Town Health International Medical Group Limited
康健國際醫療集團有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock Code : 3886)

Annual Report 2021

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Jin Zhaogen
(Chief Executive Officer) (Note 1)
Ms. Zhao Xiangke
(Chief Financial Officer) (Note 2)
Mr. Chen Jinhao
(Chief Executive Officer) (Note 3)

Non-executive Directors

Mr. Kong Dechang *(Chairman)* (Note 4)
Mr. Hou Jun
Mr. Zhao Hui *(Chairman)* (Note 5)

Independent Non-executive Directors

Mr. Ho Kwok Wah, George, *MH*
Mr. Yu Xuezhong
Dr. Xu Weiguo (Note 6)
Ms. Li Mingqin (Note 7)

BOARD COMMITTEES

Audit Committee

Mr. Ho Kwok Wah, George, *MH (Chairman)*
Mr. Yu Xuezhong
Dr. Xu Weiguo (Note 6)
Ms. Li Mingqin (Note 7)

Remuneration Committee

Mr. Ho Kwok Wah, George, *MH (Chairman)*
Mr. Jin Zhaogen (Note 1)
Mr. Yu Xuezhong
Dr. Xu Weiguo (Note 6)
Mr. Chen Jinhao (Note 3)
Ms. Li Mingqin (Note 7)

Nomination Committee

Mr. Kong Dechang *(Chairman)* (Note 4)
Mr. Jin Zhaogen (Note 1)
Mr. Ho Kwok Wah, George, *MH*
Mr. Yu Xuezhong
Dr. Xu Weiguo (Note 6)
Mr. Zhao Hui *(Chairman)* (Note 5)
Mr. Chen Jinhao (Note 3)
Ms. Li Mingqin (Note 7)

COMPANY SECRETARY

Mr. Kwan Chung Man

AUDITORS

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

REGISTERED OFFICE

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

6th Floor, Town Health Technology Centre
10–12 Yuen Shun Circuit
Siu Lek Yuen
Shatin, New Territories
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd.
China Construction Bank (Asia)
Corporation Limited
Chong Hing Bank Limited
CMB Wing Lung Bank Limited
Credit Suisse AG, Hong Kong Branch
Dah Sing Bank, Limited
Hang Seng Bank Limited
UBS AG, Hong Kong Branch

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Management (Bermuda) Limited
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

CORPORATE INFORMATION

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

www.townhealth.com

Notes:

1. On 26 March 2021, Mr. Jin Zhaogen was appointed as an executive Director, the Chief Executive Officer and a member of each of the Nomination Committee and the Remuneration Committee.

2. On 26 March 2021, Ms. Zhao Xiangke was appointed as an executive Director.

3. With effect from conclusion of the meeting of the Board held on 26 March 2021, Mr. Chen Jinhao resigned as an executive Director, the Chief Executive Officer and a member of each of the Nomination Committee and the Remuneration Committee.

4. On 21 May 2021, Mr. Kong Dechang was appointed as a non-executive Director, the chairman of the Company and the chairman of the Nomination Committee.

5. With effect from 21 May 2021, Mr. Zhao Hui resigned as a non-executive Director, the chairman of the Company and the chairman of the Nomination Committee.

6. On 31 March 2021, Dr. Xu Weiguo was appointed as an independent non-executive Director, and a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee.

7. With effect from 31 March 2021, Ms. Li Mingqin resigned as an independent non-executive Director, and a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee.

CEO'S STATEMENT

Dear Shareholders,

On behalf of Town Health, I am delighted to present the annual report for the year of 2021.

In 2021, the global economy crawled forward under the shroud of the pandemic. The economy of Hong Kong was in recovery due to the stabilisation of the pandemic. However, various economic data have not yet fully recovered to the level before the outbreak of the pandemic in early 2020. The repeated outbreaks of the pandemic and the increase in virus mutation have brought many uncertainties and continuous challenges to the global and even local economic recovery. In the face of the pandemic in the century, it has become the common goal of the government and citizens to make every effort to remove the haze of the pandemic, promote economic and social recovery and development, and explore new drivers of economic growth and new models of social life under the conditions of normalized pandemic prevention and control. Rooted in Hong Kong, the Group has one of the largest and most extensive chain medical service network in Hong Kong, and is duty-bound for pandemic prevention, anti-pandemic and pandemic control. During the Year, it has always been at the forefront of the fight against the pandemic, and proactively cooperated with the government to expand local nucleic acid testing capabilities and fully promote the vaccination program. Since the outbreak of the pandemic in 2020, Hong Kong Health Check and Medical Diagnostic Centre Limited, a related company of the Company has been providing nucleic acid testing services to Hong Kong citizens. Meanwhile, the Group has cooperated with a medical testing institution recognized by the Hong Kong government by providing a venue to operate a large nucleic acid testing centre in the headquarters building, in order to provide nucleic acid testing services to Hong Kong citizens. During the Year, over 3.30 million tests have been processed in total, which helps to identify latent patients as soon as possible, so as to achieve the goal of "early identification, early quarantine, and early treatment" and stop the spread of the COVID-19 in the community. Since March 2021, the Group has provided free vaccination services at its designated medical centres, and has gradually operated a number of community vaccination centres and vaccination stations in public hospitals. At the same time, an outreach vaccination team has been established to provide vaccination for the employees of enterprises in the business community. At the beginning of 2022, the mobile vaccination stations set up by the Group were also officially put into service. They went to various districts to provide vaccination for the general public, especially the elderly and people with limited mobility. The Group has developed various channels to promote vaccination. As of 10 March 2022, the Group has vaccinated approximately 839,000 doses of vaccines for Hong Kong citizens, contributing to the strategy of "reduce infections, reduce serious cases and reduce deaths" for the community. On 20 March 2022, the Group took over the operation and management of the Tsing Yi community isolation facility affiliated medical station, and sent medical staff to provide medical support required by the quarantined persons. The Group has become a private medical institution capable of providing nucleic acid testing, vaccination and medical management services for quarantine facilities to Hong Kong citizens.

Although Hong Kong is gradually coming out of the economic winter, the global atmosphere goes up and down. The overall business situation is still difficult. The Group flexibly adjusted its business layout and allocated resources by virtue of the situation in the pandemic, launched various types of medical services that closely met the needs of the public to relieve people's hardships in a timely manner, and at the same time counterweighed the negative impact of unfavourable operating conditions, and ultimately turned losses into profits.

CEO'S STATEMENT

Vio's medical network management, as a mature business, has remained profitable throughout the pandemic. During the Year, Vio responded flexibly to the changing needs of corporate clients and patients as well as continued to allocate resources to upgrade its internal management systems, promote the digitization of work processes, strengthen data security management, and improve the supervision on service quality, etc. All these have improved operational efficiency internally and customer service experience externally. In August 2021, Vio was successful in gaining re-certification in ISO 9001:2015 Quality Management System for 3 years, demonstrating its ability to persistently provide products and services that meet customer and regulatory requirements. The outstanding professionalism of Vio has won the long-term trust of corporate clients and insurance companies.

In respect of self-operated medical centre chain, as the pandemic remained stable for most of the Year, the demand for general practice services, specialist services and dental services picked up, driving the number of outpatient visits and revenue to increase. During the Year, the Group continuously optimized the layout of medical centre network, and continued to recruit talents to strengthen the medical team, so as to consolidate the foundation of general practice outpatient services, develop popular specialties with high demand and penetrate service points into the community. Various measures were taken to lay a foundation for the stable development of business in the post-pandemic era and to promote the stable and long-term development of medical business in Hong Kong.

During the Year, the Group's operational strategy of seeking progress while maintaining stability in the medical business in Hong Kong achieved initial results and the development strategy of "medical services + insurance" for the business in Mainland China was also further accelerated. In 2021, Mainland China properly controlled the pandemic and took the lead in recovery despite the global economic downturn, and thus the annual GDP growth rate reached 8.1%. Leveraging on the momentum of rapid economic recovery in Mainland China, the Group promoted the development of hospital management and health management businesses in a diversified and professional way.

In terms of hospital management, Nanyang Xiangrui, a subsidiary of the Company, maintained steady operation, while achieving an orderly growth on the overall performance. The software and hardware upgrade of Nanshi Hospital managed by Nanyang Xiangrui progressed well. The new surgical building and the brain department building, which were officially put into service in the second half of 2021, could provide better environment to meet the growing medical needs of local residents. Besides, the rehabilitation branch was expanded into Nanshi Chinese Medicine Rehabilitation Hospital, a specialized hospital with traditional Chinese medicine and western medicine characteristics and had obtained the Grade II hospital license. At the same time, the rehabilitation centre of Nanshi Hospital's Youtian Branch was also put into service during the Year, becoming the first regional rehabilitation centre in the district. Moreover, the business development of Nanyang Ruishi Ophthalmology Hospital was gratifying, with breakthroughs in revenue and number of surgeries. It is even more gratifying that Nanshi Hospital obtained the first internet hospital license in Nanyang area in March 2022, and will provide telemedicine services to residents of Nanyang and surrounding areas. It aims to develop chronic disease management and community health management services that are suitable for enterprises and individuals.

CEO'S STATEMENT

In terms of health management, the four centres located in Guangdong Province and Shandong Province developed in a balanced manner and provided distinctive specialist medical services, health check and medical imaging diagnostic services in line with the demographic characteristics and medical needs of different places. In Guangzhou City, Guangdong Province, Yikang, a subsidiary of the Company, reached an agreement with the Sixth Hospital, pursuant to which the management service agreement of the Medical Diagnostic Centre was terminated from 10 September 2021. An integrated clinic was opened at the original site by Yikang and was granted a practising license for medical institution from Tianhe District Health Committee of Guangzhou City in January 2022, thereby planning to develop specialties such as peripheral supporting services for assisted reproductive services and life cycle healthcare services for female. In Zhongshan City, Guangdong Province, the newly established Zhongshan Health Management Centre officially started operation in May 2021, and signed a cooperation agreement with Zhongshan City People's Hospital, a local comprehensive Grade III Level A hospital, pursuant to which both parties would carry out in-depth cooperation in accordance with the needs of local patients. In Shenzhen City, Guangdong Province, Ganghe Clinic, located in the central area of Futian District, focuses on specialty medical services and mainly develops reproductive department and female life cycle healthcare business. During the Year, it further strengthened its cooperation with China Life Group to customize more characteristic health check and medical services according to the needs of customers of China Life Group. Town Health International Health Management Centre, located at China Life Centre in Jinan City, Shandong Province, operated stably, and the health check business remained the main source of income. It has developed the athletic training and rehabilitation centre business. During the Year, it continued to hold a number of exclusive events for VIP customers for China Life Group, and China Life Group had accumulatively secured insurance contracts in an amount of more than tens of millions of RMB and attracted health check clients for the centre.

In terms of other business, benefited from the relatively controlled pandemic in Hong Kong and Mainland China during the Year, the overall performance of TBM which was engaged in medical beauty business maintained stable growth despite adverse conditions. Under the pandemic, the demand of consumers in Hong Kong and Mainland China for beauty care increased. With the decline in outbreak of the pandemic in the two places and the lifting of the government's ban on suspension of business, consumers' long-standing desire to spend was released. The revenge spending of customers, together with TBM's digital marketing efforts and personalized beauty solutions, led to the rapid recovery of TBM's business since the second quarter of 2021, and stabilized the pace of TBM's business expansion. TBM will focus on the rapidly developing market in Mainland China and seize new opportunities for consumption and industrial upgrading, aiming to establishing a stronghold in more high-consumption cities.

CEO'S STATEMENT

The pandemic has ravaged the world for two years with ups and downs. Overall, 2021 was a year of recovery for both Hong Kong and Mainland China. The Group's business segments have shown strong resilience and resumed recovery. However, at the beginning of 2022, a new wave of pandemic outbreaks occurred in Hong Kong, and the tightening of pandemic prevention measures posed a new round of pressure on economic activities. The Group will, as always, fully cooperate with the government's work of pandemic prevention, anti-pandemic and pandemic control, so that the Group can maintain the citizens' daily life and the stable business environment for the business community to the greatest extent possible, and play a positive role in maintenance of people's livelihood and economic development for the overall society. In light of coexistence of difficulties and opportunities, the Group will continue to provide reliable and high-quality medical services to its customers by leveraging on the strong strength of Vio's managed medical network business and the solid foundation of the self-operated medical centre chain business, as well as the synergy from upstream to downstream segments of its business chain. Meanwhile, by virtue of the long history, excellent brand, strong strength and huge customer base of China Life Group, the Group will further expand its hospital management and health management businesses in Mainland China, accelerate the synergy between the businesses in Hong Kong and Mainland China, and seek to create sustainable returns for Shareholders, to achieve a win-win situation between the Group and China Life Group.

2021 was an extraordinary year, with a bumpy road to recovery. In the face of the unprecedented pandemic, I would like to express my thanks to the Board members, Shareholders and business partners for their unremitting support and to all staff of the Group for their efforts in overcoming difficulties and sticking to their posts, and my heartfelt tribute to every medical staff at the front line of the fight against the pandemic. I am convinced that as long as we look far ahead and jointly overcome the rough and tumble, we will be able to nurture new opportunities in the midst of crises, open up a new situation in changes, and embrace the new journey ahead with new actions, to create greater value for customers and Shareholders and more promising prospects.

Jin Zhaogen
Chief Executive Officer

22 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Company is pleased to report the results of the Group for the Year.

During the Year, the Group recorded a consolidated profit of approximately HK$75,072,000 (2020: consolidated loss of approximately HK$258,450,000). Such turnaround from consolidated loss to consolidated profit was mainly attributable to (i) the increase in the revenue of the Group recorded for the Year; (ii) the fair value gain of the Group's investment properties recorded for the Year; (iii) the increase in share of profits of associates recorded for the Year; and (iv) the decrease in the expected credit losses and impairment losses on the relevant assets (including the BB Promissory Note) recorded for the Year.

Increase in Revenue

The Group recorded revenue of approximately HK$1,483,892,000 for the Year (2020: approximately HK$1,069,045,000), which was mainly attributable to the increase in demand for (a) medical services; (b) hospital management and related services in Mainland China; and (c) COVID-19 testing services for the Year. Details of revenue from different business segments of the Group will be explained in subsequent paragraphs.

Fair Value Gain on Investment Properties

The Group recorded a fair value gain on its investment properties of approximately HK$47,653,000 for the Year (2020: fair value loss of approximately HK$47,566,000), which was mainly attributable to the improvement in property market conditions as a result of the rapid recovery of economic activities from the pandemic in 2021.

Share of Profits of Associates

The Group recorded share of profits of associates of approximately HK$40,484,000 for the Year (2020: approximately HK$7,466,000), which was mainly attributable to the recovery of business operations of the associates from the pandemic in 2021.

Expected Credit Losses and Impairment Losses Recognised on Relevant Assets

The Group recorded expected credit losses and impairment losses on the relevant assets (including the BB Promissory Note) of approximately HK$136,043,000 for the Year (2020: approximately HK$230,555,000). Details of the BB Promissory Note are set out in the announcements of the Company dated 30 December 2016, 17 March 2017, 19 March 2021, 27 April 2021 and 26 May 2021 and the circular of the Company dated 23 February 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Annual Business Review

The pandemic has ravaged the world for two years, and the long road to fight the pandemic has been ups and downs. In 2021, the global economic recovery bumped forward amid waves of pandemic, which brought various new challenges to the medical industry. The Group flexibly adjusted its operating strategies in line with the situation and successfully turned crises into opportunities, thus turning losses into gains. During the Year, the Group recorded revenue of approximately HK$1,483,892,000 (2020: approximately HK$1,069,045,000), representing a significant year-on-year growth of approximately HK$414,847,000 or approximately 38.81%, and profit amounting to approximately HK$75,072,000 (2020: loss of approximately HK$258,450,000), representing a significant year-on-year growth of approximately HK$333,522,000 or approximately 129.05%.

As a frontline institution in the medical system, the Group pursues the realization of mutual prosperity of economic benefits and social value. During the Year, the Group earnestly fulfilled its corporate social responsibilities in public health events, firmly placed the health and life of citizens first, fully cooperated with the anti-pandemic policies of the Hong Kong and Chinese governments, and proactively carried out vaccination and nucleic acid testing in the two places.

In Hong Kong, since March 2021, the Group commenced operation of the Tseung Kwan O Community Vaccination Centre, and then has gradually expanded the scope of operation. The Group is currently operating the Hiu Kwong Street Sports Centre Community Vaccination Centre in Kwun Tong, the Sun Yat Sen Memorial Park Sports Centre Community Vaccination Centre in Sai Ying Pun, the Landmark North Community Vaccination Centre in Sheung Shui, the Leighton Centre Satellite Community Vaccination Centre in Causeway Bay, two vaccination stations set up in public hospitals, as well as two mobile vaccination stations, etc.. At the same time, the Group provides free vaccination services in its 36 designated medical centres, covering the whole territory of Hong Kong. In addition, the Group also launched outreach vaccination service to provide the general public with flexible and convenient vaccination channels. Since May 2021, the outreach vaccination team has been out and about to successively provide outreach on-site vaccinations for employees of several multinational companies, MTR, cruise crews and other large organizations. Since January 2022, the Group's mobile vaccination stations have been officially put into service. Its service area covers Wong Tai Sin, Sham Shui Po, Sheung Shui, Ta Kwu Ling, Sai Kung and Tsz Wan Shan, etc., and can maximize the convenience for the elderly, people with disabilities and residents in remote areas. As of 10 March 2022, the Group has vaccinated approximately 839,000 doses of vaccines for Hong Kong citizens. In terms of nucleic acid testing services, in addition to the nucleic acid testing services provided by Hong Kong Health Check and Medical Diagnostic Centre Limited, a related company of the Company, the Group continued to cooperate with a medical testing institution recognized by the Hong Kong government by providing a venue in the headquarters building to operate a large nucleic acid testing centre during the Year. It helped to identify latent patients as early as possible and stopped the spread of the virus in the community. During the Year, over 3.30 million tests have been processed in total. In Mainland China, Nanshi Hospital, which was managed by Nanyang Xiangrui, a subsidiary of the Company, as well as the health management institutions in different places have also continued to implement the rigorous and necessary pandemic prevention and control measures. In particular, Nanshi Hospital fully cooperated with the Henan Provincial Government's vaccination and nucleic acid testing sampling tasks, it provided uninterrupted pandemic prevention support in the hospital and through dispatched outreach teams to residents in many parts of the province. It also dispatched hundreds of personnel to the local area to participate in the pandemic prevention and control during the emergency period in Zhengzhou. During the Year, it assisted in collecting more than 80,000 nucleic acid testing samples and vaccinating more than 60,000 doses of vaccines.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(Continued)*

Annual Business Review *(Continued)*

As for the business in Hong Kong, favourable factors including the easing of the local pandemic situation, the sustained sound economic momentum, the significant improvement in medical demands and the rising health care sentiment have incubated the Group's business layout, operating strategies and measures to broaden sources of income and reduce expenditure that the Group has carried out years ago. During the Year, the performance of the Group's medical service business improved significantly. The managed medical network business has grown steadily and the self-operated medical centre chain business has emerged from the haze of the pandemic. In addition, the demand for nucleic acid testing services increased, resulting in a significant improvement in performance during the Year.

