114                   | 438,193          |
| Disposal of a subsidiary (Note 36)              | (668,128)                            | (91,262)                      | –                                | –                         | (759,390)        |
| Disposals                                       | (346,805)                            | (198,407)                     | (2,719,945)                      | (1,976,312)               | (5,241,469)      |
| Exchange differences                            | (19,373)                             | (3,251)                       | –                                | –                         | (22,624)         |
| <b>At 31 December 2023</b>                      | <b>8,054</b>                         | <b>173,176</b>                | <b>1,266,632</b>                 | <b>1,279,037</b>          | <b>2,726,899</b> |
| <b>Carrying amount:</b>                         |                                      |                               |                                  |                           |                  |
| <b>At 31 December 2023</b>                      | <b>30,191</b>                        | <b>291,607</b>                | <b>3,460,453</b>                 | <b>38,454</b>             | <b>3,820,705</b> |
| <b>At 31 March 2023</b>                         | <b>344,232</b>                       | <b>245,324</b>                | <b>191,083</b>                   | <b>195,568</b>            | <b>976,207</b>   |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 18. RIGHT-OF-USE ASSETS

|   | As at<br>31 December<br>2023<br>HK\$                        | As at<br>31 March<br>2023<br>HK\$                 |
|---|---|---|
| Right-of-use assets   |   |   |
| – Land and buildings  | 14,235,984  | 2,750,928   |
| The maturity analysis, based on undiscounted cash flows,<br>of the Group's lease liabilities is as follows: |   |   |
| – Less than 1 year  | 4,027,429   | 2,809,254   |
| – Between 1 and 5 years   | 10,732,661  | 101,500   |
|   | 14,760,090  | 2,910,754   |
|   |   |   |
|   | For the nine<br>months ended<br>31 December<br>2023<br>HK\$ | For the<br>year ended<br>31 March<br>2023<br>HK\$ |
| Depreciation charge of right-of-use assets  |   |   |
| – Land and buildings  | 3,811,014   | 4,904,448   |
| Lease interests   | 195,150   | 194,353   |
| Expenses related to short-term leases   | 389,605   | 200,400   |
| Total cash outflow for leases   | 3,429,190   | 5,334,179   |
| Additions to right-of-use assets  | 15,572,069  | 313,960   |

The Group leases various land and buildings. Lease agreements are typically made for fixed periods of 2 to 4 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 19. INVESTMENT IN A JOINT VENTURE

|  | As at<br>31 December<br>2023<br>HK\$ | As at<br>31 March<br>2023<br>HK\$ |
|--|--------------------------------------|-----------------------------------|
| <b>Unlisted investments in Hong Kong</b> |                                      |                                   |
| Share of net assets                      | 15,927                               | 17,280                            |

Below shows information of the joint venture that is material to the Group. The joint venture is 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   | <b>Ban Loong Jacobson<br/>JBM Pharma Limited</b>               |                           |
|--|--|---------------------------|
|  | As at<br>31 December<br>2023                                   | As at<br>31 March<br>2023 |
| Principal place of business/country of incorporation               | HK/HK  | HK/HK                     |
| Principal activities   | <b>Distribution of pharmaceutical<br/>and medical products</b> |                           |
| % of ownership interests/voting rights held by the Group           | 60%/33.3%  | 60%/33.3%                 |
| Current assets   | 95,000   | 90,000                    |
| Current liabilities  | (68,455)   | (61,200)                  |
| Net assets   | 26,545   | 28,800                    |
| Group's share of net assets and share of carry amount of interests | 15,927   | 17,280                    |
| Cash and cash equivalents included in current assets               | 55,000   | 50,000                    |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 19. INVESTMENT IN A JOINT VENTURE (CONTINUED)

|                      | <b>For the nine<br/>months ended<br/>31 December<br/>2023<br/>HK\$</b> | For the<br>year ended<br>31 March<br>2023<br>HK\$ |
|----------------------|--|---|
| Revenue              | –  | –   |
| Loss from operations | <b>(2,255)</b>   | (71,200)  |

Ban Loong Jacobson JBM Pharma Limited is a strategic investment of the Group, engaging in the distribution of pharmaceutical and medical products.

## 20. INVENTORIES

|                | <b>As at<br/>31 December<br/>2023<br/>HK\$</b> | As at<br>31 March<br>2023<br>HK\$ |
|----------------|--|-----------------------------------|
| Finished goods | <b>39,747,819</b>                              | 50,290,472                        |

The directors of the Company have assessed the net realisable values and condition of the Group's inventories as at 31 December 2023 and made no impairment of inventory (Year ended 31 March 2023: nil).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 21. PRINCIPAL SUBSIDIARIES

Details of the Group's principal subsidiaries as at 31 December 2023 and 31 March 2023 are as follows:

| Name of subsidiaries  | Place/country of incorporation (or establishment)/ operations | Particulars of issued and paid-up capital/ registered capital | Proportion of ownership interest At 31 December 2023 | Proportion of ownership interest At 31 March 2023 | Principal activities             |
|---|---|---|--|---|----------------------------------|
| Wan Long Xing Ye Commercial Trading (Hong Kong) Limited                                 | Hong Kong   | HK\$100   | 100%   | 100%  | Trading of goods and commodities |
| BL Healthcare (Hong Kong) Limited (formerly known as Ban Loong Hemp Technology Limited) | Hong Kong   | HK\$100   | 100%   | 100%  | Trading of goods and commodities |
| BL Organic株式會社  | Japan   | JPY15,112,760   | 100%   | 100%  | Trading of goods and commodities |
| Wanma Technology Yunnan Co., Limited** (萬麻科技雲南有限公司)                                     | PRC   | RMB20,000,000   | 100%   | 100%  | Trading of goods and commodities |
| YNBY Healthcare (Shenzhen) Limited** (云白健康(深圳)有限公司)                                     | PRC   | HK\$10,000,000  | 100%   | N/A   | Trading of goods and commodities |