In terms of business in Mainland China, as the pandemic in Mainland China was properly controlled and the macroeconomic policies were flexible and precise, the Chinese economy took the lead in realizing recovery. While the overall economy maintained growth, the Group grasped the development direction of the medical market, tapped health care opportunities, and continuously strengthened the competitiveness and diversity of hospital management and health management businesses. It deepened the cooperation with China Life Group and strived to expand corporate customers, driving the overall business to record steady growth during the Year.

Healthcare Service Network of the Group

As of 31 December 2021, the Group had 454 healthcare service points covering multiple practices, including 259 general practice service points, 75 specialist service points, 23 dental service points and 97 auxiliary service points. As of 31 December 2021, the Group employed 697 doctors, dentists and auxiliary service staff (including 394 general practitioners, 215 specialists, 30 dentists and 58 auxiliary service staff), all of whom provided healthcare services via the Group's network of self-operated and affiliated medical service centres.

The Group's healthcare service network is as follows:

	As of 31 December 2021
Medical services	**334**
General practice services	**259**
Specialist services	**75**
Dental services	**23**
Auxiliary services	**97**
Physiotherapy services	**52**
Diagnostic imaging and laboratory testing services	**27**
Traditional Chinese medicine services	**17**
Health management services	**1**
Total:	**454**

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(Continued)*

Annual Business Review *(Continued)*

The Group's self-operated medical centres are as follows:

	As of 31 December 2021
Medical services	**84**
General practice services	**43**
Specialist services	**41**
Dental services	**13**
Auxiliary services	**20**
Diagnostic imaging and laboratory testing services	**12**
Physiotherapy services	**7**
Health management services	**1**
Total:	**117**

Business in Hong Kong

Managed Medical Network — Vio

During the Year under review, the Group's medical network management business in Hong Kong recorded revenue of approximately HK$463,284,000 (2020: approximately HK$419,380,000), accounting for approximately 31.22% (2020: approximately 39.23%) of the Group's revenue for the Year. In 2021, the pandemic severely hit the global economy. Fortunately, as the vaccination rate in Hong Kong continued to increase, the local pandemic was brought under control and economic and social activities improved in the second half of the year, which also boosted the Group's medical network management business. During the Year, the demand for pre-vaccination health checks increased, and elective surgeries that were suspended in 2020 due to the pandemic went ahead in 2021. There was a gradual recovery in the number of outpatient visits and the revenue generated per outpatient visit. The revenue, gross profit and net profit of Vio maintained a steady growth, fully highlighting the profitability of the business model and the long-term business growth in the face of adversities.

Vio continued to invest resources in upgrading software and information technology infrastructure. In recent years, Vio has committed to providing customers with accurate, efficient and simple electronic medical insurance claims services through a paperless electronic voucher system and electronic medical expense pre-approval procedures, effectively improving payors' operational efficiency and reducing administrative costs. Vio also endeavoured to protect the privacy, confidentiality and security of patients' personal data and medical records. During the Year, it continued to upgrade the software and hardware of the internal management systems, which strengthened data security management and confidentiality as well as optimized the workflow of frontline medical staff.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(Continued)*

Business in Hong Kong *(Continued)*

As one of the few private medical institutions in Hong Kong that adopts the ISO 9001:2015 quality management system, Vio will continue to provide customers with reliable and high-quality medical services by improving service quality and optimizing its supervision mechanism. Based on the long-term close relationship with corporate clients, Vio understands the needs and preferences of different customers from multiple perspectives, and provides customised value-added solutions for corporate clients in a timely manner, to further enhance customer stickiness, build and sustain competitive advantages and increase market share.

With the pandemic still raging in waves worldwide, Vio has strictly followed the Centre for Health Protection's infection prevention guidelines and adopted a series of protective measures to protect the health of staff and patients. At the same time, it continued to carry out a number of initiatives to optimize the medical centres' environment, including increasing the fresh air intake of medical centres and increasing the frequencies of disinfection on high-contact surfaces to prevent the spread of the virus in medical centres.

Self-Operated Medical Centre Chain

During the Year, the Group operated a total of 43 general practice medical centres, 41 specialist centres and 13 dental centres. Revenue from self-operated medical centre chain business was approximately HK$470,447,000 (2020: approximately HK$357,835,000), accounting for approximately 31.70% (2020: approximately 33.47%) of the Group's revenue for the Year. The pandemic prevention and control at different levels in Hong Kong came into effect and the gradual and widespread vaccination of vaccines locally in the second half of 2021 gradually improved the effect of the pandemic control, injecting more new impetus into the steady recovery of economy and driving the overall performance of the Group's self-operated medical centre chain to pick up from the trough in the second half of the Year.

The Group has always believed that flexible operation management is crucial to the development of the enterprise itself. Taking into full account the different needs of the society in response to the pandemic, the self-operated medical centre chain developed in multiple ways during the Year to prepare for the challenges and opportunities in the post-pandemic era.

In terms of general practice services, the Group owns one of the largest and most extensive medical centres networks in Hong Kong, covering Hong Kong Island, Kowloon and the New Territories. The service points in the network are located in strategic locations with convenient transportation and well-trained medical team provides patients with one-stop medical services. During the Year, benefiting from the easing of the local pandemic, the overall number of outpatient visits rebounded and the business ran smoothly.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(Continued)*

Business in Hong Kong *(Continued)*

In respect of specialist services, the Group covers a number of specialist outpatient services including Cardiology, Clinical Oncology, Dermatology, Gastroenterology and Hepatology, General Surgery, Weight Management and Diabetic Surgery, Obstetrics and Gynecology, Ophthalmology, Orthopaedics, Otorhinolaryngology, Paediatrics, Plastic Surgery, Psychiatry and Respiratory Medicine, etc.. During the Year, the Group recruited additional specialists in Cardiology, Orthopaedics and Internal Medicine, and focused on cultivating specialist services with development potential to meet the strong demand of the public for private specialist services.

For dental services, the Group provides patients with a wide range of dental health care and cosmetic services. During the Year, it continued to strengthen the management of medical centres' operation and administration, and adjusted the layout of medical centres according to market conditions to resist the negative impact of the pandemic and achieve a smooth transition in the face of adverse conditions.

During the Year, the Group accelerated the integration of online and offline medical services to meet the growing demand of citizens for medical and preventive healthcare services. For offline medical services, the Group proactively sought for suitable locations to establish medical centres, further optimized the medical centre network for general practice services, specialist services and dental services, and strengthened the referral mechanism for general practice services and specialist services, to provide appropriate treatment and support services that meet patients' needs. For online medical services, in order to solve the problem of medical treatment for patients with chronic diseases during the pandemic, the Group tried to develop telemedicine on a pilot basis with designated specialist services, to proactively improve the accessibility of medical services. Meanwhile, the Group continued to provide free medical information to the public through its website and major social platforms, to promote public awareness of health care and to educate the public on the importance of "prevention before disease onset and early treatment of disease".

Professional medical staff is the foundation for the Group to provide quality medical services for many years. During the Year, the Group was determined to discover and cultivate outstanding medical talents, grasped the trend of integration of small medical clinics in Hong Kong to recruit experienced doctors, dentists and auxiliary service staff to join the team, and gathered elites and leveraged their expertise in various departments and fields to provide patients with reliable, flexible and comprehensive medical services. The medical businesses of the Group in many fields also enabled mutual benefit and synergy among doctors, which could not only expand each other's patient base through internal recommendation, but also achieve faster treatment efficiency through knowledge sharing. In addition, the Group is committed to building a central medical management platform to provide comprehensive administrative and operational support, save the time for frontline medical staff to deal with tedious paperwork, and help them focus on providing high-quality medical and healthcare services to patients.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(Continued)*

Business in Mainland China

Hospital Management Business

During the Year, the business segments of Nanyang Xiangrui, a subsidiary of the Company, accelerated the pace of development by virtue of the decline in outbreak of the pandemic, and successfully maintained the growth trend. The revenue of Nanyang Xiangrui for the Year recorded a high double-digit growth compared with that for last year, and the overall performance was gratifying.

Nanshi Hospital, managed by Nanyang Xiangrui, is a national Grade III Level A hospital and adopts the operation model of "general hospital + branches" in which the general hospital governs Nanshi Hospital's Youtian Branch, Nanyang Ruishi Ophthalmology Hospital, Nanshi Chinese Medicine Rehabilitation Hospital, Henan Youtian Nanyang Community Health Service Station and several community family clinics, and has become a close medical alliance cooperation unit with dozens of grassroots hospitals.

Nanshi Hospital attaches great importance to the quality of medical environment. In order to meet the ever-increasing medical needs, it has upgraded the hardware and software equipment of the general hospital during the Year, and is committed to providing the residents of Nanyang City with regional leading comprehensive medical services. The new surgical building with 25 floors and a floor area of 84,000 square meters was officially put into operation in August 2021. The renovation project of the brain department building was also completed in October 2021. After the upgrade, the medical service capacity and quality of Nanshi Hospital have been greatly improved. Throughout the Year, the handling capabilities for outpatient, inpatient and surgery of Nanshi Hospital increased in an all-round way. The annual number of outpatient visits exceeded 496,000, the bed utilisation rate reached 115%, and the number of Grade III and Grade IV surgeries exceeded 11,770, which promoted the steady growth of revenue from medical services and pharmaceuticals.

With the increase of national health awareness, rising revenue level and aging problems in recent years, the demand for medical and healthcare services has increased. The branches of Nanshi Hospital seized the development opportunities arising from the upgrading of the medical and healthcare industry in Mainland China, and enhanced their market competitiveness in the field of hospital management by strengthening cooperation with enterprises, exploring new business development models and other strategies to meet the needs of customers with different preferences.

During the Year, the rehabilitation centre of Nanshi Hospital's Youtian Branch was put into operation, becoming the first regional rehabilitation centre in the district. It has signed health management agreements with large local enterprises as a pilot program to provide chronic disease management and community health management services to more than 13,000 employees of the enterprises, and plans to gradually promote this business to different enterprises in Nanyang City and surrounding areas. Nanyang Ruishi Ophthalmology Hospital achieved brilliant performance, with more than 1,000 surgeries, and its revenue exceeded RMB20 million for the first time, representing a year-on-year increase of approximately 30%. Nanshi Hospital continued to develop departments with profit growth potential into specialty hospitals. During the Year, in response to the national strategy of further development of traditional Chinese medicine, Nanshi Hospital expanded the rehabilitation branch from the general hospital into a Chinese medicine rehabilitation hospital, which has obtained the Grade II hospital license and can provide patients with rehabilitation treatment combining traditional Chinese medicine and western medicine characteristics.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(Continued)*

Business in Mainland China *(Continued)*

The pandemic has changed many lifestyles and consumption behaviour, and the Internet has begun to penetrate into medical services during the pandemic. Nanshi Hospital proactively seized the opportunity to develop a new business development model of "internet + medical services", and accelerated the pace of implementing internet hospital. In March 2022, Nanshi Hospital obtained the first internet hospital license in Nanyang City from the Health Committee of Nanyang City. The internet hospital will provide approximately 400,000 registered members with telemedicine services such as remote consultation, multi-expert consultation, electronic prescription and drug delivery. "Internet + medical services" has played an important role in responding to the pandemic and meeting people's medical needs, demonstrating the broad prospects of the internet-enabled medical business.

Health Management Business

During the Year, in terms of health management business, the Group's four health management institutions located in Guangzhou, Zhongshan and Shenzhen in Guangdong Province and Jinan City in Shandong Province developed in a balanced way. During the Year, in light of the demographic characteristics and medical needs of various regions, the Group focused on the development of specialties and health check products, and proactively planned the future layout of the "comprehensive health" industry.

In Guangzhou City, Guangdong Province, during the Year, Yikang, a subsidiary of the Company, the Sixth Hospital and the Medical Diagnostic Centre entered into a termination agreement pursuant to which the parties thereto have mutually agreed to terminate the 20-year management service agreement of the Medical Diagnostic Centre entered into between, among others, the Sixth Hospital and Yikang in February 2008 with effect from 10 September 2021. Yikang was thereby compensated by the Medical Diagnostic Centre, and would continue to lease certain properties at the original site to open an integrated clinic by taking advantage of the geographical advantage of the nearby Sixth Hospital and the good relationship established by the two parties over the years of cooperation. In January 2022, Yikang was granted a practising license for medical institution from Tianhe District Health Committee of Guangzhou City. Guangzhou Integrated Clinic plans to set up specialties such as peripheral supporting services for assisted reproductive services and life cycle health care services for female. In addition, it will set up drug store to sell the concerned pharmaceutical products and Chinese-style health care products, to further expand the source of income, and achieve the benefits of customer attraction and promotion.

In Zhongshan City, Guangdong Province, Zhongshan Health Management Centre, a joint venture project of Zhongshan Shangfeng Yikang, a subsidiary of Yikang, commenced operation in May 2021, and it also entered into a medical alliance construction cooperation agreement with Zhongshan City People's Hospital, a comprehensive Grade III Level A hospital, striving to achieve the effectiveness of expert consultation and mutual recognition of diagnosis. In the long run, it is hoped that a two-way referral mechanism can be realised and it will play a positive role in market sales and brand recognition. The health management centre also houses Zhongshan Yinghe Medical Imaging Diagnostic Centre, a joint venture established by Zhongshan Shangfeng Yikang and Shanghai United Imaging. During the Year, advanced high-end imaging diagnostic equipment was used in conjunction with the health management centre to provide customers with one-stop outpatient and health check services.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(Continued)*

Business in Mainland China *(Continued)*

In Shenzhen City, Guangdong Province, Ganghe Clinic, located in the central area of Futian District, also accelerated the development of reproductive department and developed the business of life cycle health care for female during the Year. Ganghe Clinic mainly serves customers of China Life Group, and has carried out special sessions on thyroid and breast surgery, endocrinology, etc. for insurance customers, and invited professors and experts for consultation and provided services such as outpatient examinations and dressing changes. During the Year, Ganghe Clinic also undertook the underwriting health checks business of CLIZ, continued to strengthen the cooperation between the Group and China Life Group in the main businesses, and developed more special departments according to the needs of the customers of China Life Group to achieve mutual benefit and synergy.

In Jinan City, Shandong Province, Town Health International Health Management Centre, located at China Life Centre, operated stably, and the health check business remained the main source of income. During the Year, Town Health International Health Management Centre launched fecal DNA intestinal cancer screening services, which was convenient for customers to perform simple tests without leaving home during the pandemic, also saved the cumbersome and discomfort of traditional colonoscopy, and received positive feedback from customers. In the second half of 2021, the athletic training and rehabilitation centre of Town Health International Health Management Centre was launched to provide exercise testing and rehabilitation services, aiming to help customers detect diseases related to cardiopulmonary function as soon as possible so as to take appropriate treatment in a timely manner, reduce the cost of treatment and improve the probability of recovery. In the long run, it can reduce the pressure of medical expenses over the public and society.

Other Business

During the Year, TBM which was engaged in medical beauty business employed 12 full-time or part-time doctors (2020: 11), had 14, 9, 8 and 3 beauty centres in Hong Kong, Shenzhen, Shanghai and Guangzhou, respectively (2020: 9, 8, 5 and 3), and recorded revenue of approximately HK$379,192,000 for the Year (2020: approximately HK$245,400,000). The medical beauty business still maintained a booming trend despite the pandemic. In view of this, TBM continued to consolidate and expand its business in Hong Kong, and intensified its efforts to develop the rapidly growing market in Mainland China.

In terms of the businesses in Hong Kong, since the outbreak of the pandemic in early 2020, the implementation of multiple rounds of business closure measures has inevitably dealt a heavy blow to the operation of medical beauty centres. However, as the local pandemic situation began to ease, the government launched consumption voucher scheme and other stimulus measures, igniting customers' long-suppressed consumption desire, and revenge spending drove TBM's performance to leapfrog since the second quarter of 2021, and TBM also took advantage of the rental adjustment to find suitable locations to open new centres.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(Continued)*

Business in Mainland China *(Continued)*

For the businesses in Mainland China, in recent years, people's acceptance of medical beauty consumption behaviour has been increasing, beauty equipment and technologies have become more advanced, and raw materials and treatment costs have become cheaper, stimulating the demand for medical beauty in the era of beauty economy. At the same time, since 2021, with the arrival of the era of strong regulatory transformation in the medical beauty industry, a series of policies have brought medical beauty back to its essence and the standardized development of the industry has brought market opportunities for the large-scale participants with strength in the beauty industry. In the era of new medical beauty, TBM has achieved phased results in the development of medical beauty and beauty care. During the Year, new beauty centres were set up in first-tier cities, including a large-scale medical beauty flagship centre in Shanghai.

TBM has never stopped combining the Internet and the traditional beauty industry, and continued to build a big data analysis team and develop online and offline integrated marketing channels during the Year. TBM realized value through big data analyses. Externally, it better managed members and treatment courses, and provided personalized and customized beauty solutions to meet the individual needs of customers; internally, it had a better understanding of operational weaknesses, and provided targeted administrative management and employee training to improve customer service experience and operational efficiency. Besides, TBM continued to conduct online and offline interactive marketing through different channels in Hong Kong and Mainland China, including inviting real customers to share their beauty experiences on social platforms, and selling OEM skin care products in conjunction with beauty treatments, successfully retaining existing customers and attracting new ones.

OUTLOOK

After a long period of economic shutdown, Hong Kong and Mainland China ushered in the long-awaited recovery in 2021. However, with the outbreak of variant viruses in 2022, the latest wave of the pandemic and the tightening of anti-pandemic measures have put a new round of pressure on economic activities and also dampened economic sentiment, making the pace of recovery in 2022 likely to be slowed down. Although the development of the pandemic and various uncertainties in the external environment have created hidden worries for the economy to return to normal, the Group will adjust its business strategies in a timely manner according to the current economic situation, striving to cultivate new opportunities in the midst of crises and open a new situation in changes. It will seize market opportunities to consolidate the businesses in Hong Kong, develop the market in Mainland China, and continue to provide the public with reliable and high-quality medical and healthcare services.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK *(Continued)*

In 2022, as the pandemic prevention and control situation in Hong Kong and Mainland China is severe, the medical staff of the Group are determined to shoulder the responsibility of protecting the safety and health of citizens, and will continue to stick to the front line of fighting the pandemic. In Hong Kong, the pandemic has deteriorated rapidly since February 2022, with an unprecedented large-scale outbreak, and the number of local daily infections has repeatedly hit new highs. Facing the most severe battle since the outbreak of the pandemic, the Group believes that increasing the vaccination rate is crucial to the prevention and control of the pandemic. It will continue to operate a number of community vaccination centres and vaccination stations in public hospitals, and provide citizens with convenient vaccination channels through its designated medical centres, outreach vaccination teams, and mobile vaccination stations, so as to provide a herd immunity barrier for the community. Moreover, on 11 March 2022, Sure Metro, a wholly-owned subsidiary of the Company and Sunrise, entered into a joint venture agreement for the formation of a joint venture regarding the JV Company. The JV Company will be owned as to 49% and 51% by Sure Metro and Sunrise respectively and will be engaged in the operation of a medical laboratory in Hong Kong to carry out, among others, COVID-19 nucleic acid testing services for general public clients. Leveraging on the medical network of the Group and the experience of Sunrise in the provision of laboratory testing services in Hong Kong, it is believed that the JV Company could cater for the current and future prevalent demand for various testing services in Hong Kong. In Mainland China, Nanshi Hospital and health management institutions in many places will continue to cooperate with the local governments in the pandemic prevention and control and provide practical support. The pandemic is expected to last for a period of time. In this protracted battle against the pandemic, the Group will continue to fulfill its responsibilities and go all out to work with the public to overcome the pandemic.

Hong Kong

For the medical network management business, Vio will continue to leverage its time-honoured and effective business model to further enhance its competitive advantages and maintain organic business growth in the post-pandemic era. On the one hand, Vio will continue to further cultivate its long-term partnership with corporate clients and insurance companies, and proactively explore new customer sources, and launch customer-oriented medical solutions by closely following the different needs of new and existing customers. On the other hand, Vio will further upgrade software and information technology infrastructure, consolidate the central database, analyse the latest data set to derive real-time costing of health screening packages and expected profit, so as to carry out strict cost control in medical services, pharmaceutical supplies and administration, which will facilitate competitive pricing and also maintain long-term stability in earnings.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK *(Continued)*

Hong Kong *(Continued)*

In terms of self-operated medical centre chain, the Group will keep a close eye on the development of the pandemic and make prudent arrangements. In 2022, the Group will continue to optimize the medical centre network of general practice services, specialist services and dental services according to the actual operating conditions and community needs. In respect of general practice services, medical centres are the first point of contact for individuals and families in the medical treatment process. The Group will continue to optimize the network layout of medical centres in Hong Kong to provide citizens with convenient comprehensive medical services in the communities where they live and work, and also continue to recruit medical talents and improve service quality, to consolidate its position in the primary medical service market. For specialist services, the Group will accelerate the development of popular specialties depending on market demand, to meet the increasing demand of citizens for private specialist medical services under the increasing medical affordability and pave the way for future medical tourism after the pandemic. As to operation and administrative management, the Group will seize the integration opportunities brought about by the tightening of regulations in the medical industry for industry leaders, to proactively attract high-quality medical talents from small medical clinics, and enhance all-round support for medical teams and cross-disciplinary exchanges and cooperation, to give full play to the advantages of the two-way referral mechanism of general practice services and specialist services in the network.

Mainland China

In terms of hospital management business, the offline entity and online Internet business of Nanshi Hospital will be developed in multiple ways. For offline business, the internal medicine building is in the process of replacing outdated facilities and integrating internal medicine departments, and is expected to be transformed and put into operation in the first half of 2022 and will significantly improve the inpatient environment and enhance operational efficiency. For online business, the internet hospital license has given new impetus to medical services. Nanshi Hospital will cooperate with China Life Group to practise "internet + medical services + insurance", with a view to using telemedicine as the main means to explore the combination of online and offline medical services with insurance management. Then, Nanshi Hospital will be able to provide targeted employee-specific health management insurance products for enterprises in Nanyang City, and will also be able to provide chronic disease and health management to residents in remote counties and townships in Nanyang City, to break through the bottleneck constraints of traditional medical services, promote the penetration of high-quality medical resources in Henan Province, achieve mutual benefit and win-win with China Life Group, and accelerate the sustainable development of Nanshi Hospital.

For health management business, the Group will strengthen the strategic deployment of "comprehensive health", focusing on the development of specialties and health check products. In addition to further enhancement of the business of assisted reproductive services and life cycle health care services for female, health management institutions in different places will also actively cooperate with insurance institutions to try the characteristic service model of "medical services + insurance". On the basis of further assisting the development of the main business of insurance institutions, the Group will expand the brand and service content of its own medical services, strengthen personnel training, improve customer experience, and try to introduce certain special medical projects to form diversified and personalized medical service products and achieve all-round value release from product and services to business capabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK *(Continued)*

Others

For the medical beauty business, TBM will make every effort to reverse the adverse impact of the new wave of the pandemic in Hong Kong, and seize the industry development opportunities in Mainland China in the new era of medical beauty to advance at full speed on the golden track of the beauty market and further expand the beauty centre network in Hong Kong and Mainland China. In Hong Kong, TBM will continue to look for sections with a high flow of people to expand its beauty centres and follow the trend of age rise per capita to develop special areas to delay aging for customers including pain treatment, hair transplant and dental aesthetics. It will enter the comprehensive health market and plan to expand service outlets to cities in the Greater Bay Area. In Mainland China, TBM will focus its resources on developing more medical beauty outlets in first and second-tier cities in Mainland China. In respect of marketing strategy, TBM will make more use of online channels for word-of-mouth publicity and encourage existing customers to make word-of-mouth referrals so as to acquire new customers, thereby further expanding its customer base. With the application of big data analyses, TBM will provide high-quality "medical beauty + comprehensive health" diversified service experience for customers in Hong Kong and Mainland China.

PRINCIPAL RISKS AND UNCERTAINTIES

The operations and business of the Group may be affected by major risks and uncertainties which are set out below:

- The reliance on the Group's professional team: The Group depends on its professional team to provide medical services to its customers who look for quality healthcare services and stable doctor-patient relationship. The employment contracts of the Group's professional team with the Group may be terminated by either party giving the required notice. The business may be adversely affected if the Group is not able to recruit or retain members of its professional team to support the services of its network of medical centres. The supply of registered doctors and dentists is limited and the Group has to compete with healthcare service providers in both the public and private sectors for these registered medical and dental practitioners. The professional team is one of the Group's valuable assets and the Group attracts quality new members to join the professional team through the Group's reputation, competitive compensation package, supportive working environment and attractive career development.

- The recognition of the Group's brand and reputation: The Group's image may be adversely affected by negative publicity as doctors and dentists of the Group may from time to time be subject to complaints, allegations or legal actions regarding the adequacy of patient care, treatment outcome and medical services provided, which may harm the business, operating results, financial condition, brand and reputation of the Group. The Group has developed a set of standard operation procedures for each of the medical centres and conducted sharing sessions among doctors and dentists from time to time so as to minimise the chance of medical negligence.

Details about the Group's financial risk management are set out in note 45 to the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a prudent cash and financial management policy. As at 31 December 2021, the Group held bank balances and cash of approximately HK$910,458,000 (2020: HK$1,070,835,000) and fixed bank deposits of approximately HK$1,086,559,000 (2020: HK$817,090,000). In order to achieve better cost control and minimise the costs of funds, the Group's treasury activities are centralised and substantial cash is generally deposited with banks in Hong Kong and denominated mostly in HK$. As at 31 December 2021, the Group had bank borrowing which represented a mortgage loan of approximately HK$15,400,000 (2020: HK$16,623,000) of which approximately HK$1,239,000 (2020: HK$1,126,000) are repayable within one year. As at 31 December 2021, the Group had available unutilised banking facilities of HK$20,000,000 (2020: nil). Details of the bank borrowing of the Group are set out in note 35 to the consolidated financial statements for the Year.

As at 31 December 2021, the Group's net current assets amounted to approximately HK$1,955,767,000 (2020: HK$1,926,151,000) and the Group had a current ratio (defined as total current assets divided by total current liabilities) of 5.64 (2020: 6.34). As at 31 December 2021, the Group's gearing ratio (defined as total bank borrowing divided by equity attributable to owners of the Company) was 0.40% (2020: 0.44%). The Group considers the level of liabilities of a company reflects its financial health. The Group strives to keep the level of borrowings at minimum and to maintain ample internal resources to support its business operations, not only to reduce interest burden, but also to enable the Group to respond to changes and capture business opportunities in a timely manner when they arise. As such, both current ratio and gearing ratio are useful to assess the Group's financial positions. While higher current ratio reflects sufficiency of the Group's assets and the capability of the Group to meet its debt repayment obligations, lower gearing ratio represents lesser reliance on debt financing and greater financial stability of the Group. During the Year, the Group's liquidity position was well-managed and the Group's financial resources were sufficient to support its business operations. Where necessary, the Group may also consider other fund raising activities when opportunity arises under favourable market conditions.

Major currencies used for the Group's transactions were HK$, RMB and US$. As HK$ are pegged to the US$ and the fiscal policy of the Central government of the PRC in relation to RMB was stable throughout the Year, the Group considers that the potential foreign exposure of the Group is limited.

During the Year, the Group did not use any financial instruments for hedging activities.

CAPITAL STRUCTURE

As at 31 December 2021, the Group had equity attributable to owners of the Company of approximately HK$3,855,035,000 (2020: HK$3,810,481,000).

MANAGEMENT DISCUSSION AND ANALYSIS

HUMAN RESOURCES AND TRAINING SCHEME

As at 31 December 2021, the Group employed 1,170 staff (2020: 1,164 staff). Total employee costs for the Year, including directors' remuneration, amounted to approximately HK$656,338,000 (2020: HK$581,958,000). The salary and benefit levels of the employees of the Group are competitive and individual performance is rewarded through the Group's salary and bonus system. Remuneration packages are reviewed annually.

Training is valued as essential to the personal growth of employees, which also ensures and improves the Group's customer services. Apart from the strict code of conduct that all employees shall follow, employees are also provided with customised trainings and handbooks with respect to their specialities.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group had no significant contingent liabilities (2020: Nil).

PLEDGE OF ASSETS

As at 31 December 2021, property, plant and equipment of the Group with carrying value of approximately HK$39,804,000 (2020: HK$42,925,000) were pledged to secure general banking facilities granted to the Group.

CAPITAL COMMITMENTS

As at 31 December 2021, the Group did not have capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment (2020: Nil).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Jin Zhaogen ("Mr. Jin"), aged 41, has been appointed as an executive Director and the Chief Executive Officer since 26 March 2021. Mr. Jin is also a member of each of the Nomination Committee and the Remuneration Committee. Mr. Jin is a director of a number of subsidiaries of the Company.

Mr. Jin has extensive experience in equity investment and management. From 2007 to 2011, Mr. Jin worked in the asset management department of CLIG with last position as senior supervisor. From 2011 to 2016, Mr. Jin worked in the direct investment department of China Life Investment Holding Company Limited (國壽投資控股有限公司) with last position as senior investment manager. Since October 2016, Mr. Jin has been a member of the investment committee, a member of the risk management committee and the director of the Risk and Compliance Department of CLPE and he has been a member of the management committee of CLPE since 2017. CLPE is a wholly-owned subsidiary of CLIG, a substantial Shareholder as at the date of this annual report. Mr. Jin graduated from the University of International Business and Economics (對外經濟貿易大學) in July 2002 with a bachelor's degree in economics. In July 2007, Mr. Jin obtained a master's degree in economics from the Institute of Finance of the People's Bank of China (中國人民銀行金融研究所).

Ms. Zhao Xiangke ("Ms. Zhao"), aged 36, has been appointed as an executive Director since 26 March 2021 and has been appointed as the chief financial officer of the Company since December 2019. Ms. Zhao is also a director of a number of subsidiaries of the Company. Ms. Zhao is a member of CPA Australia. Ms. Zhao was an associate director of the Investment Management Department of CLPE from July 2018 to April 2021. Ms. Zhao had worked in the audit department and financial advisory department of two international accounting firms, serving a number of listed companies and private enterprises, and has extensive experience in the provision of financial, auditing and advisory professional services. Ms. Zhao graduated from Renmin University of China (中國人民大學) with a bachelor's degree in economics in June 2008.

NON-EXECUTIVE DIRECTORS

Mr. Kong Dechang ("Mr. Kong"), aged 49, has been appointed as a non-executive Director, the chairman of the Company and the chairman of the Nomination Committee since 21 May 2021.

Mr. Kong has extensive experience in banking and insurance industries as well as management of government affairs, which together familiarized himself with corporate management, finance and investment. From 2008 to 2012, Mr. Kong worked in various departments of the Agricultural Bank of China, successively serving as the deputy office director of the board of directors, the deputy office director of Share Reform Leading Group, a vice president of Qinghai Branch, and the general manager of the "Three Agricultures" Policy and Planning Department.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS *(Continued)*

From 2012 to 2016, Mr. Kong served as the deputy director of the Tianjin Financial Services Office (天津市金融服務辦公室) (renamed as Tianjin Financial Work Bureau (天津市金融工作局) in September 2014), and then the deputy director and director of the Tianjin Financial Work Bureau (天津市金融工作局). From 2016 to 2019, Mr. Kong was the mayor of Tianjin Dongli District.

From April 2019 to March 2021, Mr. Kong was a vice president of China Life Investment Holding Company Limited (國壽投資控股有限公司), which is currently known as China Life Investment Management Company Limited (國壽投資保險資產管理有限公司). Since September 2020, Mr. Kong has been the president of China Life Healthcare Investment Company Limited (國壽健康產業投資有限公司).

Mr. Kong graduated from the Shandong Institute of Mining (山東礦業學院) (now known as Shandong University of Science and Technology) in 1994 with a bachelor's degree in engineering. He completed the postgraduate course of international law in the University of International Business and Economics in 2003. Mr. Kong obtained a doctorate degree in management from Central South University in 2007.

Mr. Hou Jun ("Mr. Hou"), aged 44, has been appointed as a non-executive Director since 25 May 2020. Mr. Hou is currently the deputy general manager of the investment management department of CLIG. He had worked in various departments of CLIG including finance department, asset management department and investment management department from 2004 to 2016 and had been the assistant to the general manager of the investment management department of CLIG from 2016 to 2020. Mr. Hou obtained a bachelor's degree in Economics (majoring in Investment Economics) from Shanxi University of Finance and Economics in July 2000, and a master's degree in Economics (majoring in Finance) from Central University of Finance and Economics in June 2004. Mr. Hou is also a non-executive director of Sino-Ocean Group Holding Limited, whose shares are listed on the Main Board (Stock Code: 3377).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Kwok Wah, George ("Mr. Ho"), *MH*, aged 63, has been appointed as an independent non-executive Director since September 2004. Mr. Ho is also the chairman of each of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee. Mr. Ho is a Practising Certified Public Accountant in Hong Kong. He is a director of Yong Zheng CPA Limited, Certified Public Accountants and has extensive experience in accounting, auditing, tax planning and business advisory. Mr. Ho is a director of Hong Kong Shatin Industries and Commerce Association Limited and Hong Kong Commerce and Industry Associations Limited. He is also an independent non-executive director of Rykadan Capital Limited, whose shares are listed on the Main Board (Stock Code: 2288) and PuraPharm Corporation Limited, whose shares are listed on the Main Board (Stock Code: 1498).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. Yu Xuezhong ("Mr. Yu"), aged 64, has been appointed as an independent non-executive Director since June 2015. Mr. Yu is also a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee. Mr. Yu has profound knowledge and extensive experience in teaching, scientific research and clinical experience in emergency medicine. Mr. Yu is currently an assistant to the medical superintendent, a professor in emergency medicine and a supervisor of the emergency medicine division of Peking Union Medical College Hospital (北京協和醫院). He is also the chairman of 中國醫師協會急診醫學分會 (in English, for identification purpose only, The Society of Emergency Medicine of Chinese Medical Doctor Association) and the chairman of 中華醫學會急診醫學分會 (in English, for identification purpose only, The Society of Emergency Medicine of Chinese Medical Association). Mr. Yu graduated from The Fourth Military Medical University (第四軍醫大學) in 1984. He obtained a master degree in medicine from 中國協和醫科大學 (in English, for identification purpose only, China Union Medical University) (now known as Peking Union Medical College (北京協和醫學院)) in 1991.

Dr. Xu Weiguo ("Dr. Xu"), aged 70, has been appointed as an independent non-executive Director, and a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee since 31 March 2021.

Dr. Xu has solid theoretical foundation and profound practical experience in clinical medicine and hospital management. Dr. Xu is a former dean of the Xinhua Hospital affiliated to Shanghai Jiao Tong University School of Medicine (上海交通大學醫學院附屬新華醫院). He has also been a doctoral adviser of Shanghai Jiao Tong University.

Dr. Xu is currently the chairman of Health Management Branch of China Association of Medical Equipment (中國醫學裝備協會健康管理分會), a researcher of the Academic Committee of China Academy of Management Sciences (中國管理科學研究院學術委員會) and a researcher of the Health Policy Research Center of Shanghai Jiao Tong University (上海交通大學衛生政策研究中心).