Notes:

\* The entity is foreign-investment enterprise

# The English name is for identification purpose only

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 22. TRADE RECEIVABLES

|                              | <b>As at<br/>31 December<br/>2023<br/>HK\$</b> | As at<br>31 March<br>2023<br>HK\$ |
|------------------------------|--|-----------------------------------|
| Trade receivables*           | <b>110,344,093</b>                             | 85,508,072                        |
| Provision for loss allowance | –  | (12,528,824)                      |
| <b>Carrying amount</b>       | <b>110,344,093</b>                             | 72,979,248                        |

\* At 31 December 2023, the balance of trade receivables from a fellow subsidiary was HK\$26,610,973 (31 March 2023: nil).

Trade receivables are granted an average credit period of 90 days (31 March 2023: 90 days).

The ageing analysis of trade receivables (before allowance for ECL) is as follows:

|                | <b>As at<br/>31 December<br/>2023<br/>HK\$</b> | As at<br>31 March<br>2023<br>HK\$ |
|----------------|--|-----------------------------------|
| 0 to 90 days   | <b>101,650,176</b>                             | 72,979,248                        |
| 91 to 180 days | <b>8,693,917</b>                               | –                                 |
| Over 365 days  | –  | 12,528,824                        |
|                | <b>110,344,093</b>                             | 85,508,072                        |

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 ageing. The expected credit losses also incorporate forward looking information.

|                                     | <b>0 – 90<br/>days</b> | <b>91 – 180<br/>days</b> | <b>Over<br/>365 days</b> | <b>Total</b>       |
|-------------------------------------|------------------------|--------------------------|--------------------------|--------------------|
| <b>At 31 December 2023</b>          |                        |                          |                          |                    |
| Weighted average expected loss rate | <b>0.00%</b>           | <b>0.00%</b>             | <b>0.00%</b>             |                    |
| Receivable amount (HK\$)            | <b>101,650,176</b>     | <b>8,693,917</b>         | –                        | <b>110,344,093</b> |
| Loss allowance (HK\$)               | –                      | –                        | –                        | –                  |
| <b>At 31 March 2023</b>             |                        |                          |                          |                    |
| Weighted average expected loss rate | 0.00%                  | 0.00%                    | 100.00%                  |                    |
| Receivable amount (HK\$)            | 72,979,248             | –                        | 12,528,824               | 85,508,072         |
| Loss allowance (HK\$)               | –                      | –                        | (12,528,824)             | (12,528,824)       |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 23. LOAN AND INTEREST RECEIVABLES

|                              | <b>As at<br/>31 December<br/>2023<br/>HK\$</b> | As at<br>31 March<br>2023<br>HK\$ |
|------------------------------|--|-----------------------------------|
| Loan receivables             |  |                                   |
| – Secured                    | <b>274,256,465</b>                             | 274,256,465                       |
| – Unsecured                  | <b>202,619,302</b>                             | 203,519,302                       |
|                              | <b>476,875,767</b>                             | 477,775,767                       |
| Provision for loss allowance | <b>(476,875,767)</b>                           | (477,775,767)                     |
| <b>Carrying amount</b>       | <b>–</b>                                       | <b>–</b>                          |

The maturity profile of the loan receivables (before allowance for ECL) at the end of the reporting period, analysed by the maturity date, is as follows:

|  | <b>As at<br/>31 December<br/>2023<br/>HK\$</b> | As at<br>31 March<br>2023<br>HK\$ |
|--|--|-----------------------------------|
| Overdue  | <b>476,875,767</b>                             | 477,775,767                       |
| Gross amount analysed for reporting purpose:<br>Current assets | <b>476,875,767</b>                             | 477,775,767                       |

The secured and unsecured loans advanced to the customers arising under the Group's money lending business had an average loan period of 3 months to 5 years (31 March 2023: 3 months to 5 years). The loans provided to customers bore fixed interest rate ranging from 1% – 2.4% (31 March 2023: 1% – 2.4%) per month, depending on the individual credit evaluations of the borrowers. These evaluations focus on the borrowers' financial background, individual credit rating, current ability to pay, and take into account information specific to the borrowers as well as the guarantees and/or security from the borrowers. The loans provided to borrowers are repayable in accordance with the loan agreement, in which interest portion will be repaid in monthly basis while the principal amounts are repayable on maturity.

With reference to the announcement made by the Company on 25 October 2023 regarding the key findings of the forensic investigation, the loan and interest receivables are fully impaired.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 24. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

|                         | <b>As at<br/>31 December<br/>2023<br/>HK\$</b> | As at<br>31 March<br>2023<br>HK\$ |
|-------------------------|--|-----------------------------------|
| Other receivables       | 5,920,283                                      | 380,135,038                       |
| Deposit                 | 304,504,393                                    | 313,695,181                       |
| Prepayments             | 2,109,473                                      | 6,105,593                         |
| Less: allowance for ECL | (298,824,733)                                  | (675,501,320)                     |
|                         | <b>13,709,416</b>                              | 24,434,492                        |

## 25. AMOUNTS DUE FROM A JOINT VENTURE

At 31 December 2023 and 31 March 2023, the amounts due from a joint-venture are unsecured, interest-free and have no fixed repayment terms.