Dr. Xu was formerly a director of the Graduate School of Strategic Management of China Hospital Development Institute (中國醫院發展研究院醫院戰略管理研究所), a member of the Academic Committee of the Research Center for Healthcare Management of School of Economics and Management of Tsinghua University (清華大學經濟管理學院醫療管理研究中心學術顧問委員會) and a final evaluation expert of 2009年中華醫學科技獎 (in English, for identification purpose only, the "2009 Chinese Medical Science and Technology Award").

Dr. Xu was awarded 中國醫院"先聲杯"優秀院長 (in English, for identification purpose only, the "Xian Sheng Cup" – "Outstanding Dean of Hospitals in China") by the Chinese Hospital Association (中國醫院協會) in 2010 and "華仁杯"2011最具領導力中國醫院院長 (in English, for identification purpose only, the "Hua Ren Cup 2011 – Dean of Best Leadership of Hospitals in China") by the China Hospital CEO Magazine (中國醫院院長雜誌社) in 2011.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Dr. Xu graduated from Harbin Medical University (哈爾濱醫科大學) in 1980 and obtained the master degree in medicine from Shanghai Jiao Tong University School of Medicine (上海交通大學醫學院) (formerly known as Shanghai Second Medical University (上海第二醫科大學)) in 1993 and the doctoral degree in management from Tongji University (同濟大學) in 2004. Dr. Xu was qualified as a Chief Physician by Shanghai Jiao Tong University School of Medicine (formerly known as Shanghai Second Medical University) in 2000.

SENIOR MANAGEMENT

Dr. Leung Kwok Ling, Ares ("Dr. Leung"), aged 61, joined the Group as a consultant of the Group in April 2020. He was subsequently appointed as the chief operating officer of the Company with effect from 29 June 2020. Dr. Leung is a director of a number of subsidiaries of the Company. Dr. Leung graduated from The University of Hong Kong with the degrees of Bachelor of Medicine and Bachelor of Surgery. He was fully registered as a medical practitioner in 1985. Dr. Leung is currently a member of the Hong Kong Dental Council, a member of the Committee on Complaints against Private Healthcare Facilities, a member of the Hospital Governing Committee of Haven of Hope Hospital, a board member of Haven of Hope Christian Service, and the chairman of the Medical Advisory Committee of Haven of Hope Sister Annie Skau Holistic Care Centre. Prior to joining the Group, Dr. Leung had been the Deputy Medical Director of Union Hospital, a member of the Management Board and Medical Advisory Committee of Union Hospital. Dr. Leung was also the president of the Hong Kong College of Obstetricians and Gynaecologists from 2013 to 2015.

Mr. Kwan Chung Man ("Mr. Kwan"), aged 56, has been appointed as the Company Secretary since December 2019. Mr. Kwan is a solicitor of Hong Kong. Mr. Kwan joined the Group in 2009 and is currently the group head of legal & company secretary of the Company. Prior to joining the Group, he had been a practising solicitor for more than 12 years in Hong Kong. He obtained a bachelor's degree in social sciences from The University of Hong Kong.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SCOPE AND REPORTING PERIOD

This Environmental, Social, and Governance ("ESG") Report is presented by Town Health International Medical Group Limited (hereinafter referred as the "Company", and together with its subsidiaries referred as the "Group"), highlighting its ESG performance, with disclosure reference made to the ESG Reporting Guide contained in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The Group is principally engaged in the provision of Hong Kong medical services, Hong Kong managed medical network business, Mainland hospital management and medical services, and leasing of properties. This ESG report covered the overall environmental and social performances of its business operations in:

(i) the headquarter office in Shatin, Hong Kong;

(ii) the back office in Sheung Wan, Hong Kong;

(iii) the medical centres in Hong Kong with shareholding of more than 50%; and

(iv) the office of the hospital management and medical services business in Nanyang Xiangrui of the PRC.

The reporting period covered from 1 January 2021 to 31 December 2021 ("Reporting Period"). The above business operations contributed to approximately 99% of the Group's revenue for the Reporting Period. Other operations that have no significant contribution to the Group's revenue, and environmental and social impacts are excluded from the reporting scope.

Reporting Principles

In the preparation of this ESG report, the Group has adhered to the following reporting principles:

Materiality: A description of the Group's materiality assessment process can be found in the section headed "Stakeholder Engagement and Materiality" in this ESG report. It outlines the way the Group identifies, prioritises and validates material issues, including how the Group takes key stakeholders' views into account.

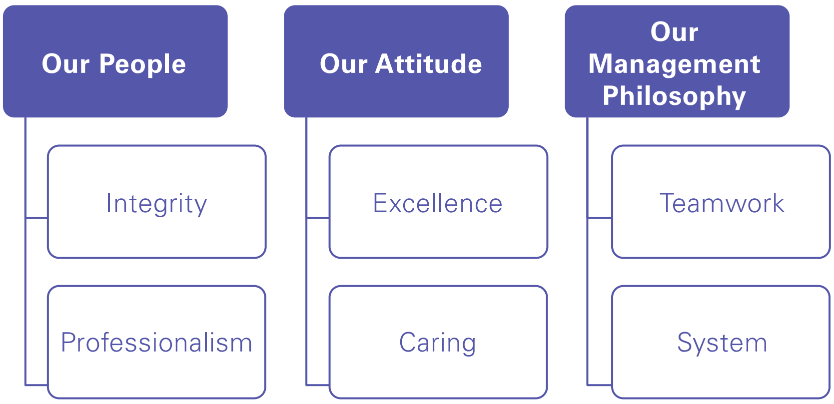
Quantitative: The details of how the Group quantifies the ESG data in relation to emissions/energy consumption can be found in the respective section below.

Consistency: Consistent methodologies are employed for a meaningful comparison, using year-on-year data.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

THE GROUP'S MISSION AND VISION ON SUSTAINABILITY

The Group aims to maintain its leading position in Hong Kong medical network market. It believes that pursuit of innovation is an important factor leading to a successful business, while a steady growth of business can support its staff and community in return. To achieve this goal, the Group would maintain relationship with its stakeholders and at the same time, implement responsible corporate governance policies to pursue sustainable business growth. As a leader in medical field, the Group will do its best to fulfil its corporate social responsibility and be responsible to individuals, the community and the environment.



The board of directors ("Board") of the Company attaches great importance to the appropriate and effective ESG risk management and internal control. The Board reviews ESG performances and identifies related risks annually.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SUSTAINABILITY GOVERNANCE

The Board understands its responsibility of driving, evaluating and improving ESG performances across the Group's business. During the Reporting Period, environmental targets have been set to ensure that the Group's overall objectives in environmental protection will be fulfilled. The Board reviews the Group's ESG performance, management and targets annually to ensure effectiveness of the measures implemented.

THE GROUP'S CORPORATE SOCIAL RESPONSIBILITY POLICY

The Group recognises its impact on the society and environment. Therefore, upon compliance with laws and regulations, it adheres to the highest standards of corporate social responsibility in its business. Aligned with the Group's vision on sustainability, it is committed to protecting the environment, caring for staff and serving the community.

Protecting the Environment

The Group understands that its business operation contributes to significant consumption of natural resources and the waste it releases pose threat to public health and the environment if handled improperly. It strives to protect the environment, reduce carbon emission and establish a green office by implementing various energy saving, water saving and waste reduction initiatives.

Caring for Staff

The Group treasures staff as its great assets. Promoting harmonious relationships and environment at workplace is of paramount importance to the Group. Not only does the Group provide attractive remuneration package, but it also maintains a safe working environment, builds positive cultures, provides equal opportunities, and respect its employees.

Serving the Community

The Group recognises the importance of serving the underprivileged community and nurturing our next generation. It pledged to support local charity organisations through partnership with local charity organisations, donations and active participation in voluntary services. It also focuses on supporting organisations that enhance personal development and growth of youth to nurture young leaders for future generation.

Stakeholder Engagement and Materiality

The Group values relationships with its employees, shareholders, investors, customers and suppliers. It believes that feedback from stakeholders helps to improve its business performance and bring insight to its future development. By communicating with stakeholders in a timely manner, the Group collects constructive feedback from stakeholders and builds shareholder and investor confidence. Stakeholders are engaged through regular meetings, regular performance review, appraisals and surveys.

During the Reporting Period, the Group has specifically engaged internal and external stakeholders, including the Board members, frontline staff, patients, and suppliers to provide feedback on materiality of 21 ESG aspects for the Group's operation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

THE GROUP'S CORPORATE SOCIAL RESPONSIBILITY POLICY

(Continued)

Environmental	Social	Others
1 Energy	8 Employment	19 Pharmaceuticals Handling
2 Water	9 Occupational Health and Safety	20 Medical Advertising
3 Air Emission	10 Development and Training	21 Safety and Hygiene in Medical Centers
4 Waste and Effluent	11 Labour Standards	
5 Other Raw Materials Consumption	12 Supply Chain Management	
6 Environmental Protection Policies	13 Intellectual Property Rights	
7 Climate Change	14 Data Protection	
	15 Customer Service	
	16 Product/Service Quality	
	17 Anti-corruption	
	18 Community Investment	

According to the materiality assessment, the five most material aspects to the Group are:

- Employment
- Occupational Health and Safety
- Development and Training
- Data Protection
- Customer Service

The Group has strictly complied with the statutory requirements in respect of the identified material aspects. The Group will continue to identify areas of improvement for the concerned aspects and keep close communication with its stakeholders to share and exchange ideas for advancing the Group's ESG management.

Stakeholders' Feedback

The Group welcomes stakeholders' feedback on its ESG approach and performance. For any suggestion or opinion, please send to the Group via its email at enquiry@townhealth.com.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL

To cope with the climate change challenge that the world is facing, the Group puts significant effort on environmental protection and reduction of greenhouse gas ("GHG") emissions. Although there was no specific policy adopted in relation to air and GHG emissions, discharges to water and land and generation of hazardous and non-hazardous waste, the Group has developed a guidance memorandum regarding environmental protection practices, which is reviewed regularly and delivered to staff through email. The Group mainly consumed electricity, water and paper, and generated clinical waste, expired medication waste and paper waste during the Reporting Period.

The Group strives to comply with all relevant environmental laws and regulations that are applicable to its business operation. Its business does not involve in the production-related air, water, or land pollutions which are regulated under the laws and regulations of Hong Kong and the PRC. There was no material non-compliance relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste during the Reporting Period.

A1. Emissions

A1.1 Air Emissions

Petrol and diesel were used in private cars for business meetings and travels, which contributed to the emission of 0.30 kg of sulphur oxides ("SOx"), 78.18 kg of nitrogen oxides ("NOx"), and 6.11 kg of respiratory suspended particles ("PM") during the Reporting Period.[1]

[1] Emission factors were made by reference to Appendix 27 to the Listing Rules and their referred documentation as set out by the Stock Exchange, unless stated otherwise.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL *(Continued)*

A1.2 Greenhouse Gas Emissions

Scope of GHG Emissions	Emission Sources	Emission (in tonnes of carbon dioxide equivalent "tCO_2e")	Total Emission Percentage
Scope 1 **Direct Emission**	Combustion of fuel for mobile sources – Petrol	36.59	4%
	Combustion of fuel for mobile sources – Diesel	17.20	
Scope 2 **Energy Indirect Emission**	Purchased electricity	1,321.34	95%
Scope 3 **Other Indirect Emission**	Paper waste disposal at landfills	11.44	1%
	Electricity used for freshwater processing	2.10	
	Electricity used for sewage processing	1.01	
Total		1,389.68	100%

Note1: Emission factors were made by reference to Appendix 27 to the Listing Rules and their referred documentation as set out by the Stock Exchange, unless stated otherwise.

Note2: Electricity and water consumption of some medical centres were not included in the calculation as relevant data was managed by the facility office and the data was not available to the Group.

The Group's activities contributed to 1,389.68 tCO_2e, with emission intensity of 0.95 tCO_2e/million HKD (2020: 1.72 tCO2e/million HKD), of total revenue, which included mainly carbon dioxide, methane, nitrous oxide and hydrofluorocarbons emissions, during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL *(Continued)*

A1.3. Hazardous Waste

The Group mainly involves in the provision of medical services, which generates clinical waste and expired medication from its operation. The Group complied with the Waste Disposal Ordinance, Chapter 354 of the Laws of Hong Kong, and all applicable regulations and laws of Hong Kong and the PRC when handling and disposing of waste during the Reporting Period.

Clinical Waste

Clinical waste contributes to a large portion of the total waste generated from the Group's operation. The Group takes special caution in handling medical waste to minimise risks to public health and the environment. Guidelines on clinical waste management has been issued to all clinical staff. Employees in all clinic offices have been well trained to segregate the waste into the following groups:

Group 1	• Used or Contaminated Sharps
Group 2	• Laboratory Waste
Group 3	• Human and Animal Tissues
Group 4	• Infectious Materials
Group 5	• Dressings
Group 6	• Other Wastes

Different types of clinical waste are placed in appropriate types of containers which are then sealed by proprietary closure or by tape. All types of clinical waste are collected by licensed clinical waste collectors and the copies of trip tickets are kept for record. A total of 1.6 tonnes of clinical waste, representing an intensity of 1.13 kg/million HKD (2020: 1.24 kg/million HKD) of total revenue, was generated during the Reporting Period.

Expired Medication

The Group follows the "First In, First Out" method when storing and dispensing medicines to ensure that the oldest items are used first to prevent wastage. The medication inventory is checked by assigned senior nurses every month in every individual medical centre. The products that past the expiration date or will expire in the next 60 days are kept in specific collection area and will be sent back to the headquarters' purchasing department for further handling, which will be collected by the regulatory body as chemical waste. During the Reporting Period, a total of 558.15 L and 195.33 kg of chemical wastes were collected by the regulatory body.

A1.4. Non-hazardous Waste

Non-hazardous waste from the Group's operation was mainly domestic waste and paper waste from office. A total of 2.38 tonnes of paper, with an intensity of 1.62 kg/million HKD (2020: 2.44 kg/million HKD) of total revenue, was consumed for the office operation during the Reporting Period. Collection of non-hazardous waste is arranged by the property management companies of the premises.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL *(Continued)*

A1.5. Measures to Mitigate Emissions and Targets

The Group keeps track of its fuel consumption, electricity consumption, water consumption, paper disposal at landfills and business air travels to estimate GHG emissions and strives to reduce related emissions whenever possible. The Group reduces its GHG emission by reducing energy consumption whenever possible. The GHG emissions intensity during the Reporting Period have dropped significantly by 45% mainly due to a decrease in electricity consumption, despite an increase in total revenue during the Reporting Period. The Group targets to achieve a 1% reduction in GHG emission by 2023, tracking against the GHG emission during the Reporting Period.

A1.6. Waste Reduction Initiatives and Targets

The Group minimised radiology associated chemical waste by investing in digital radiology at the medical centres to replace Silver Chloride coated plastic films. According to the memorandum regarding environmental protection practices, the Group encourages employees to implement the following initiatives:

- Printing double-sided;
- Adjusting margins and font size of documents, choosing multiple-page printing;
- Using the 'Print Preview' mode to ensure desired printing;
- Adopting electronic communication and document sharing to go paperless;
- Keeping soft copies of file documents rather than hard copies;
- Printing address on envelopes to reduce the use of labels;
- Folding and stapling internal non-confidential document to reduce the use of envelopes;
- Drying hands using handkerchiefs instead of tissue paper or dryer;
- Bringing personal mugs or cups to avoid use of disposable cups; and
- Compressing garbage to reduce the use of plastic bags.

Employees are also encouraged to reuse whenever possible, such as reusing envelopes, files, stationery and tableware. The Group targets to achieve a 1% reduction in waste by 2023, tracking against the waste generation data during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL *(Continued)*

A2. Use of Resources

The Group upholds and promotes the principle of effective use of resources. The Group monitors and reviews potential environmental impacts in its operations. The Group also promotes green office and operation environment, and minimise the environmental impacts of the Group. To improve the efficiency of the use of resources in business operations, the Group has implemented various resource conservation initiatives in operations and encouraged behavioural changes of employees. Please refer to Sections A2.2 and A2.4 of this report for detailed information on actions taken and policies implemented.

A2.1. Energy Consumption

The Group consumed a total of 3,427 MWh for vehicles and electricity for its daily operation during the Reporting Period. The energy consumption intensity during the Reporting Period was 2.33 MWh/million HKD (2020: 3.15 MWh/million HKD) of total revenue. The energy consumption details are presented below.

Energy Consumption Sources	Use of Energy	Direct Consumption In 2021	Consumption (in MWh)
Petrol	For vehicles	13,757 L	133
Diesel	For vehicles	1,000 L	56
Electricity	For daily operation	3,238 MWh	3,238
TOTAL			3,427

Note 1: Emission factors were made by reference to Appendix 27 to the Listing Rules and their referred documentation as set out by the Stock Exchange, unless stated otherwise.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL *(Continued)*

A2.2. Energy Use Efficiency Initiatives and Targets

Energy consumption has a direct influence on the environment and operational costs. Various measures have been implemented by the Group to encourage energy conservation. The Group chooses electrical appliances with high energy efficiency and has installed automatic lighting devices to ensure that unnecessary lighting devices are switched off after office hours. Notices and reminders are regularly issued to staff to raise their awareness on their energy saving, reminders include:

- Maintaining the temperature of air conditioner at 25.5°C;
- Closing doors and windows when the air conditioner is turned on;
- Shutting down air conditioners, lights and other electronic devices when leaving office/meeting room;
- Using stairs rather than lifts, or choosing elevator that is nearest to your floor;
- Unplugging or disconnecting chargers and transformers when not in use;
- Switching off air conditioners, lights and all electronic equipment and devices when leaving office;
- Tuning brightness of monitors to the lowest comfortable setting;
- Setting computers to energy-saving modes; and
- Printing or photocopying in bulk to avoid frequent activation of printers from power saving mode.

Despite the implementation of energy efficiency incentives, the energy consumption has increased by 2% during the Reporting Period. It was mainly due to the increased consumption of fuel for mobile vehicles during the Reporting Period. The energy consumption intensity has however, reduced by 26% mainly due to an increase of the Group's revenue during the Reporting Period. The Group targets to achieve a 1% reduction in energy consumption by 2023, tracking against the energy consumption data during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL *(Continued)*

A2.3. Water Consumption

5,043 m^3 of water was consumed by the Group during the Reporting Period, with water consumption intensity of 3.43 m^3/million HKD (2020: 5.99 m^3/million HKD) of total revenue. Water consumption included only consumption from headquarter office and key medical centres that directly manage their water consumption data. Water consumption data of a few medical centres were managed by the Property Management Office of the buildings. Therefore, respective data was not available for collection. However, it is noteworthy that the water consumption from these medical centres was insignificant.

A2.4. Water Use Efficiency Initiatives and Targets

The Group regularly reminds its staff to conserve water resources through notices and reminders. To reduce water consumption, staff are reminded to:

- Cleaning containers only after the waste in containers has been disposed of;
- Controlling tap flow;
- Turning off tap while scrubbing with soap;
- Reporting any dripping taps or water leakage to relevant department promptly; and
- Using up all water in the bottle of water dispenser before exchange.

No issue in sourcing water that is fit for purpose had been identified during the Reporting Period.

With the water use efficiency initiatives, the water consumption and water consumption intensity during the Reporting Period have decreased by 21% and 43% respectively when compared with those of 2020. The Group targets to achieve a 1% reduction in water consumption by 2023, tracking against the water consumption data during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL *(Continued)*

A2.5. Packaging Materials

Medicinal bottles, pill pouches, ointment jars, ointment bottles, dropper bottles and plastic bags have been used for packaging of medicine, pills or topical ointment. During the Reporting Period, the total pieces of packaging materials consumed during the Reporting Period were 1,339,756 pieces and the consumption intensity was 911.42 pieces/million HKD of total revenue. Since the weight of packaging materials were not recorded, the consumption amount was presented in unit of pieces.

Type of Packaging Materials	Consumption in 2021 (pieces)	Consumption in 2020 (pieces)	Consumption in 2019 (pieces)
Pill pouches	1,081,000	1,638,500	3,004,500
Medicinal bottles	116,100	170,500	573,350
Plastic bags	48,000	40,000	820,000
Topical medicine jars	76,856	64,100	82,600
Topical medicine bottles	6,200	3,200	6,000
Medicine spoons	5,000	NA	NA
Sample containers and measuring cups	3,600	NA	NA
Others (e.g. plastic card holders)	3,000	NA	NA
TOTAL	1,339,756	1,916,300	4,486,450

A3. The Environment and Natural Resources

A3.1. Significant Impacts of Activities on the Environment

The Group's operation does not cause significant adverse impacts on the environment. Healthcare activity inevitably generates waste, and the Group is committed to managing clinical waste properly in accordance with applicable laws and regulations.

The Group believes that promoting environmental protection and enhancing the environmental awareness could both reduce operating costs and create possible value to stakeholders of the Group. The Group strives to promote a "Green Office" culture in the offices and medical centres. It has implemented energy-saving initiatives focusing on the efficient use of air conditioners, lights and electronic devices, and initiative for waste reduction. Guidelines on "Green Office" are sent to all the office staff and saved in common drive for reference. The Group required its staff to strictly abide by the guidelines on clinical waste management. It will continue to improve its environmental performances focusing on the abovementioned aspects.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL *(Continued)*

A4. Climate Change

The Group has no policy regarding climate change but it was aware of the inherent transition risks caused by changing policies and strategies in response to climate change. The tightening of policies of environmental protection has posed financial implications to the Group's operation due to the extra resources allocated to effectiveness of environmental protection measures. The Group, however, remains adaptive to changes and believes that such changes can spark innovation among businesses and bring about a smooth transition to a low-carbon economy. The Group regularly reminds employees to avoid unnecessary use of energy, water, paper and plastic through the circulation of its guidance memorandum regarding environmental protection practices.

B. SOCIAL

1. Employment and Labour Practices

B1. Employment

During the Reporting Period, the Group complied with all applicable employment and labour related laws and regulations of Hong Kong and the PRC including but not limited to:

- The Employment Ordinance, Chapter 57 of the Laws of Hong Kong;
- The Minimum Wage Ordinance, Chapter 608 of the Laws of Hong Kong;
- The Employees' Compensation Ordinance, Chapter 282 of the Laws of Hong Kong;
- The Occupational Safety and Health Ordinance, Chapter 509 of the Laws of Hong Kong; and
- The Labour Law of the PRC.

No non-compliance relating to compensation and dismissal, recruitment and promotion, working hours and rest periods, or other benefits and welfare were found during the Reporting Period.

The Remuneration Committee was formed and is responsible for formulating remuneration policies and recommending specific remuneration packages of all directors and senior management to the Board for approval. The Group has implemented policies on recruitment, training, equal opportunity and occupational health and safety. Details of the policies are discussed in relevant sections below. There were no specific policies for remuneration and benefits, and promotion and dismissal. However, terms regarding remuneration and benefit packages were clearly stated on employment contracts, employees' performances were reviewed annually. Promotion opportunities were provided to capable employees if there is any available superior post. Dismissal procedures were in compliance with all applicable labour laws and regulations of Hong Kong and the PRC.

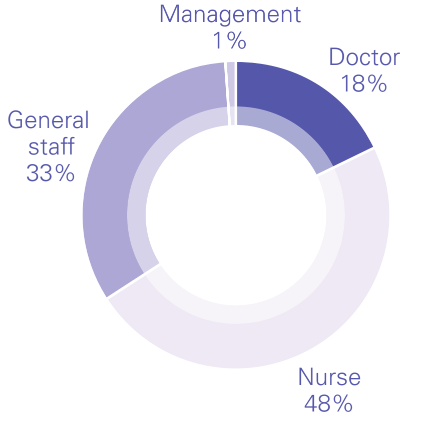
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL *(Continued)*

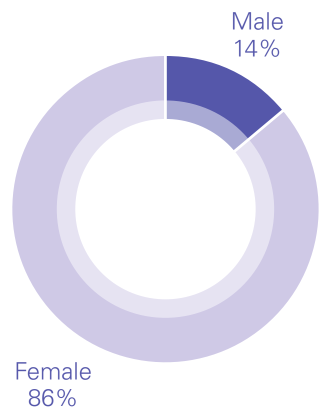
Total Workforce

The Group had a total of 1,170 employees as of 31 December 2021, 80% of them were full time employees and 20% of them were part time employees. Details of the employees' distribution are shown below.

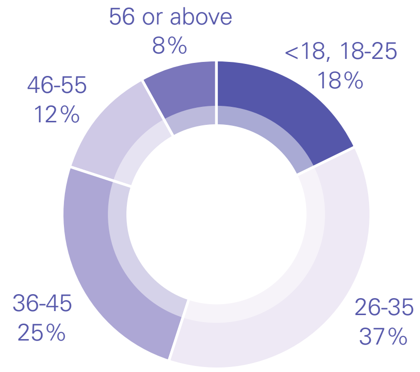
Total Workforce by Employment Category



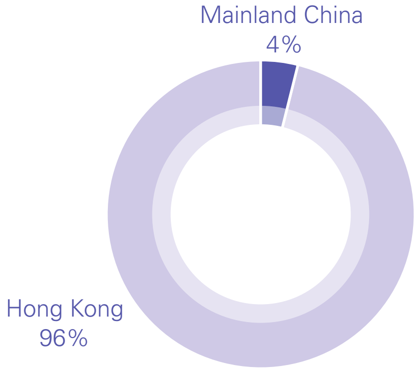
Total Workforce by Gender



Total Workforce by Age Group



Total Workforce by Geographical Region

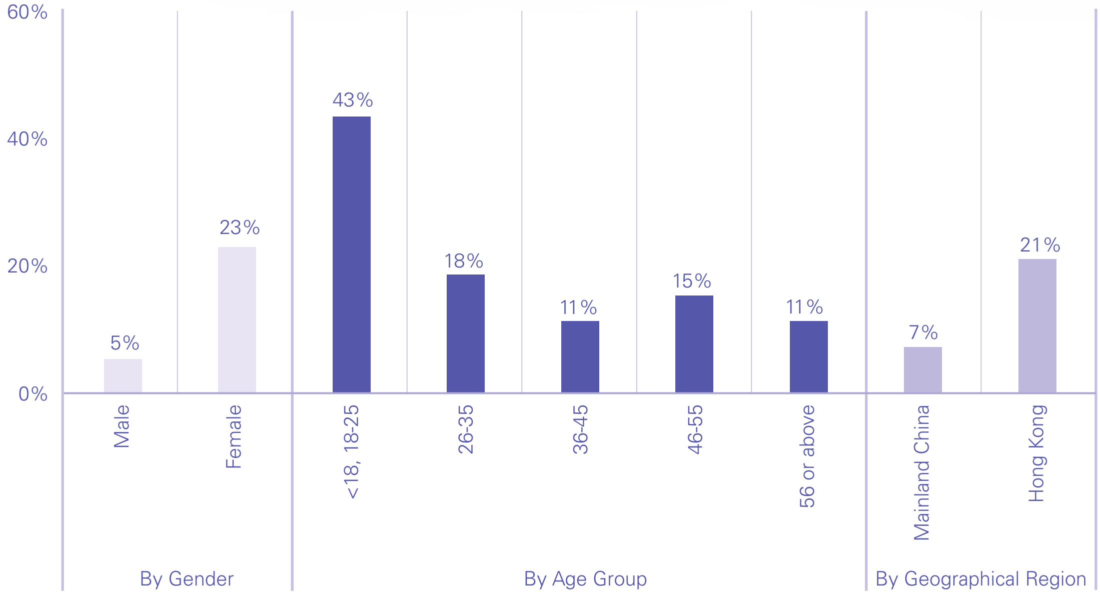


ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL *(Continued)*

During the Reporting Period, a total of 218 employees left the Group. The employee turnover rates are shown below.

Turnover Rates



Recruitment

There are various channels for recruitment, both internal and external, including but not limited to online job boards, referrals, headhunting agencies, internal recruitment, etc. The Human Resources Department is responsible for the collection of application materials, and conducts preliminary screening according to the job requirements of the position — Including personal basic information, work-related knowledge background, work skills, work experience, physical fitness, etc. All new employees are required to sign the "Labour Contract" and relevant legal documents.

Employee Benefits and Welfare

The Group offers competitive remuneration, promotion opportunities, and benefit packages to attract and retain talents. Working hours, remuneration and compensation packages are clearly stated in the employment contract. Employees are entitled to mandatory provident fund, medical insurance and body check program. Dental specialists who are at higher risk of injury are offered with specific insurance plans to enhance their protection. On top of statutory holidays, different types of paid leave, including annual leave, sick leave, maternity leave, paternity leave, compensation leave, compassionate leave, injury leave, birthday leave, and long service leave, are provided. To promote healthy work life, staff who have worked for 2 years or above, except contract and part-time staff, are provided with free annual health check.

B. SOCIAL *(Continued)*

Equal Opportunity

The Group is committed to providing equal opportunities throughout employment, including in the remuneration, recruitment, training and promotion of staff. It is committed to ensuring that no employee receives less favourable treatment or is unlawfully discriminated against on grounds of ethnic background, nationality, religion, colour, age, gender, sexual orientation, marital status, family status, disability, or pregnancy. The Group appreciates the importance of cultural diversity at workplace and respect every employee. During the Reporting Period, the Group complied with all relevant laws and regulations of Hong Kong and the PRC including:

- The Sex Discrimination Ordinance, Chapter 480 of the Laws of Hong Kong;
- The Disability Discrimination Ordinance, Chapter 487 of the Laws of Hong Kong;
- The Family Status Discrimination Ordinance, Chapter 527 of the Laws of Hong Kong;
- The Race Discrimination Ordinance, Chapter 602 of the Laws of Hong Kong;
- The Labour Law of the PRC;
- The Employment Promotion Law of the PRC; and
- The Law on the Protection of Persons with Disabilities of the PRC.

During the Reporting Period, there was no non-compliance relating to equal opportunity, diversity, and anti-discrimination.

Communication with Employees

Effective communication is crucial for collaboration. In daily operation, staff communicates closely through channels including email, medical centre office phone or text message. Internal meetings are held regularly to facilitate status reporting, problem solving, and performance evaluation. Through meetings, new instructions and guidelines are also developed and delivered to all levels of employees.

Appraisal is conducted regularly to provide a means for discussing, planning and reviewing the performance of employees, from senior management to frontline staff. In the appraisal reports, appraisers assess if employees' performances are aligned with its corporate values. Appraisees are also invited to comment on the appraisers' assessment results, which facilitates two-way communication and evaluation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL *(Continued)*

To show appreciation of employees' devotion to the Group, an award of Outstanding Customer Service is presented yearly to staff who provided quality services. The Group has also formulated the Salary Increment Guideline to manage the salary. The Group would adjust the ranking and salary of employees based on employees' appraisal, job responsibility and performance, and other factors. Gathering events are also regularly organised to promote healthy lifestyle and encourage interaction among staff.

B2. Employee Health and Safety

The Group values health and safety as of paramount importance and endeavours to provide safe working environment to all employees. During the Reporting Period, the Group complied with the Occupational Safety and Health Ordinance, Chapter 509 of the Laws of Hong Kong and other applicable laws of the PRC.

The Group implemented strict preventive and control measures to protect employees and patients from contamination, infections and accidents. Employees must put on personal protective equipment ("PPE"), including protective gown, surgical masks, protective goggles and gloves when engaging in medical treatment and disinfection procedures. In case of injuries or accidents, especially in the dental offices, the Group arranges specific medical attention for the injured employees. Medical treatment machines and equipment are protected with disposable covers before use and properly sterilised after use.

Training and Occupational Safety Guidelines are provided to new employees to instruct them the proper use of PPE for infection control, proper handling of sharp equipment and safe lifting technique to prevent workplace injury. Briefing, news, reminders and tips are regularly provided to various employees to raise their awareness, refresh their knowledge, and practice using treatment related equipment and machines. The Group also regularly reviews the employees' health and safety procedures to safeguard employees' well-being.

During the pandemic in the Reporting Period, the Group ensured that employees have enough PPE to protect themselves. Employees entering the medical centre shall measure their body temperature. Employees are also required to fill in a health declaration form to state that they do not have any symptoms of COVID-19 after work. Video conferencing software such as Zoom is for holding meetings to reduce close contact between employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL *(Continued)*

The occupational health and safety data during the Reporting Period is shown below. The management will continue to put effort in strengthening the Group's occupational health and safety performance. There were no work-related fatalities in the past three years including the Reporting Period.

	2021	2020	2019
Work related fatality	0	0	0
Work related fatality rate	0%	0%	0%
Work injury cases >3 lost days	3	2	1
Work injury cases ≤3 lost days	4	5	9
Lost days due to work injury	15.5	10	45

B3. Development and Training

The Group acknowledges the importance of providing opportunities for training and development. The Group maintains the professional skills of the employees by providing opportunities for continuing professional development, education and training. Training programmes provided by the Group are customised to suit its business needs and to equip employees with practical knowledge and skills needed.

334 New Joiner Training (3+3+4 Weeks)

Every employee needs to attend the 334 New Joiner Training organised by the Group to be familiarised with necessary knowledge, technical skills and procedures. The training lasts for 10 weeks and employees will be examined after training to ensure that they have acquired necessary knowledge and have met the professional standards. Existing employees are also provided with reinforcement training to enhance operational efficiency. During the Reporting Period, 58 employees had received training.

334 New Joiner Training for health care assistants ("HCA") during the Reporting Period	No. of Headcount	No. of hours	Total hours
1st lesson	30	4	120
Examination	28	1.5	42
TOTAL	58	5.5	162

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL *(Continued)*

		Percentage of Employees Trained	Average Hours of Training Received by Each Employee
Overall	**Group total**	6%	0.17
Employee Category[2]	**Management**	50%	0.50
	HCA and general staff	18%	0.18
Gender	**Male**	3%	0.03
	Female	12%	0.32

2 Professionals such as doctors and nurses have not received any training provided by the Group.

Basic Customer Service Training for Health Care Assistants

The Basic Customer Service Training enables HCAs to understand the rationale for delivering quality customer services, and ways to upgrade the Group's customer services in aspects of HCAs' physical and oral manners, attitudes, diplomacy, and sensitivity. Apart from delivering relevant knowledge and skills, the training facilitates case discussions which better prepare HCAs to face future challenges.

B4. Labour Standards

The Group is committed to forbidding unlawful employment, including child and forced labour. The human resources department strictly abides by the Group's recruitment guidelines throughout the recruitment process. To avoid child or forced labour, the Group will verify all potential candidates' identities by checking their identity cards and relevant certificates before it gives an offer to the suitable candidates. Our employment contracts have clearly stipulated terms regarding employee work hours, rest and leave entitlement, labour protection and working conditions. Any suspected candidates who have false academic qualifications and work experience will not be employed. If child or forced labour is discovered in the Group's operation, the Group will immediately terminate contract with such labour. The management of the Group reviews its measures implemented on labour standards regularly to ensure effectiveness of its management approach.

During the Reporting Period, employees who practise medicine and surgery have registered with the Medical Council of Hong Kong in accordance with the provisions of the Medical Registration Ordinance, Chapter 161 of the Laws of Hong Kong; and employees who practise dental treatment have registered with the Dental Council under the Dentists Registration Ordinance, Chapter 156 of the Laws of Hong Kong. There was no child nor forced labour employed in the Group's operations, and there was no non-compliance with laws and regulations relating to prevention of child and forced labour during the Reporting Period.

B. SOCIAL *(Continued)*

2. Operating Practices

B5. Supply Chain Management

Supply chain management is a crucial component of the Group's quality control. The Group is highly attentive to the reputation and reliability of its pharmaceutical product suppliers. Although it does not have specific policy for procedures of procurement and the management of the environmental and social risks of its supply chain, it evaluates how its suppliers deal with social and environmental issues and ensures that suppliers and its business partners comply with local and international standards on pharmaceutical products to minimise environmental and social risks along its supply chain. Evaluation of suppliers were based on suppliers' background, qualification, performance history and feedback from customers. Quality and safety of the products are ensured through certifications and qualifications from its suppliers. When selecting suppliers, the Group will consider environmentally preferable products and services from suppliers. Preference is placed to suppliers providing environmentally preferable products and services.