## 26. CASH AND CASH EQUIVALENTS

|                           | <b>As at<br/>31 December<br/>2023<br/>HK\$</b> | As at<br>31 March<br>2023<br>HK\$ |
|---------------------------|--|-----------------------------------|
| Cash and cash equivalents | 199,324,292                                    | 159,003,957                       |

- (a) Cash at bank earns interest at floating rates based on daily bank deposit rates.
- (b) Included in bank balances of the Group is approximately HK\$35,729,485 (31 March 2023: HK\$28,919,512) of bank balances denominated in RMB placed with banks in PRC. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 27. TRADE AND OTHER PAYABLES

|  | As at<br>31 December<br>2023<br>HK\$ | As at<br>31 March<br>2023<br>HK\$ |
|--|--------------------------------------|-----------------------------------|
| Trade payables (Note)                            | 54,393,370                           | 15,067,996                        |
| Other payables and accrued charges               | 26,475,440                           | 111,514,040                       |
|  | <b>80,868,810</b>                    | 126,582,036                       |
| The total is analysed for reporting purposes as: |                                      |                                   |
| Current  | 79,368,810                           | 126,582,036                       |
| Non-current                                      | 1,500,000                            | –                                 |
|  | <b>80,868,810</b>                    | 126,582,036                       |

The non-current amount is related to the provision for reinstatement cost, under the lease agreement of leased office, on which the tenancy will expire in four years. Movement in the Group's provision for reinstatement cost are as follows:

|                            | HK\$             |
|----------------------------|------------------|
| <b>At 1 April 2023</b>     | –                |
| Provision for the period   | 1,500,000        |
| <b>At 31 December 2023</b> | <b>1,500,000</b> |

Note: The credit period for trade payables ranging from 45 to 180 days (31 March 2023: 45 to 180 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame. The balance of trade payables to Yunnan Baiyao Group was HK\$2,610,542 (31 March 2023: nil).

An ageing analysis of trade payables presented based on the invoice date at the end of reporting period is set out as follows:

|               | As at<br>31 December<br>2023<br>HK\$ | As at<br>31 March<br>2023<br>HK\$ |
|---------------|--------------------------------------|-----------------------------------|
| 0 to 30 days  | 9,243,344                            | 191,845                           |
| 31 to 60 days | 41,798,508                           | 14,869,103                        |
| Over 90 days  | 3,351,518                            | 7,048                             |
|               | <b>54,393,370</b>                    | 15,067,996                        |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 28. CONTRACT LIABILITIES

Disclosures of contract liabilities are set out as follows:

|   | <b>As at<br/>31 December<br/>2023<br/>HK\$</b> | As at<br>31 March<br>2023<br>HK\$                                      | As at<br>1 April<br>2022<br>HK\$                  |
|---|--|--|---|
| Contract liabilities  | <b>4,286,288</b>                               | 34,950,735   | 37,679,717  |
| Transaction prices allocated to performance obligations unsatisfied at end of period/year and expected to be recognised as revenue within one year: | <b>4,286,288</b>                               | 34,950,735   |   |
|   |  | <b>For the nine<br/>months ended<br/>31 December<br/>2023<br/>HK\$</b> | For the<br>year ended<br>31 March<br>2023<br>HK\$ |
| Revenue recognised in the period/year that was included in contract liabilities at beginning of period/year   |  | –  | 37,679,717  |
| Significant changes in contract liabilities during the period/year:   |  |  |   |
| – Increase due to operations in the period/year   |  | <b>4,286,288</b>   | 34,950,735  |
| – Transfer of contract liabilities to revenue   |  | –  | (37,679,717)                                      |
| – Disposal of a subsidiary (Note 36)  |  | <b>(33,763,121)</b>  | –   |
| – Exchange realignment  |  | <b>(1,187,614)</b>   | –   |

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.

## 29. AMOUNT DUE TO A SHAREHOLDER

At 31 December 2023 and 31 March 2023, the amount due to a shareholder is unsecured, interest-free and repayable on demand.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 30. BANK BORROWINGS

|  | <b>As at<br/>31 December<br/>2023<br/>HK\$</b> | As at<br>31 March<br>2023<br>HK\$ |
|--|--|-----------------------------------|
| Bank loans (unsecured and unguaranteed)  | 17,655,760                                     | –                                 |
| The borrowings are repayable as follows:   |  |                                   |
| Within one year  | 17,655,760                                     | –                                 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | (17,655,760)                                   | –                                 |
| Amount due for settlement after 12 months  | –  | –                                 |

The carrying amounts of the Group's borrowings are denominated in RMB.

| <b>The average interest rates were as follows:</b> | <b>For the nine<br/>months ended<br/>31 December<br/>2023</b> | For the<br>year ended<br>31 March<br>2023 |
|--|---|---|
| Bank loans   | 3.40%   | N/A                                       |

## 31. CONVERTIBLE BOND

As at 31 December 2023, the total number of issued ordinary shares (the "Shares") of the Company was 6,799,914,160 shares (31 March 2023: 6,799,917,160 shares).

The Company entered into the subscription agreement with Yunnan Baiyao Group Co., Ltd. ("Yunnan Baiyao") on 14 October 2019. Pursuant to the subscription agreement and the supplemental subscription agreements, the Company has conditionally agreed to issue, and Yunnan Baiyao has conditionally agreed to subscribe for, through its trustee, Shanghai International Trust Corp., Ltd., the convertible bond.