The Group seeks two or more quotations from different suppliers to compare in terms of cost, quality and goodwill in the market before confirmation of engagement. Engagement of suppliers, including but not limited to annual supplier engagement, renewal of suppliers' contract, and establishment of new agreement with suppliers, requires reviewal and approval from the relevant head of department, and the management. This ensures that selected suppliers have undergone complete evaluation of the Group before engagement. These practices have been implemented across the Group and are monitored from time to time. The Group has implemented the abovementioned practices and monitored the suppliers from time to time. The management of the Group monitor and review the practices on supply chain management regularly to ensure that the Group's suppliers are effectively monitored and the risks along the Group's supply chain are identified.

If a complaint regarding product quality is received, the Group will immediately conduct an internal meeting to identify the supplier of the substandard product and the reason causing the complaint. The associated supplier will be disqualified if their product is found to be possessing high environmental or social risks.

To manage pharmaceutical purchasing and medication inventory accurately and efficiently in both the warehouse and medical centre offices, the Group developed a customised real-time registration system for its operations. Purchased pharmaceuticals are registered with traceable suppliers and their distribution information are shown clearly in the registration system. Stock inventory review is also carried out by senior nurses in every medical centre office every month to further confirm the data.

In addition, the Group uses an internal e-procurement platform to facilitate electronic supply chain management. This enhances operational efficiency and reduces adverse environmental impacts by cutting down paper usage for internal order.

During the Reporting Period, the Group engaged 415 suppliers, 367 of which were from Hong Kong and 48 of which were from Mainland China. The majority of the suppliers from Hong Kong was pharmaceutical distributors. All engaged suppliers have passed the Group's assessment and evaluation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL *(Continued)*

B6. Product Responsibility

The Group is committed to providing high-quality medical service. It ensures quality of service by the provision of qualified and trained professionals. It has registered trademark and it respects third-party intellectual property rights. During the Reporting Period, the Group complied with specific standards and all applicable laws and regulations regarding pharmaceutical handling and medical advertisement. There was no non-compliance relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and method of redress.

Pharmaceuticals Handling

Pharmaceuticals are handled with special precautions. The Group has specific standards for pharmaceuticals storage, labelling of packaging and storage compartments. Topical medications and Dangerous Drugs ("DD") are stored separately from general medications. DD were handled in accordance with the Dangerous Drugs Ordinance, Chapter 134 of the Laws of Hong Kong with clear traceable records during the Reporting Period.

In addition, the Group observes the principle of "3 checks and 8 rights" to keep our patients safe.

3 Checks	8 Rights
1. Check of the container label before taking container from the shelf.	1. Right date
2. Check of the container label against the prescription during actual dispensing.	2. Right patient
3. Check of the container label before putting the container away.	3. Right drug
	4. Right dose
	5. Right route
	6. Right frequency
	7. Right container
	8. Right doctor

Conspicuous reminders and instructions are also posted in pharmacies for staff's reference. Employees who violate serious pharmaceutical handling and safety procedures can be dismissed according to their employment contracts.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL *(Continued)*

Medical Advertisement

During the Reporting Period, the Group complied with the Undesirable Medical Advertisements Ordinance, Chapter 231 of the Laws of Hong Kong, to protect public health without publication of advertisements for medicine, surgical appliance or treatment that may induce the seeking of improper management of certain health conditions. Information on its advertisement is reviewed before publication to ensure that the advertisement has no misleading information. Patients can choose whether to receive updated healthcare news and promotions.

Safety and Hygiene

Employees exercise strict disinfection procedures to ensure machines and equipment to be used are uncontaminated. Blood, especially blood with infectious diseases, is handled with special precautions. New employees are trained and examined on the knowledge and practice of safety and hygiene as administrative controls of hazards. The Group also hired a cleaning contractor to maintain cleanliness and hygiene of all medical centre offices. All cleaning procedures, guidelines and quality requirements are standardised across the Group. The clinical environment is kept clean and tidy constantly to avoid unnecessary accidents. The Group's operation involves hospital management and the provision of medical services and there are no tangible products to be recalled. Therefore, there were no products recalled due to safety and health reasons during the Reporting Period. If any pharmaceuticals from suppliers are subject to recall, the Group will immediately remove the defective pharmaceutical products from its operations upon notice from suppliers.

Customer Service

The Group makes every effort to maintain a high standard of customer service and continuously improves its service to enhance its competitiveness. It is committed to respectful, compassionate and practice of ethical patient care. Quality of services is monitored and evaluated through monthly inspections by management staff. Frontline staff are provided with customer service training and relevant guidelines to strengthen their awareness and service skills.

The Group employs the "Award and Penalty System", under which both staff and medical centres with outstanding customer services are recognised and encouraged through awards on an annual basis, while disciplinary action would be taken if an employee has committed an act of serious misconduct.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL *(Continued)*

Complaints

The Group also has systematic channels for enquiries and complaints. Complaints can be lodged by phone, email, fax and mail, and are dealt with in accordance with the Group's guidelines on clinic complaints stipulated in the Group's clinical standard operation procedure ("CSOP"). All personal data submitted will only be used for the purposes which are directly related to the complaint. Upon receipt of complaints, the complaints will be handled by the customer services department and investigated by the clinical manager. Investigation progress and results will be reported to the general manager. The Group commits to respond to the complainer within three days. Record of complaints is maintained to monitor the progress of complaints. To achieve continuous service improvement, improvement proposals will be formulated according to complaint investigation and findings. The CSOP will be updated when necessary and updates will be discussed in customer services meetings which will be held regularly. Some medical centres of the Group have complied with the requirements of ISO 9001:2008 Quality Management System. The Group monitored its quality assurance processes on pharmaceutical handling, safety and hygiene and complaint handling from time to time. Details of the quality assurance processes are described in the sections "Pharmaceuticals Handling", "Medical Advertisement", and "Customer Service" headed in this ESG report. If any deviation from the Group's objective is discovered, the Group will take corrective actions immediately.

During the Reporting Period, a total of 32 complaints were received. 88% of which was general complaints and 12% were related to medical issues. All complaints have been resolved according to the CSOP procedures.

Intellectual Property Rights

During the Reporting Period, the Group complied with all laws and regulations regarding intellectual property ("IP") rights including but not limited to the Trade Marks Ordinance, Chapter 559 of the Laws of Hong Kong, Patents Ordinance, Chapter 514 of the Laws of Hong Kong and Copyright Ordinance, Chapter 528 of the Laws of Hong Kong. The Group has seven registered trademarks during the Reporting Period. It reminds employees to respect IP rights of third parties. Proper authorization shall be obtained before using any IP.

Data Protection and Privacy

The Group registers and collects patients/customers' personal data according to the Group's Standard Registration Procedures. Security measures are in place to ensure adequate protection and confidentiality of all corporate data and information. Directors and all staff shall not access any confidential information of the Group or personal data of customers without authorisation. Authorised personnel who have access to or are in control of such information, including information in the Group's computer system and in medical centres, shall protect the information from unauthorised disclosure or misuse. Special care should be taken in the use of any personal data, including personal data of directors, staff and patients/customers.

The medical centres also have policies for data privacy, which assigned responsibilities to general managers for monitoring and supervising compliance with the Personal Data (Privacy) Ordinance, Chapter 486 of the Laws of Hong Kong and maintaining related documents, such as data protection logbook, data privacy policies and data access request forms. The Group ensures that the data handler is explicitly informed of the purpose for data use and the classes of persons to whom the data may be transferred. If there is any loss of documents containing personal data, the Group would report to the office of the Privacy Commissioner for Personal Data and register with the Hong Kong Police Force. During the Reporting Period, the Group fully complied with the Personal Data (Privacy) Ordinance, Chapter 486 of the Laws of Hong Kong and other applicable laws of the PRC relating to protection of data privacy.

B. SOCIAL *(Continued)*

B7. Anti-corruption

Integrity and honesty are of paramount importance when it comes to gaining trust and reputation from stakeholders of the Group. The Group commits to managing all business without undue fraud and has regarded honesty, integrity, transparency and fairness as its core values. All directors and employees are required to strictly follow the Code of Conduct and Staff Regulations to prevent potential bribery, extortion, fraud and money laundering.

The Group's Code of Conduct clearly states that:

- All directors and employees should avoid conflicts of personal interest and their professional duties;

- Employees should not exercise authority, make influenced decisions and actions or gain access to the Group's assets and information through their employment in the Group to achieve private and personal gain;

- Employees are required to declare any conflict of interest by completing the required form as instructed by the Group's human resource department;

- Neither directors nor employees shall obtain or provide benefits to the regulatory body, patients, suppliers, or people with business relationship with the Group;

- Any acceptance of voluntary gifts over a prescribed value must be declared and have undergone the approval process as administered by the Group's human resource department; and

- In cases of suspected corruption or other criminal offences, a report should be made to the appropriate authority.

The whistle blowing policy outlines the Group's zero tolerance approach to bribery and corruption and guides employees in recognising the circumstances which may lead to, or give the appearance of, being involved in corruption or unethical business conduct. The Group's employees are encouraged to raise their concerns of suspected acts of misconduct, malpractice or fraud through the Group's whistleblowing mechanisms. All cases will be investigated and followed up independently by the internal audit department of the Group. The internal audit department of the Group will then report the investigation result to the Chief Executive Officer. If personnel of the internal audit department are involved in the suspected misconduct, whistleblower can report directly to the audit committee of the Board. All cases will be treated in a highly confidential manner and whistleblowers will be protected from unfair treatment. The whistle blowing policy is reviewed once a year to ensure effectiveness of the policy.

To facilitate enforcement, the Group also has clear disciplinary procedures for employees who violate any established regulations or other applicable laws or rules. During the Reporting Period, the Group complied with the Prevention of Bribery Ordinance, Chapter 201 of the Laws of Hong Kong and other applicable laws and regulations of the PRC relating to anti-corruption. The Group believes that enhancing employees' awareness and strengthening their understanding of anti-corruption laws is vital to preventing corruption and misconduct in its business operation. During the Reporting Period, all directors of the Company and relevant staff attended the anti-corruption training provided by the Independent Commission Against Corruption of Hong Kong. There was no concluded legal case regarding corrupt practices brought against the Group or its employees during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL *(Continued)*

B8. Community Investment

The Group recognises its responsibility towards its stakeholders, the community and the environment. It focuses on supporting local charity organisations through partnership, donations and active participation in voluntary services in accordance with its Corporate Social Responsibility Policy. It also provides scholarship to ease financial burden of students in need. During the Reporting Period, the Group focused mainly on the areas of education, health and culture and participated in the following activities:

Focus Areas	Activities	Details
Education	Town Health Charity Foundation Scholarship	Launched scholarship schemes in the Faculty of Medicine of The University of Hong Kong and The Chinese University of Hong Kong. The scheme aims to ease financial burden of awardees and to encourage grass root students who are ambitious in the medical field. A total of HK$200,000 and HK$195,000 were awarded to the awardees from The University of Hong Kong and The Chinese University of Hong Kong respectively.
	Future Stars – Upward Mobility Scholarship	Donated a total of HK$10,500 to the Future Stars – Upward Mobility Scholarship, which aims to support secondary school students from less privileged background improving their upward social mobility.
Health	Flood Relief Fundraising in Zhengzhou, Henan of the PRC	Donated a total of HK$50,000 to support blood relief in Zhengzhou, Henan of the PRC
	"Mealtual" Love Campaign Donation	Donated a total of HK$30,000 to the "Mealtual" Love campaign, a voucher campaign organized by Lok Sin Tong. The donation by the Group sponsored 1,500 meals for low-income families suffered from unemployment and short working hours due to COVID-19.
Culture	Promotion of Corporate Social Responsibility ("CSR")	Donated a total of HK$2,000 to the Caring Company Scheme which helps to raise awareness and promote continuous improvements in CSR.

REPORT OF THE DIRECTORS

The Directors present the annual report and the audited consolidated financial statements of the Company and the Group for the Year.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company acts as an investment holding company. The activities of the Company's principal subsidiaries, associates and joint ventures are respectively set out in notes 22, 23 and 49 to the consolidated financial statements.

Further discussion and analysis of these activities (including a discussion of the principal risks and uncertainties faced by the Group and an indication of likely future developments in the Group's business) and a review of the performance of the Group for the Year can be found in the section headed "Management Discussion and Analysis" on pages 8 to 22 of this annual report. These discussions form part of this report of the Directors.

Key relationships

Employees

Given that human resources is one of the greatest assets of the Group, the Group ensures that all staff are reasonably remunerated, and continues to improve, regularly review and update its policies on remuneration and benefits, training, and occupational health and safety, so as to maintain a good relationship with its staff.

Customers

The Group's extensive healthcare service network allows the Group to offer its customers quality healthcare services. Customers comprise individual customers (mainly patients) and corporate customers (including insurance companies and corporations). Most of the patients of the medical and dental practices settle in cash. Payments arising from use of medical cards by patients will normally be settled within 180 to 240 days whilst settlement by corporate customers for the Group's managed medical network business is from 60 to 180 days. The Group allows an average credit period of 60 to 240 days to its trade customers under other business activities.

Suppliers

The Group sustains its healthcare business operations and development with the support of a sound supply chain management. The Group sources its pharmaceutical drugs from reputable and reliable suppliers. The Group is highly attentive as to whether its suppliers and business partners comply with the local and international standards in relation to pharmaceutical drugs. The Group obtains certifications and qualifications from its suppliers before it makes procurement to ensure the quality and safety of its pharmaceutical drugs. During the Year and up to the date of this annual report, the Group maintained good relationship with its suppliers and business partners.

REPORT OF THE DIRECTORS

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW *(Continued)*

Environmental policies and performance

The Group is committed to building an environmentally-friendly corporate environment that pays close attention to conserving natural resources. The Group strives to minimise its impact on the environment by reducing its electricity consumption and encouraging recycle of office supplies and other materials. Further discussion on the environmental performance of the Group during the Year are set out in the Environmental, Social and Governance Report on pages 27 to 51 of this annual report.

The Group's operations are mainly carried out in Hong Kong and the PRC while the Company itself is listed on the Stock Exchange. The Group's establishment and operations accordingly shall comply with all relevant PRC and Hong Kong laws, and the applicable laws in the jurisdictions where it has operations. During the Year and up to the date of this annual report, the Group has complied with all relevant laws and regulations in the PRC and Hong Kong in all material respects and the following legislations are particularly noteworthy:

(i) Medical Registration Ordinance and Dentists Registration Ordinance

All practicing medical practitioners and dental practitioners in Hong Kong are required to be registered with the Medical Council of Hong Kong and the Dental Council of Hong Kong which were established under Medical Registration Ordinance (Chapter 161 of the Laws of Hong Kong) and Dentists Registration Ordinance (Chapter 156 of the Laws of Hong Kong) respectively.

Both practicing medical practitioners and dental practitioners registered with the Medical Council of Hong Kong and Dental Council of Hong Kong are issued with a practicing certificate and they are required to renew their practicing certificates each year. The Group maintains an up-to-date register of the registrations status of the doctors and dentists and the Group ensures its compliance with both the Medical Registration Ordinance and Dentists Registration Ordinance during the Year and up to the date of this annual report.

(ii) Waste Disposal Ordinance

The Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong) provides for the control and regulation of the production, storage, collection and disposal of clinical waste. Any unauthorised disposal of clinical waste is prohibited.

The medical and dental treatments provided at the medical centres of the Group may produce used or contaminated sharps such as needles, laboratory waste and infectious materials, etc. During the Year, the Group had not been subject to any proceedings brought under, or received any complaints or warnings in relation to the Waste Disposal Ordinance.

(iii) Undesirable Medical Advertisements Ordinance

The Undesirable Medical Advertisements Ordinance (Chapter 231 of the Laws of Hong Kong) protects public health through prohibiting or restricting the publication of advertisements for medicine, surgical appliance or treatment that may induce the seeking of improper management of certain health conditions.

REPORT OF THE DIRECTORS

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW *(Continued)*

During the Year, no practice promotion and advertisement had been published by the Group in newspaper, magazines, journals or in any mass media.

Further discussion on the Group's compliance with laws and regulations during the Year are set out in the Environmental, Social and Governance Report on pages 27 to 51 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 93 of this annual report.

DIVIDEND

The Board recommended the payment of a final dividend of Hong Kong 0.15 cent per Share for the Year (2020: Nil) which is subject to Shareholders' approval at the forthcoming AGM.

The payment of the final dividend will be made to the Shareholders whose names appear on the register of members of the Company on a record date which will be announced by the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The date and notice of the forthcoming AGM, the book closure date for eligibility to attend and vote at the forthcoming AGM and the book closure date for eligibility of entitlement to the final dividend will be announced by the Company in due course.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last five financial years is set out on page 223 of this annual report.

DONATIONS

Charitable donations made by the Group during the Year amounted to approximately HK$497,500 (2020: HK$218,000).

SUBSIDIARIES

Details of the Company's principal subsidiaries are set out in note 49 to the consolidated financial statements.

INVESTMENT PROPERTIES

The Group has revalued all of the investment properties it held as at 31 December 2021 using the fair value of the investment properties as at 31 December 2021. The net increase in fair value of investment properties, which was recorded in the consolidated statement of profit or loss and other comprehensive income, amounted to approximately HK$47,653,000.

Details of movements in the investment properties of the Group are set out in note 16 to the consolidated financial statements. Further details of the Group's major properties are set out on page 222 of this annual report.

REPORT OF THE DIRECTORS

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Issue of subscription shares and convertible preference shares

Pursuant to the CPS Subscription Agreement and ordinary shares subscription agreement, both dated 31 October 2014 and entered into among the Company, Fubon Life, Fubon Insurance and Broad Idea, on 29 December 2014, the Company allotted and issued (i) 459,183,673 Shares at HK$0.98 per share; and (ii) 374,999,999 Convertible Preference Shares at HK$1.2 per share. Each of the net proceeds from the Ordinary Shares Subscription and the net proceeds from the CPS Subscription amounted to approximately HK$440 million. The aggregate net proceeds from the Ordinary Shares Subscription and the CPS Subscription amounted to approximately HK$880 million.

As at 1 January 2021 and 31 December 2021, the unutilised net proceeds from the Ordinary Shares Subscription and the CPS Subscription amounted to approximately HK$605 million. During the Year, the Group did not utilise any net proceeds from the Ordinary Shares Subscription and the CPS Subscription. The use of the net proceeds and the expected timeline of the unutilised net proceeds from the Ordinary Shares Subscription and the CPS Subscription are as follows:

Use of net proceeds	Planned use of net proceeds (HK$ million)	Actual use of net proceeds as at 31 December 2021 (HK$ million)	Unutilised balance of net proceeds as at 31 December 2021 (HK$ million)	Expected timeline for utilisation of unutilised net proceeds
Acquisition, investment and development of hospitals and medical institutions in the PRC, and medical or healthcare related business in Hong Kong	650	244	406	End of 2023
Investment and development of several medical specialty centres in Hong Kong and one dental chain in the PRC	150	13	137	End of 2023
Developing a "one-stop, IT O2O platform" to integrate the Group's growing variety of healthcare and well-being business segments	80	18	62	End of 2023
Total	880	275	605	

The Group has applied and plans to continue to apply the unutilised net proceeds in the manner as intended.

REPORT OF THE DIRECTORS

SHARE CAPITAL *(Continued)*

Issue of shares to CLIG

On 5 January 2015, the Company entered into an investment agreement with CLIG, pursuant to which CLIG has agreed to subscribe for 1,785,098,644 Shares. Upon completion of the CLG Subscription which took place on 29 May 2015, 1,785,098,644 Shares were allotted and issued to CLIG at HK$0.98 per Share. The net proceeds from the issue of Shares to CLIG amounted to approximately HK$1,746 million.

As at 1 January 2021 and 31 December 2021, the unutilised net proceeds from the CLG Subscription amounted to approximately HK$996 million. During the Year, the Group did not utilise any net proceeds from the CLG Subscription. The use of the net proceeds and the expected timeline of the unutilised net proceeds from the CLG Subscription are as follows:

Use of net proceeds	Planned use of net proceeds (HK$ million)	Actual use of net proceeds as at 31 December 2021 (HK$ million)	Unutilised balance of net proceeds as at 31 December 2021 (HK$ million)	Expected timeline for utilisation of unutilised net proceeds
Developing a dental chain in the PRC and investing in or acquiring dental clinics and/or hospitals in the PRC; developing or acquiring medical clinics in the PRC; developing hospitals, investing in or acquiring public or private hospitals in the PRC; and developing or acquiring rehabilitation hospitals and where appropriate in conjunction with nursing and/or aged care homes in the PRC	1,500	646	854	End of 2023
Developing or acquiring business in provision of health check, laboratory testing and medical diagnostic services in the PRC	150	104	46	End of 2023
Developing managed care business in the PRC and cross border healthcare platform for medical tourism business	96	–	96	End of 2023
Total	1,746	750	996	

The Group has applied and plans to continue to apply the unutilised net proceeds in the manner as intended.

Further details of other movements in the share capital of the Company during the Year are set out in note 38 to the consolidated financial statements.

REPORT OF THE DIRECTORS

PROMISSORY NOTES

WL Promissory Note

Pursuant to the WL Promissory Note in the principal amount of HK$203,705,000 issued by the Purchaser, a third party individual, in favour of TH (BVI), being the vendor in the Disposal and a wholly-owned subsidiary of the Company, with interest at the rate of 5% per annum accrued on the outstanding principal sum of the WL Promissory Note shall be repaid on a quarterly basis, and the repayment obligation of the Purchaser under the WL Promissory Note is secured by a share mortgage over the entire issued share capital of Wise Lead executed by the Purchaser in favour of TH (BVI).

The Purchaser failed to repay the interest on the principal amount (i.e. HK$2,511,432) accrued from 1 January 2019 up to 31 March 2019 and the Purchaser failed to respond to the Group's legal demand letter dated 9 April 2019 which demanded the Purchaser to repay the principal amount and all outstanding interest accrued thereon on or before 23 April 2019.

As such, on 6 May 2019, TH (BVI) initiated legal proceedings in the Court of First Instance of the High Court of Hong Kong against the Purchaser in respect of all outstanding sums owing by the Purchaser to TH (BVI) under the WL Promissory Note by the issuance of a writ of summons endorsed with an indorsement of claim with an action number HCA 801/2019.

According to such writ of summons, TH (BVI) claims against the Purchaser for, among other things, repayment of the principal amount and accrued interest on the WL Promissory Note at the rate of 5% per annum for the period from 1 January 2019 to the date of judgment, together with interest and costs.

The above legal proceedings in Hong Kong was discontinued by TH (BVI) on 6 December 2019. Instead, on 12 December 2019, TH (BVI) initiated legal proceedings ("PRC Legal Claim") in the Hangzhou Intermediate People's Court of the PRC ("PRC Court") against, among other, the Purchaser in respect of the Purchaser's default in repaying the principal amount and all outstanding interest accrued thereon.

On 23 April 2021, TH (BVI) received a notice ("Court Notice") and a court summons issued by the PRC Court, pursuant to which, among others:

1. the counterclaim ("Counterclaim") filed by the Purchaser has been accepted by the PRC Court and will be heard together with TH (BVI)'s original claim against the Purchaser;

2. TH (BVI), as the defendant to the Counterclaim, is required to submit its defence to the Counterclaim within 15 days upon receipt of the statement of counterclaim; and

3. each party to the Counterclaim is required to submit evidence to the PRC Court to support the Counterclaim (or the defence thereto) within 30 days from the date of the Court Notice.

REPORT OF THE DIRECTORS

PROMISSORY NOTES *(Continued)*

WL Promissory Note *(Continued)*

On 30 September 2021, the PRC Court issued the judgment ("Judgment") in relation to the PRC Legal Claim and the Counterclaim, pursuant to which, among others:

(1) the Purchaser shall within 30 days after the Judgment becoming effective pay to TH (BVI) the principal amount of HK$203,705,000 and interest accrued thereon (including the interest accrued from 1 January 2019 to 31 August 2019 amounting to HK$6,780,865 and the interest accrued on the principal amount of HK$203,705,000 at the rate of 5% per annum after 31 August 2019 up to the date of actual repayment);

(2) the Counterclaim shall be dismissed;

(3) the total litigation costs in relation to TH (BVI)'s claims against the Purchaser of RMB999,480 shall be borne as to RMB2,000 by TH (BVI) and RMB997,480 by the Purchaser, and the total litigation costs in relation to the Counterclaim of RMB66,107 shall be solely borne by the Purchaser. TH (BVI) is entitled to request the PRC Court for the refund of the fees prepaid by it within 10 days after the Judgment becoming effective, and the Purchaser shall pay the litigation costs borne by him to the PRC Court within 7 days after his receipt of the payment notice; and

(4) TH (BVI) and the Purchaser shall be entitled to submit an appeal within 30 days after the service of the Judgment.

On 5 November 2021, the Company announced that (i) the Purchaser has filed an appeal to the Higher People's Court of Zhejiang Province of the PRC ("Zhejiang Higher Court") seeking to, among others, overturn the Judgment; and (ii) TH (BVI) has also filed a cross appeal to Zhejiang Higher Court in relation to its claims against the former spouse of the Purchaser under the PRC Legal Claim.

The Company will continue to seek advice from its PRC legal advisers on the WL Promissory Note. Further details of the WL Promissory Note are set out in the announcements of the Company dated 4 November 2016, 12 April 2019, 10 May 2019, 3 May 2021, 6 October 2021 and 5 November 2021.

BB Promissory Note

The BB Promissory Note in the principal amount of HK$330,000,000, which carries interest of 6% per annum, was issued by Profit Castle, a company incorporated in the British Virgin Islands with limited liability and owned as to 50% by Dr. Ip and 50% by his spouse, to Oasis Beauty, a wholly-owned subsidiary of the Company, as part of the consideration for the disposal of the entire issued share capital of Bonjour Beauty by Oasis Beauty to Profit Castle. The BB Promissory Note is secured by the Guarantee and the Share Mortgage. The BB Promissory Note matured on 9 April 2020 ("Maturity Date"). As at the date of this annual report, the BB Promissory Note in the aggregate principal amount of HK$330,000,000 remains outstanding.

Since the Maturity Date, the Group, Dr. Ip and Profit Castle had been in negotiation on the extension of the maturity date of the BB Promissory Note and the repayment schedule of the principal amount of the BB Promissory Note and interest accrued thereon. However, such negotiation fell through in the absence of any viable repayment proposal from Dr. Ip and Profit Castle that is acceptable to the Group. Having considered the facts and circumstances, the Group had instructed its legal advisers to issue a final demand letter to each of Profit Castle and Dr. Ip on 19 March 2021.

REPORT OF THE DIRECTORS

PROMISSORY NOTES *(Continued)*

BB Promissory Note *(Continued)*

On 22 April 2021, Oasis Beauty issued a notice of enforcement to Profit Castle to declare, among other things, that the Share Mortgage, which was executed by Profit Castle in favour of Oasis Beauty over all shares of Bonjour Beauty ("Charged Assets") for securing the repayment of the BB Promissory Note, is enforceable. In order to safeguard the interest of the Company and the Shareholders, on 23 April 2021, Oasis Beauty appointed receivers (on a joint and several basis) over the Charged Assets in accordance with the terms of the Share Mortgage created by Profit Castle in favour of Oasis Beauty ("Appointment of Receivers").

On 21 May 2021, Oasis Beauty (as defendant) was served with a writ of summons together with a statement of claim from Profit Castle and Dr. Ip (collectively, "Plaintiffs") in the Court of First Instance of the High Court of Hong Kong ("Action"). In the Action, the Plaintiffs are seeking the following reliefs:

1. damages for deceit or fraudulent misrepresentation, or under section 3 of the Misrepresentation Ordinance, and rescission of the SP Agreement, the BB Promissory Note, the Share Mortgage and the Guarantee;

2. alternatively, a declaration that Oasis Beauty is not entitled to enforce the Share Mortgage and the Guarantee;

3. a declaration that the Appointment of Receivers and the appointment of directors for each of Bonjour Beauty Limited, Bonjour Beauty (Shanghai) Limited, Bonjour Medical Science & Technology Beauty Center Limited, on 29 April 2021 and 3 May 2021 (as applicable), be null and void;

4. damages for trespass and/or conversion of the Charged Assets; and

5. an injunction restraining Oasis Beauty from enforcing the Share Mortgage or otherwise interfering with Profit Castle's lawful rights and interest qua the sole shareholder in Bonjour Beauty.

The Company will continue to seek advice from its legal advisers and will consider and take all appropriate and necessary steps in the Action to defend its position, including but without limitation bringing any counterclaim(s) and/or third party proceedings (if considered appropriate). Oasis Beauty has filed defence and counterclaim to the Action against the Plaintiffs. On 21 July 2021, Oasis Beauty issued the summons for summary judgment and striking out of the claims of Profit Castle and Dr. Ip.

Further details of the BB Promissory Note are set out in the announcements of the Company dated 30 December 2016, 17 March 2017, 19 March 2021, 27 April 2021 and 26 May 2021, and the circular of the Company dated 23 February 2017.

Details of the BB Promissory Note are set out in note 26 to the consolidated financial statements.

REPORT OF THE DIRECTORS

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Bye-laws and the laws of Bermuda, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves during the Year and reserves available for distribution to the shareholders of the Group are set out on pages 96 and 97 of this annual report and in note 48 to the consolidated financial statements.

The Company's reserves available for distribution to shareholders as at 31 December 2021, comprised share premium, capital redemption reserve, contributed surplus, distributable reserve and accumulated profits of approximately HK$4,003,639,000 (2020: approximately HK$4,005,270,000).

DIRECTORS

The Directors who held office during the Year and up to the date of this annual report are:

Executive Directors:

Mr. Jin Zhaogen *(Chief Executive Officer) (appointed on 26 March 2021)*
Ms. Zhao Xiangke *(Chief Financial Officer) (appointed on 26 March 2021)*
Mr. Chen Jinhao *(Chief Executive Officer) (resigned with effect from conclusion of the meeting of the Board held on 26 March 2021)*

Non-executive Directors:

Mr. Kong Dechang *(Chairman) (appointed on 21 May 2021)*
Mr. Hou Jun
Mr. Zhao Hui *(Chairman) (resigned on 21 May 2021)*

Independent non-executive Directors:

Mr. Ho Kwok Wah, George, *MH*
Mr. Yu Xuezhong
Dr. Xu Weiguo *(appointed on 31 March 2021)*
Ms. Li Mingqin *(resigned on 31 March 2021)*

REPORT OF THE DIRECTORS

DIRECTORS' SERVICES CONTRACTS

Mr. Jin Zhaogen and Ms. Zhao Xiangke have been appointed as executive Directors for a term from 26 March 2021 to 25 March 2024.

Mr. Kong Dechang has been appointed as a non-executive Director and the chairman of the Company for a term from 21 May 2021 to 20 May 2024; and Mr. Hou Jun was appointed as a non-executive Directors for a term from 25 May 2020 to 31 December 2021 and has been re-appointed for a term from 1 January 2022 to 31 December 2024.

Mr. Ho Kwok Wah, George, *MH* and Mr. Yu Xuezhong were appointed as independent non-executive Directors for a term from 2 December 2019 to 31 December 2021; and have been re-appointed for a term from 1 January 2022 to 31 December 2024. Dr. Xu Weiguo has been appointed as an independent non-executive Director for a term from 31 March 2021 to 30 March 2024.

As at 31 December 2021 and up to the date of this annual report, no service contract or appointment letter entered into between a Director and the Group is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

CHANGES IN DIRECTORS' INFORMATION

Updated biographical details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 23 to 26 of this annual report.

There was no information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received a written confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Company considers that each of the independent non-executive Directors is independent.

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

As at 31 December 2021, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2021, the following persons (other than the Directors or chief executives of the Company) had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO:

(i) Substantial Shareholders' long positions in the Shares

Name of Shareholder	Capacity	Number of Shares held	Total number of Shares held	Approximate % of shareholding of the Company (Note 1)
CLIG	Beneficial owner	1,785,098,644	1,785,098,644	23.72%
Broad Idea	Beneficial owner	1,418,576,764 (Note 2)	1,418,576,764	18.85%
Dr. Cho	Interest of a controlled corporation	1,418,576,764 (Note 2)	1,418,576,764	18.85%
Dr. Choi	Interest of a controlled corporation Beneficial owner	1,418,576,764 (Note 2) 2,200,000	1,420,776,764	18.88%

(ii) Other persons' long positions in the Shares

Name of Shareholder	Capacity	Number of Shares held	Approximate % of shareholding of the Company (Note 1)
Classictime	Beneficial owner	681,342,000 (Note 3)	9.05%
Power Financial	Interest of a controlled corporation	681,342,000 (Note 3)	9.05%
Kwok Wai King Pinki	Beneficial owner	406,702,000	5.40%

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

Notes:

1. The total number of Shares as at 31 December 2021 (that was, 7,526,134,452 Shares) has been used for the calculation of the approximate percentage.

2. Such 1,418,576,764 Shares were held by Broad Idea. Broad Idea is beneficially owned by Dr. Cho as to 50.1% and Dr. Choi as to 49.9%. As such, Dr. Cho and Dr. Choi were deemed to be interested in the 1,418,576,764 Shares held by Broad Idea under Part XV of the SFO.

3. Such 681,342,000 Shares were held by Classictime, a wholly-owned subsidiary of Power Financial. Accordingly, Power Financial is deemed to be interested in the 681,342,000 Shares held by Classictime under Part XV of the SFO.

Save as disclosed above, as at 31 December 2021, the Company has not been notified by any persons (other than the Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the percentages of revenue attributable to the Group's largest customer and the five largest customers were approximately 26% and 50% of the Group's total revenue respectively. The Group's largest supplier and five largest suppliers accounted for approximately 8% and 29% of the Group's total purchases respectively.

As far as the Directors are aware, none of the Directors, their close associates (as defined in the Listing Rules) or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital), had any interest at any time during the Year in any of the five largest customers or suppliers of the Group for the Year.

DIRECTOR'S INTEREST IN COMPETING BUSINESS

None of the Directors nor their respective close associates had an interest in a business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to Rule 8.10 of the Listing Rules during the Year.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the paragraph headed "Related Party Transactions and Connected Transactions" below, no Director had a material interest, whether directly or indirectly, in any contract of significance subsisting during or at the end of the Year.

REPORT OF THE DIRECTORS

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year was the Company, its subsidiaries, its fellow subsidiaries or its holding companies, a party to any arrangement to enable the Directors or chief executives of the Company or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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.

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

During the Year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed shares of the Company.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 70 to 83 of this annual report.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Continuing connected transactions

On 19 February 2021, the Company entered into (1) the CLIO Framework Agreement with CLIO in respect of (i) the provision of the Medical Related Services by the Group to CLIO and its Branches or their respective staff and clients; and (ii) the procurement of the CLIO Products by the Group from CLIO and its Branches; (2) the CLIS Framework Agreement with CLIS in respect of (i) the provision of the Medical & Healthcare Services by the Group to CLIS and its Branches or their respective staff and clients; and (ii) the procurement of the CLIS Products by the Group from CLIS and its Branches; and (3) the CLPS Framework Agreement with CLPS in respect of (i) the provision of the Medical & Healthcare Services by the Group to CLPS and its Branches or their respective staff and clients; and (ii) the procurement of the CLPS Products by the Group from CLPS and its Branches. As at the date of the Framework Agreements, (i) CLIO is a wholly-owned subsidiary of CLIG; (ii) CLIS is a branch of CLIC and CLIG is a controlling shareholder of CLIC; (iii) CLPS is a branch of CLPI and CLIG is a controlling shareholder of CLPI; and (iv) CLIG holds approximately 23.72% of the Shares and is a substantial shareholder of the Company and thus a connected person of the Company. As such, each of CLIO (being a subsidiary of CLIG), CLIS (being a branch of CLIC) and CLPS (being a branch of CLPI) is also a connected person of the Company and the transactions contemplated under each of the Framework Agreements constitute continuing connected transactions of the Company for the purpose of Chapter 14A of the Listing Rules.