The completion of the subscription took place on 30 October 2020 in accordance with the terms and conditions of the subscription agreement. The principal amount was HK\$500 million with coupon rate of 3% per-annum for 2 years. Under the Subscription, the convertible bond have been issued to Shanghai International Trust Corp., Ltd., which subscribes and holds the convertible bond on behalf of and as a trustee of Yunnan Baiyao. Yunnan Baiyao remains as the beneficial owner of the convertible bond.

Reference is made to the Company's announcement dated 31 October 2022, at maturity of the convertible bond, the Company received a waiver confirmation from Yunnan Baiyao to extend the maturity date of the convertible bond for a period of two months.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 31. CONVERTIBLE BOND (CONTINUED)

Reference is made to the Company's circular dated 12 January 2023, on 5 December 2022, the Company and Yunnan Baiyao entered into an extension supplemental agreement, pursuant to which the Company and Yunnan Baiyao conditionally agreed to extend the initial maturity date by two years from 31 October 2022 to 30 October 2024 by way of entering into a supplemental agreement. Save for the proposed extension, all other terms and conditions of the convertible bond remained unchanged. The supplemental agreement was subsequently approved on 1 February 2023.

Based on the initial conversion price of HK\$0.258 per conversion share and assuming there is no other change in the issued share capital of the Company between the date of this report and the full conversion of the convertible bond, 1,937,984,496 ordinary shares will be allotted and issued by the Company upon exercise in full of the conversion rights attaching to the convertible bond, representing: (a) approximately 28.50% of the existing issued share capital of the Company; and (b) approximately 22.18% of the issued share capital of the Company as enlarged by the issue of the 1,937,984,496 ordinary shares.

At initial recognition the equity component of the convertible bond was separated from the liability component. The equity element is presented in equity heading "convertible bond reserve". The effective interest rate of the liability component is 18.79%.

The valuation of the convertible bond was performed by Ravia Global Appraisal Advisory Limited.

The movement of the equity component of the convertible bond is set out below:

|   | Equity<br>component<br>HK\$ |
|---|-----------------------------|
| At 1 April 2022   | 554,296,709                 |
| Derecognition at the renewal of convertible bond on 31 October 2022       | (554,296,709)               |
| Initial recognition at the renewal of convertible bond on 1 February 2023 | 56,168,231                  |
| Equity component at 31 March 2023, 1 April 2023 and 31 December 2023      | 56,168,231                  |



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 31. CONVERTIBLE BOND (CONTINUED)

The movement of the liability component of the convertible bond is set out below:

|   | Liability<br>component<br>HK\$ |
|---|--------------------------------|
| <b>Carrying amount at 1 April 2022</b>  | 13,761,441                     |
| Effective interest expenses (Note 10)   | 5,712,068                      |
| Accrued interest of the convertible bond                                      | (15,000,000)                   |
| Initial recognition at the renewal of the convertible bond on 1 February 2023 | 20,484,563                     |
| <b>Carrying amount at 31 March 2023 and 1 April 2023</b>                      | <b>24,958,072</b>              |
| Effective interest expenses (Note 10)   | <b>3,065,987</b>               |
| Accrued interest of the convertible bond                                      | <b>(15,000,000)</b>            |
| <b>Carrying amount at 31 December 2023</b>                                    | <b>13,024,059</b>              |
| Current portion   | 13,024,059                     |
| Non-current portion   | –                              |
|   | 13,024,059                     |

The interest expenses for the year are calculated by applying an effective interest rate of 18.79% (before renewal: 16.48%) to the liability component for 2-year period since the convertible bond were issued.

## 32. LEASE LIABILITIES

|   | Lease payments                    |                                | Present value of lease payments   |                                |
|---|-----------------------------------|--------------------------------|-----------------------------------|--------------------------------|
|   | As at 31 December<br>2023<br>HK\$ | As at 31 March<br>2023<br>HK\$ | As at 31 December<br>2023<br>HK\$ | As at 31 March<br>2023<br>HK\$ |
| Within one year   | 4,027,429                         | 2,809,254                      | 3,577,988                         | 2,753,903                      |
| In the second to fifth years, inclusive   | 10,732,661                        | 101,500                        | 10,211,781                        | 98,172                         |
| Less: future finance charges  | 14,760,090<br>(970,321)           | 2,910,754<br>(58,679)          | 13,789,769<br>N/A                 | 2,852,075<br>N/A               |
| Present value of lease obligation   | 13,789,769                        | 2,852,075                      | 13,789,769                        | 2,852,075                      |
| Less: amount due for settlement within 12 months<br>(shown under current liabilities) |                                   |                                | (3,577,988)                       | (2,753,903)                    |
| <b>Amount due for settlement after 12 months</b>                                      |                                   |                                | <b>10,211,781</b>                 | <b>98,172</b>                  |

At 31 December 2023, the average effective borrowing rate was 3.6% (31 March 2023: 3.2%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 33. SHARE CAPITAL

|  | <b>As at<br/>31 December<br/>2023<br/>HK\$</b> | As at<br>31 March<br>2023<br>HK\$ |
|--|--|-----------------------------------|
| Authorised:<br>20,000,000,000 ordinary shares of HK\$0.01 each | <b>200,000,000</b>                             | 200,000,000                       |
|  | <b>Number<br/>of shares</b>                    | Amount<br>HK\$                    |
| Issued and fully paid: (ordinary shares of HK\$0.01 each)      |  |                                   |
| At 1 April 2022  | <b>6,448,152,160</b>                           | 64,481,522                        |
| Issue of shares on placement (Note)                            | <b>351,762,000</b>                             | 3,517,620                         |
| At 31 March 2023, 1 April 2023 and 31 December 2023            | <b>6,799,914,160</b>                           | 67,999,142                        |

Note: On 14 April 2022, the Company and Sunwah GreatWall Group Limited, the subscriber, entered into a subscription agreement in respect of the subscription of 351,762,000 ordinary shares of HK\$0.01 each at a price of HK\$0.285 per share. The share subscription was completed on 6 June 2022 and the premium on the issue of shares, amounting to approximately HK\$96,734,550, was credited to the Company's share premium account.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

## 34. SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") approved by the shareholders at an annual general meeting of the Company held on 30 September 2013 (the "Adoption Date"). Under the Share Option Scheme, the directors of the Company may, at their discretion, invite any participants to take up options to subscribe for fully paid ordinary shares ("Shares") in the Company subject to the terms and conditions stipulated therein.

Details of the Share Option Scheme are as follows:

### (i) Purpose

The purpose of the Share Option Scheme is to recognise and acknowledge the contributions and potential contributions which the participants have made or may make to the Group and to motivating the participants to utilise their performance and efficiency for the benefit of the Group and attracting and retaining or otherwise maintaining an on-going relationship with the participants whose contributions are or will be beneficial to the long term growth of the Group.

### (ii) Participants

The directors of the Company may, at their discretion, invite any participant ("Participant") including any executive director, non-executive director or employee (whether full time or part time), consultant, contractor to the Group or any entity in which any member of the Group holds any interest ("Invested Entity").

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 34. SHARE OPTION SCHEME (CONTINUED)

### (iii) Maximum number of shares

#### (1) 30% Limit

The limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme of the Company must not exceed 30% of the Shares in issue from time to time (the "Scheme Limit").

#### (2) 10% Limit

In addition to the Scheme Limit, and subject to the following, the total number of shares which may be issued upon exercise of all options granted under the Share Option Scheme of the Company must not in aggregate exceed 10% of the Shares in issue as at the date of approval of the Scheme (excluding any options which have lapsed) (the "Scheme Mandate Limit").

The Company may, from time to time, refresh the Scheme Mandate Limit by obtaining the approval of its shareholders in general meeting. The Company may also seek separate approval by its shareholders in general meeting for granting options beyond the renewed Scheme Mandate Limit provided the options in excess of such limit are granted only to Participants specifically identified.

### (iv) Maximum Entitlement of Each Participant

Unless approved by shareholders of the Company, the total number of securities issued and to be issued upon exercise of the options granted to each Participant (including both exercised and outstanding options) in any 12 month period must not exceed 1% (0.1% for any director, chief executive or substantial shareholder) of the Shares in issue. Where any further grant of options to a Participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12 month period up to and including the date of such further grant representing in aggregate over 1% (0.1% for any director, chief executive or substantial shareholder) of the relevant class of securities in issue, such further grant must be separately approved by shareholders of the Company in general meeting with such Participant and his associates abstaining from voting.

### (v) Price of Shares

The exercise price must be at least the higher of: (a) the closing price of a Share as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day; (b) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of a Share.

### (vi) Amount payable upon acceptance of the option

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

### (vii) Time of Exercise of Option

An option shall be exercisable at any time during a period to be notified by the directors of the Company to each grantee, provided that no option shall be exercisable later than ten years after its date of grant. Unless otherwise determined by the directors of the Company at their sole discretion, there is no performance target which must be achieved or vesting period before an option can be exercised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 34. SHARE OPTION SCHEME (CONTINUED)

### (viii) The remaining life of the Share Option Scheme

The share option scheme of the Company adopted on 30 September 2013 has expired on 29 September 2023.

No share option has been granted, exercised or lapsed under the Share Option Scheme during the nine months ended 31 December 2023 and year ended 31 March 2023.

## 35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### Change in liabilities arising from financing activities

The following table shows the Group changes in liabilities arising from financing activities during the year/period:

|  | Lease<br>liabilities<br>HK\$ | Bank<br>borrowing<br>HK\$ | Convertible<br>bond<br>HK\$ | Amount<br>due to a<br>shareholder<br>HK\$ | Total<br>HK\$     |
|--|------------------------------|---------------------------|-----------------------------|---|-------------------|
| <b>At 1 April 2022</b>                                       | 8,616,634                    | –                         | 13,761,441                  | 61,235                                    | 22,439,310        |
| Changes in cash flows  | (5,133,779)                  | –                         | –                           | 2,331,656                                 | (2,802,123)       |
| Non-cash changes   | –                            |                           |                             |   |                   |
| – additions  | 313,960                      | –                         | –                           | –   | 313,960           |
| – termination of lease                                       | (1,163,902)                  | –                         | –                           | –   | (1,163,902)       |
| – interest charged   | 194,353                      | –                         | 5,712,068                   | –   | 5,906,421         |
| – exchange realignment                                       | 24,809                       | –                         | –                           | –   | 24,809            |
| – accrued interest of the convertible bond                   | –                            | –                         | (15,000,000)                | 15,000,000                                | –                 |
| – initial recognition at the renewal of the convertible bond | –                            | –                         | 20,484,563                  | –   | 20,484,563        |
| <b>At 31 March 2023 and 1 April 2023</b>                     | <b>2,852,075</b>             | <b>–</b>                  | <b>24,958,072</b>           | <b>17,392,891</b>                         | <b>45,203,038</b> |
| Changes in cash flows  | <b>(3,039,585)</b>           | <b>17,400,769</b>         | <b>–</b>                    | <b>(15,000,000)</b>                       | <b>(638,816)</b>  |
| Non-cash changes   |                              |                           |                             |   |                   |
| – additions  | <b>14,072,069</b>            | <b>–</b>                  | <b>–</b>                    | <b>–</b>                                  | <b>14,072,069</b> |
| – disposal of a subsidiary (Note 36)                         | <b>(292,962)</b>             | <b>–</b>                  | <b>–</b>                    | <b>–</b>                                  | <b>(292,962)</b>  |
| – exchange realignment                                       | <b>3,022</b>                 | <b>49,456</b>             | <b>–</b>                    | <b>–</b>                                  | <b>52,478</b>     |
| – interest charged   | <b>195,150</b>               | <b>205,535</b>            | <b>3,065,987</b>            | <b>–</b>                                  | <b>3,466,672</b>  |
| – increase in amount due to a shareholder                    | <b>–</b>                     | <b>–</b>                  | <b>–</b>                    | <b>54,452</b>                             | <b>54,452</b>     |
| – accrued interest of the convertible bond                   | <b>–</b>                     | <b>–</b>                  | <b>(15,000,000)</b>         | <b>15,000,000</b>                         | <b>–</b>          |
| <b>At 31 December 2023</b>                                   | <b>13,789,769</b>            | <b>17,655,760</b>         | <b>13,024,059</b>           | <b>17,447,343</b>                         | <b>61,916,931</b> |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 36. DISPOSAL OF A SUBSIDIARY

On 7 December 2023, the Company entered into a share transfer agreement with KaSon Enterprises LTD (家信企業有限公司), an independent third party of the Company ("Purchaser"), pursuant to which the Company had agreed to sell and the Purchaser had agreed to purchase the entire issued share capital of the Company's subsidiary Wan Long Xing Ye Commercial Trading (Shenzhen) Limited (萬隆興業商貿(深圳)有限公司) at a cash consideration of HK\$1. The change of control of the subsidiary was completed in December 2023.

### Consideration received:

|      | HK\$ |
|------|------|
| Cash | 1    |

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

|  | HK\$                 |
|--|----------------------|
| Property, plant and equipment                        | 247,293              |
| Right of use assets                                  | 278,923              |
| Trade receivables (note a)                           | –                    |
| Prepayments, deposits and other receivables (note b) | 5,982                |
| Bank and cash balances                               | 40,854               |
| Other payables                                       | (87,873,381)         |
| Contract liabilities                                 | (33,763,121)         |
| Lease liability                                      | (292,962)            |
| <b>Net liabilities disposed of</b>                   | <b>(121,356,412)</b> |

### Gain on disposal of a subsidiary (Note 9):

|  | HK\$               |
|--|--------------------|
| Consideration received   | 1                  |
| Net liabilities disposed of  | 121,356,412        |
| Cumulative exchange differences reclassified to profit or loss upon disposal of a subsidiary | 16,186,412         |
| <b>Total</b>   | <b>137,542,825</b> |

### Net cash outflow arising on disposal:

|  | HK\$     |
|--|----------|
| Cash consideration                       | 1        |
| Less: bank balances and cash disposed of | (40,854) |
|  | (40,853) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 36. DISPOSAL OF A SUBSIDIARY (CONTINUED)

Note a: the amount represents the net amount of gross trade receivables of HK\$12,069,197 and allowance for ECL of HK\$12,069,197.

Note b: the amount represents the net amount of gross prepayments, deposits and other receivables of HK\$363,878,801 and allowance for ECL of HK\$363,872,819.

## 37. DECONSOLIDATION OF SUBSIDIARIES

During the nine months ended 31 December 2023, Yunnan Baiyao Qingyitang Hong Kong Limited\* (雲南白藥清逸堂香港有限公司) and 雲南霧喜健康科技有限公司 were deregistered on 22 September 2023 and 27 November 2023, respectively. On 30 December 2022, the Group resolved to deconsolidate its personal care products trading business in its subsidiary of Shenzhen Qingxiangji Herbal Technology Limited\* (深圳市清香集草本科技有限公司), as the Group had lost its control in the subsidiary's financial resources, management accounts and daily operations at the time of the deconsolidation.

Net assets at the date of deconsolidation were as follows:

|   | For the nine months ended 31 December 2023                  |                              |               | For the year ended 31 March 2023                                   |               |
|---|---|------------------------------|---------------|--|---------------|
|   | Yunnan Baiyao<br>Qingyitang<br>Hong<br>Kong Limited<br>HK\$ | 雲南霧喜<br>健康科技<br>有限公司<br>HK\$ | Total<br>HK\$ | Shenzhen<br>Qingxiangji<br>Herbal<br>Technology<br>Limited<br>HK\$ | Total<br>HK\$ |
| Inventories   | -   | -                            | -             | 665,459  | 665,459       |
| Due from Group Companies                                | 2,265,555   | 2,005,319                    | 4,270,847     | -  | -             |
| Other receivables                                       | -   | 1,282,090                    | 1,282,090     | -  | -             |
| Cash and cash equivalents                               | -   | -                            | -             | 2,766  | 2,766         |
| Net assets at the date of deconsolidation               | 2,265,555   | 3,287,409                    | 5,552,964     | 668,225  | 668,225       |
| Assets distributed upon deconsolidation                 | (1,359,333)   | (2,005,319)                  | (3,364,652)   | -  | -             |
| Non-controlling interests                               | (906,222)   | (1,282,090)                  | (2,188,312)   | -  | -             |
| Release of foreign currency translation reserve         | (3,086)   | 1,079                        | (2,007)       | 2,937  | 2,937         |
| Gain/(loss) on deconsolidation of subsidiaries (Note 9) | 3,086   | (1,079)                      | 2,007         | (671,162)  | (671,162)     |
| <b>Total consideration</b>                              | -   | -                            | -             | -  | -             |
| Net cash outflow arising on deconsolidation             | -   | -                            | -             | (2,766)  | (2,766)       |
| Cash and cash equivalents                               | -   | -                            | -             | (2,766)  | (2,766)       |

\* For identification purpose only

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 38. FINANCIAL INFORMATION OF THE COMPANY

### Statement of financial position

|  | Note | As at<br>31 December<br>2023<br>HK\$ | As at<br>31 March<br>2023<br>HK\$ |
|--|------|--------------------------------------|-----------------------------------|
| <b>Non-current assets</b>                    |      |                                      |                                   |
| Property, plant and equipment                |      | 148,214                              | 530,033                           |
| Right-of-use assets                          |      | –                                    | 1,813,672                         |
| Investments in subsidiaries                  |      | 24,188,306                           | 24,188,160                        |
|  |      | <b>24,336,520</b>                    | 26,531,865                        |
| <b>Current assets</b>                        |      |                                      |                                   |
| Trade receivables                            |      | 639,363                              | –                                 |
| Other receivables, deposits and prepayments  |      | 3,119,114                            | 3,185,759                         |
| Amount due from a joint venture              | (1)  | 57,255                               | 50,000                            |
| Amounts due from subsidiaries                | (1)  | 234,763,564                          | 125,817,676                       |
| Cash and cash equivalents                    |      | 26,178,892                           | 21,382,843                        |
|  |      | <b>264,758,188</b>                   | 150,436,278                       |
| <b>Current liabilities</b>                   |      |                                      |                                   |
| Other payables                               |      | 15,495,858                           | 15,919,864                        |
| Contract liabilities                         |      | 3,506,014                            | –                                 |
| Amounts due to subsidiaries                  | (1)  | 1,500,085                            | 3,560,865                         |
| Amounts due to a shareholder                 | (1)  | 17,392,891                           | 17,392,891                        |
| Convertible bond                             |      | 13,024,059                           | 13,615,541                        |
| Lease liabilities                            |      | –                                    | 1,883,290                         |
|  |      | <b>50,918,907</b>                    | 52,372,451                        |
| <b>Net current assets</b>                    |      | <b>213,839,281</b>                   | 98,063,827                        |
| <b>Total assets less current liabilities</b> |      | <b>238,175,801</b>                   | 124,595,692                       |
| <b>Non current liability</b>                 |      |                                      |                                   |
| Convertible bond                             |      | –                                    | 11,342,531                        |
| <b>NET ASSETS</b>                            |      | <b>238,175,801</b>                   | 113,253,161                       |
| <b>Capital and reserves</b>                  |      |                                      |                                   |
| Share capital                                |      | 67,999,142                           | 67,999,142                        |
| Reserves                                     |      | 170,176,659                          | 45,254,019                        |
| <b>TOTAL EQUITY</b>                          |      | <b>238,175,801</b>                   | 113,253,161                       |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 38. FINANCIAL INFORMATION OF THE COMPANY (CONTINUED)

### Statement of financial position (Continued)

Note:

(1) The amounts due are unsecured, interest-free and repayable on demand.

### Movement of reserves of the Company

|  | Share<br>premium<br>HK\$ | Capital<br>redemption<br>reserve<br>HK\$ | Convertible<br>bond reserve<br>HK\$ | Accumulated<br>losses<br>HK\$ | Total<br>HK\$      |
|--|--------------------------|--|-------------------------------------|-------------------------------|--------------------|
| <b>At 1 April 2022</b>                           | 988,278,817              | 176,000                                  | 554,296,709                         | (1,500,534,896)               | 42,216,630         |
| <b>Total comprehensive expenses for the year</b> | -                        | -  | -                                   | (73,212,598)                  | (73,212,598)       |
| Issue of new shares                              | 96,734,550               | -  | -                                   | -                             | 96,734,550         |
| Modification of a convertible bond               | -                        | -  | (498,128,478)                       | 498,128,478                   | -                  |
| Transfer   | -                        | -  | -                                   | (20,484,563)                  | (20,484,563)       |
| <b>At 31 March 2023 and 1 April 2023</b>         | <b>1,085,013,367</b>     | <b>176,000</b>                           | <b>56,168,231</b>                   | <b>(1,096,103,579)</b>        | <b>45,254,019</b>  |
| <b>Total comprehensive income for the period</b> | -                        | -  | -                                   | <b>124,922,640</b>            | <b>124,922,640</b> |
| <b>At 31 December 2023</b>                       | <b>1,085,013,367</b>     | <b>176,000</b>                           | <b>56,168,231</b>                   | <b>(971,180,939)</b>          | <b>170,176,659</b> |

### Nature and purpose of reserves

#### (i) Share premium

The application of the share premium account is governed by Section 40 of the Bermuda Companies Act 1981.

#### (ii) Convertible bond reserve

The convertible bond reserve represents the equity component of convertible bond issued by the Company. Items included in convertible bond reserve will not be reclassified subsequently to profit or loss.

## 39. CAPITAL MANAGEMENT

The Group's primarily objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes judgement to the capital structure in light of changes in economic conditions.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total liabilities less cash and cash equivalents. Adjusted capital comprises all components of equity.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 39. CAPITAL MANAGEMENT (CONTINUED)

The gearing ratio was as follows:

|   | As at<br>31 December<br>2023<br>HK\$ | As at<br>31 March<br>2023<br>HK\$ |
|---|--------------------------------------|-----------------------------------|
| <b>Total liabilities</b>                                  | <b>147,072,029</b>                   | 206,735,809                       |
| Less: Cash and cash equivalents                           | <b>(199,324,292)</b>                 | (159,003,957)                     |
| Net (cash)/debt   | <b>(52,252,263)</b>                  | 47,731,852                        |
| <b>Total equity attributable to owners of the Company</b> | <b>243,154,841</b>                   | 111,041,208                       |
| Gearing ratio   | <b>-21%</b>                          | 43%                               |

## 40. LITIGATIONS AND CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any significant contingent liabilities (31 March 2023:nil).

## 41. COMMITMENTS

As at 31 December 2023, the Group had no material capital commitments (31 March 2023: nil).

## 42. RELATED PARTY TRANSACTIONS

Save for those disclosed elsewhere in this consolidated financial statements, details of transactions between the Group and other related parties are disclosed below:

### (a) Transactions with related parties

|   | For the nine<br>months ended<br>31 December<br>2023<br>HK\$ | For the<br>year ended<br>31 March<br>2023<br>HK\$ |
|---|---|---|
| Purchase of goods and commodities from Yunnan Baiyao (Note)                         | <b>10,608,634</b>   | –   |
| Purchase of goods and commodities from a fellow subsidiary (Note)                   | <b>1,901,574</b>  | –   |
| Provision of global supply chain integration services to a fellow subsidiary (Note) | <b>56,493,278</b>   | –   |
| Provision of product registration and promotion services to Yunnan Baiyao (Note)    | <b>9,200,000</b>  | –   |
| Effective interest expense from the convertible bond with Yunnan Baiyao             | <b>3,065,987</b>  | 5,712,068   |

Note:

The transaction constituted a continuing connected transaction as defined in Chapter 14A of the Listing Rules (the "Continuing Connected Transaction"). Further details of the Continuing Connected Transaction are provided in the section headed "Continuing Connected Transaction" in the Report of the Directors as set out in the Company's annual report for the nine months ended 31 December 2023.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2023

## 42. RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Key management compensation

The remuneration of the Group's key management personnel is disclosed in note 13 to the consolidated financial statements.

### (c) Period/year ended balances with related parties

|   | <b>As at</b>       | As at      |
|---|--------------------|------------|
|   | <b>31 December</b> | 31 March   |
|   | <b>2023</b>        | 2023       |
|   | <b>HK\$</b>        | HK\$       |
| Trade payable to a shareholder            | 2,610,542          | –          |
| Trade receivable from a fellow subsidiary | 26,610,973         | –          |
| Trade deposit paid to a fellow subsidiary | 502,955            | –          |
| Amount due to a shareholder (Note 29)     | 17,447,343         | 17,392,891 |
| Amount due from a joint venture (Note 25) | 68,455             | 61,200     |

## 43. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 22 March 2024.

## FIVE-YEAR FINANCIAL SUMMARY

|   | FY2019/20        | FY2020/21<br>(Restated) | FY2021/22           | FY2022/23          | FY2023                   |
|---|------------------|-------------------------|---------------------|--------------------|--------------------------|
|   | HK\$'000         | HK\$'000                | HK\$'000            | HK\$'000           | HK\$'000                 |
| <b>Revenue</b>  | 1,162,154        | 1,216,714               | 179,578             | 452,909            | <b>578,741</b>           |
| Profit/(loss) before tax  | 60,103           | (53,146)                | (1,113,881)         | (165,903)          | <b>146,406</b>           |
| Income tax expenses   | (10,534)         | (8,210)                 | (3,439)             | (2,956)            | <b>(2,672)</b>           |
| Profit/(loss) after tax   | 49,569           | (61,356)                | (1,117,320)         | (168,859)          | <b>143,734</b>           |
| Profit/(loss) attributable to owners<br>of the Company  | 49,574           | (61,359)                | (1,117,314)         | (168,871)          | <b>143,745</b>           |
| Earnings/(loss) attributable to<br>owners of the Company  | 0.77<br>HK cents | (0.95)<br>HK cents      | (17.33)<br>HK cents | (2.51)<br>HK cents | <b>2.11<br/>HK cents</b> |
| <b>ASSETS AND LIABILITIES</b>   |                  |                         |                     |                    |                          |
| Total assets  | 966,998          | 1,442,604               | 321,754             | 320,039            | <b>390,227</b>           |
| Current liabilities   | (161,222)        | (112,099)               | (115,186)           | (195,295)          | <b>(135,360)</b>         |
| Total assets less current liabilities   | 805,776          | 1,330,505               | 206,568             | 124,744            | <b>254,867</b>           |
| Shareholders' fund  | 799,809          | 1,308,795               | 202,260             | 111,041            | <b>243,155</b>           |
| Provision for reinstatement<br>costs, deferred tax<br>liabilities, bonds and<br>convertible bonds | 69,229           | 45,529                  | 13,761              | 24,958             | <b>14,524</b>            |
| Funds employed  | 869,038          | 1,354,324               | 216,021             | 135,999            | <b>257,679</b>           |
| Return on average<br>shareholders' fund (%)<br>(Note 1)   | 5.8              | (4.7)                   | (552.4)             | (152.1)            | <b>59.1</b>              |
| Dividends per share   | –                | –                       | –                   | –                  | –                        |

(Note 1) The return on average shareholders' fund equals to the profit/(loss) attributable to the owners of the Company divided by the equity attributable to the owners of the Company.