REPORT OF THE DIRECTORS

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

On 2 July 2021, Guangdong Townsfolk, an indirect wholly-owned subsidiary of the Company, entered into the Framework Cooperation Agreement with CLIZ in respect of the provision of the Medical & Healthcare Services by Townsfolk Group to CLIZ or its staff and clients. As at the date of the Framework Cooperation Agreement, (i) CLIZ is a branch of CLIC and CLIG is a controlling shareholder of CLIC; and (ii) CLIG holds approximately 23.72% of the Shares and is a substantial shareholder of the Company and thus a connected person of the Company. As such, CLIZ (being a branch of CLIC) is also a connected person of the Company and the transactions contemplated under the Framework Cooperation Agreement constitute continuing connected transactions of the Company for the purpose of Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, the continuing connected transactions contemplated under the Framework Cooperation Agreement are required to be aggregated with the continuing connected transactions contemplated under the Framework Agreements as the Framework Cooperation Agreement and the Framework Agreements were entered into by the Group with CL Group and CLIZ respectively.

As the applicable percentage ratios relating to the maximum aggregate annual transaction values in respect of the CCTs for each of the Year, the year ending 31 December 2022 and the year ending 31 December 2023 exceed 0.1% but are less than 5%, the CCTs are subject to the reporting, announcement and annual review requirements but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As the applicable percentage ratios relating to the continuing connected transactions in relation to the procurement of the CL Products by the Group from CL Group under the Framework Agreements on annual basis are less than 5% and the estimated total sales of the CL Products from CL Group to the Group for each of the Year, the year ending 31 December 2022 and the year ending 31 December 2023 are less than HK$3,000,000, the continuing connected transactions in relation to the procurement of the CL Products by the Group from CL Group under the Framework Agreements are exempt from the reporting, announcement, annual review, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The major terms of the Framework Agreements and the Framework Cooperation Agreement are set out below:

The term of each of the Framework Agreements is from 19 February 2021 to 31 December 2023 (both dates inclusive) while the term of the Framework Cooperation Agreement is from 2 July 2021 to 31 December 2023 (both dates inclusive).

REPORT OF THE DIRECTORS

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

Pursuant to the Framework Agreements and the Framework Cooperation Agreement, the Group shall provide the Medical Related Services to CL Group and CLIZ respectively on terms and conditions (including the service fees) to be determined in the ordinary course of business and on normal commercial terms after arm's length negotiations between the parties. Pursuant to the Framework Agreements, CL Group shall sell the CL Products to the Group on terms and conditions (including the selling price) to be determined in the ordinary course of business and on normal commercial terms after arm's length negotiations between the parties.

Further details of the Framework Agreements are set out in the announcement of the Company dated 19 February 2021 and further details of the Framework Cooperation Agreement are set out in the announcement of the Company dated 2 July 2021.

Internal control measures of the Group in respect of the continuing connected transactions contemplated under the Framework Agreements and the Framework Cooperation Agreement

The Group will undertake the following internal control measures to monitor the terms and conditions of the transactions contemplated under the Framework Agreements and the Framework Cooperation Agreement and ensure that (1) the prices and terms of the Medical Related Services offered by the Group to CL Group and CLIZ will be no less favourable than the prices and terms offered by the Group to independent third parties; and (2) the prices and terms of the CL Products offered by CL Group to the Group will be no less favourable than the prices and terms offered by independent third parties to the Group, and the maximum aggregate annual transaction values in respect of the CCTs for each of the Year, the year ending 31 December 2022 and the year ending 31 December 2023 will not be exceeded:

1. comparing the prices and terms of the provision of the Medical Related Services to CL Group and CLIZ with the prices and terms of the same or substantially similar services provided by the Group as agreed with independent third parties on a regular basis;

2. comparing the prices and terms of the supply of the CL Products by CL Group to the Group with the prices and terms the same or substantially similar products offered by independent third parties to the Group on a regular basis;

3. adhering to the relevant internal control policy of the Group on connected transactions in monitoring the prices and terms of supply of (i) the Medical Related Services by the Group to CL Group and CLIZ to ensure that they shall be no less favourable to the Group than those offered by the Group to independent third parties; and (ii) the CL Products by CL Group to the Group to ensure that they shall be no less favourable to the Group than those offered by independent third parties to the Group;

4. information on all continuing connected transactions carried out by the Group under the Framework Agreements and the Framework Cooperation Agreement will be reported to the management of the Company on a quarterly basis;

REPORT OF THE DIRECTORS

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS *(Continued)*

Internal control measures of the Group in respect of the continuing connected transactions contemplated under the Framework Agreements and the Framework Cooperation Agreement *(Continued)*

5. the independent non-executive Directors will review and confirm on an annual basis whether the transactions contemplated under the Framework Agreements and the Framework Cooperation Agreement are (i) in the Group's ordinary and usual course of business; (ii) on normal commercial terms or better; and (iii) on terms that are fair and reasonable to the Group and in the interests of the Group and the Shareholders as a whole; and

6. the auditors of the Company will review the pricing and terms of the transactions contemplated under the Framework Agreements and the Framework Cooperation Agreement and the annual caps of such continuing connected transactions in compliance with the annual reporting and review requirements under the Listing Rules on an annual basis.

The Company has followed the pricing policies and guidelines for the CCTs when determining the price and terms of the CCTs conducted during the Year.

Amount of the CCTs

The maximum aggregate annual transaction values in respect of the CCTs for the Year was HK$10,800,000. The actual aggregate annual transaction values in respect of the CCTs for the Year was HK$2,676,410.

Annual Review of the CCTs

The independent non-executive Directors have reviewed the CCTs and confirmed that the CCTs were entered into by the Group:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) in accordance with the terms of the Framework Agreements and the Framework Cooperation Agreement that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company has engaged its auditors to report on the CCTs and the Company's auditors has provided a letter to the Board to confirm that nothing during the Year has come to the attention of the Company's auditors that causes the Company's auditors to believe that the CCTs:

(i) have not been approved by the Board;

(ii) were not, in all material respects, in accordance with the pricing policies of the Group for transactions involving the provision of goods or services by the Group;

(iii) were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(iv) have exceeded the relevant annual caps set by the Company.

REPORT OF THE DIRECTORS

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS *(Continued)*

Related party transactions

Details of significant related party transactions undertaken by the Group during the Year in the ordinary course of business are set out in note 47 to the consolidated financial statements. Save for the transactions contemplated under the transactions with each of CLIO, CLIS, CLIC and China Life Trustees Limited, none of the significant related party transactions set out in note 47 to the consolidated financial statements fall under the definition of "connected transaction" or "continuing connected transaction" under Chapter 14A of the Listing Rules during the Year. The Directors confirm that the Company has complied with the disclosure requirements (if any) in accordance with Chapter 14A of the Listing Rules.

EVENT AFTER THE REPORTING PERIOD

On 11 March 2022, (i) Sure Metro; (ii) the JV Company; and (iii) Sunrise entered into a joint venture agreement pursuant to which (a) Sure Metro shall subscribe for 48 JV Shares while Sunrise shall subscribe for 51 JV Shares. Sure Metro currently owns one JV Share such that immediately upon completion of such subscriptions, the JV Company shall be owned as to 49% and 51% by Sure Metro and Sunrise respectively; and (b) the JV Company will be engaged in the operation of a medical laboratory in Hong Kong to carry out, among others, COVID-19 nucleic acid testing services for general public clients.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Board on the basis of their merit, qualifications and competence.

The emoluments of the Directors are decided by the Board, having regard to the Company's operating results, individual Directors' performance and comparable market statistics.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the Year. The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, the Company maintained a sufficient public float as at the date of this annual report.

REPORT OF THE DIRECTORS

AUDITORS

Moore Stephens CPA Limited has been the auditors of the Group with effect from 15 February 2018. Moore Stephens CPA Limited was re-appointed as the auditors of the Company in the AGMs held on 29 June 2018, 27 June 2019, 29 June 2020 and 28 June 2021.

A resolution will be submitted to the forthcoming AGM to re-appoint Moore Stephens CPA Limited as the auditors of the Company until the conclusion of the next AGM.

REVIEW BY AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the Year have been reviewed by the Audit Committee.

On behalf of the Board

Jin Zhaogen
Chief Executive Officer

22 March 2022

CORPORATE GOVERNANCE REPORT

The Board is committed to maintaining a good corporate governance standard. The Board believes that a good corporate governance standard will provide a framework for the Group to formulate its business strategies and policies, and manage the associated risks through effective internal control procedures. It will also enhance the transparency of the Group and strengthen the accountability to the shareholders and creditors.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted its own code of corporate governance based on the principles and code provisions as set out in the CG Code.

During the Year, the Company has complied with the respective code provisions of the CG Code then in force during the Year.

Directors' securities transactions

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all Directors, all the Directors have complied with the required standard set out in the Model Code throughout the Year.

Board of Directors

As at the date of this annual report, the Board comprises seven members, two of which are executive Directors, namely Mr. Jin Zhaogen who is the Chief Executive Officer and Ms. Zhao Xiangke who is the Chief Financial Officer. Two members are non-executive Directors, namely Mr. Kong Dechang who is the chairman of the Company and Mr. Hou Jun. The other three members are independent non-executive Directors, namely Mr. Ho Kwok Wah, George, *MH*, Mr. Yu Xuezhong and Dr. Xu Weiguo. The biographical details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 23 to 26 of this annual report.

During the Year, (a) the Company appointed four Directors: (i) Mr. Jin Zhaogen was appointed as an executive Director and the Chief Executive Officer, and a member of each of the Nomination Committee and the Remuneration Committee with effect from 26 March 2021; (ii) Ms. Zhao Xiangke was appointed as an executive Director with effect from 26 March 2021; (iii) Dr. Xu Weiguo was appointed as an independent non-executive Director and a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee with effect from 31 March 2021; and (iv) Mr. Kong Dechang was appointed as a non-executive Director, the chairman of the Company, and the chairman of the Nomination Committee with effect from 21 May 2021; (b) Mr. Chen Jinhao resigned as an executive Director, the Chief Executive Officer and a member of each of the Nomination Committee and the Remuneration Committee with effect from conclusion of the meeting of the Board held on 26 March 2021; (c) Ms. Li Mingqin resigned as an independent non-executive Director and a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee with effect from 31 March 2021; and (d) Mr. Zhao Hui resigned as a non-executive Director , the chairman of the Company and the chairman of the Nomination Committee with effect from 21 May 2021.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES *(Continued)*

All Directors are subject to retirement by rotation and re-election at the annual general meeting of the Company at least once every three years in accordance with the Bye-laws as amended from time to time and the requirements of the Listing Rules.

The Board has adopted the terms of reference of the Board which set out the role and responsibilities of the Board, powers of the Board, and the practice of the Board in respect of corporate governance matters.

The Board held 16 meetings and passed 1 written resolution during the Year. The Board is responsible for the formulation of the Group's business strategies and overall policies, and monitoring the performance of the management and corporate governance functions. The executive Directors and the Senior Management Team are delegated with the power to execute the business strategies, develop and implement the policies in the daily operation of the Group. The independent non-executive Directors provide their professional advice to the Group whenever necessary.

The Company has adopted the approval authority of senior management of the Company which sets out the matters that are authorized to be approved by the Senior Management Team.

Composition of the Board, including names of the independent non-executive Directors, is disclosed in all corporate communications to the Shareholders.

All Directors have full and timely access to all the information and accounts of the Group. The Directors may seek independent professional advice in appropriate circumstances, at the expense of the Company. The Company will, upon request, provide separate independent professional advice to the Directors to assist them to discharge their duties to the Company. The Company has arranged appropriate insurance cover for the Directors.

The Company has adopted a nomination policy. Details of the nomination policy in force during the Year are set out below:

1. *Objective*

   The Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to the Shareholders for election as Directors at general meetings or appoint as Directors so as to ensure that all nominations are fair and transparent.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES *(Continued)*

2. *Selection Criteria*

2.1 The Nomination Committee would use the following factors as reference in assessing the suitability of a proposed candidate:–

(i) professional and personal integrity and reputation;

(ii) accomplishment and experience in the healthcare industry in Hong Kong and/or Mainland China;

(iii) commitment in respect of available time and relevant interest;

(iv) diversity in all relevant aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service; and

(v) any other factors as the Nomination Committee may deem fit to consider in the best interests of the Company and the Shareholders.

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

2.2 Each proposed candidate will be asked to submit the necessary personal information including the information as required by Rule 13.51(2) of the Listing Rules, together with his/her written consent to be appointed as a Director and to the public disclosure of his/her personal data on any documents or the relevant websites for the purpose of or in relation to his/her standing for election as a Director.

2.3 The Nomination Committee may request candidates to provide additional information and documents, if considered necessary.

3. *Nomination Procedures*

(A) Nomination by the Board members

3.1 The secretary of the Nomination Committee shall call a meeting, and invite nominations of candidates from the Board members (if any), for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also put forward candidates who are not nominated by the Board members.

3.2 For appointment of any Director by the Board, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES *(Continued)*

3. Nomination Procedures (Continued)

(B) Nomination by the Shareholders

3.3 If a Shareholder wishes to propose a person for election as a Director at a general meeting without the Board's recommendation or the Nomination Committee's nomination, he/she shall deposit a written notice ("Notice") at the Company's head office in Hong Kong from time to time or the office of the Company's branch share registrar in Hong Kong.

3.4 The Notice (i) must include the personal information of the proposed candidate as required by Rule 13.51(2) of the Listing Rules; and (ii) must be signed by the Shareholder concerned and signed by the proposed candidate indicating his/her willingness to be elected and consent of publication of his/her personal information.

3.5 The period for lodgment of the Notice shall commence on the day after the dispatch of the notice of general meeting and end no later than 7 days prior to the date of such general meeting.

3.6 In order to allow the Shareholders to have sufficient time to consider the proposal of election of the proposed candidate as a Director, Shareholders who wish to make the proposal are urged to submit and lodge the Notice as early as practicable.

(C) General

3.7 A candidate is allowed to withdraw his/her candidature at any time before the general meeting by serving a notice in writing to the Company Secretary.

3.8 The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

Board diversity policy

The Board has adopted a board diversity policy setting out the approach to achieve diversity on the Board. The Company considered diversity of Board members can be achieved through consideration of a number of aspects, including but not limited to the gender, age, cultural and educational background, and professional experience of the Board members. The appointment of Directors will be based on the Group's own business model and specific needs, having due regard to the benefits of diversity of the Board.

Directors' continuous professional development

The Directors, namely Mr. Jin Zhaogen, Ms. Zhao Xiangke, Mr. Kong Dechang, Mr. Hou Jun, Mr. Ho Kwok Wah, George, *MH*, Mr. Yu Xuezhong and Dr. Xu Weiguo had confirmed that they had complied with the code provision A.6.5 of the CG Code then in force during the Year by participating in continuous professional development. The Company had arranged seminars to develop and refresh the Directors' knowledge and skills.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES *(Continued)*

Chairman and Chief Executive Officer

During the Year, Mr. Zhao Hui resigned as the chairman of the Company and Mr. Kong Dechang was appointed as the chairman of the Company with effect from 21 May 2021. As at the date of this annual report, Mr. Kong Dechang is the chairman of the Company.

During the Year, Mr. Chen Jinhao resigned as the Chief Executive Officer with effect from conclusion of the meeting of the Board held on 26 March 2021 and Mr. Jin Zhaogen was appointed as the Chief Executive Officer with effect from 26 March 2021. As at the date of this annual report, Mr. Jin Zhaogen is the Chief Executive Officer.

The chairman of the Company and the Chief Executive Officer have segregated and clearly defined roles. The chairman of the Company provides leadership for the Board. The Chief Executive Officer has responsibility for the Group's overall business and development strategies, and daily management generally.

Independent non-executive Directors

Pursuant to Rule 3.10 of the Listing Rules, the Company has three independent non-executive Directors, one of whom has appropriate professional qualifications or accounting or related financial management expertise. The Company has received a written confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Company considers that each of the independent non-executive Directors is independent.

Term of appointment of non-executive Directors

Mr. Kong Dechang has been appointed as a non-executive Director and the chairman of the Company for a term from 21 May 2021 to 20 May 2024; and Mr. Hou Jun was appointed as a non-executive Directors for a term from 25 May 2020 to 31 December 2021 and has been re-appointed for a term from 1 January 2022 to 31 December 2024.

Mr. Ho Kwok Wah, George, *MH* and Mr. Yu Xuezhong were appointed as independent non-executive Directors for a term from 2 December 2019 to 31 December 2021 and have been re-appointed for a term from 1 January 2022 to 31 December 2024. Dr. Xu Weiguo has been appointed as an independent non-executive Director for a term from 31 March 2021 to 30 March 2024.

Remuneration Committee

The Board has established a Remuneration Committee with its role and function set out in its specific written terms of reference in accordance with the provisions set out in the CG Code, which have been posted on the websites of the Stock Exchange and the Company. During the Year, the Remuneration Committee has reviewed its term of reference. The principal duties of the Remuneration Committee are to formulate the Company's remuneration policy and recommend remuneration packages of the Directors and senior management to the Board for approval. The Company's remuneration policy is to provide a competitive level of remuneration in accordance with current market conditions to attract and motivate the Directors and staff for their contribution.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES *(Continued)*

The Remuneration Committee adopted the approach under code provision B.1.2(c)(ii) then in force to make recommendations to the Board on the remuneration packages of the Directors and senior management of the Company.

From 1 January 2021 to conclusion of the meeting of the Board held on 26 March 2021, the Remuneration Committee comprised three independent non-executive Directors, namely Mr. Ho Kwok Wah, George, *MH*, Mr. Yu Xuezhong and Ms. Li Mingqin and one executive Director, namely Mr. Chen Jinhao.

From 26 March 2021 to 30 March 2021, the Remuneration Committee comprised three independent non-executive Directors, namely Mr. Ho Kwok Wah, George, *MH*, Mr. Yu Xuezhong and Ms. Li Mingqin and one executive Director, namely Mr. Jin Zhaogen.

From 31 March 2021 to the date of this annual report, the Remuneration Committee comprised three independent non-executive Directors, namely Mr. Ho Kwok Wah, George, *MH*, Mr. Yu Xuezhong, Dr. Xu Weiguo and one executive Director, namely Mr. Jin Zhaogen.

During the Year and as at the date of this annual report, Mr. Ho Kwok Wah, George, *MH*, was the chairman of the Remuneration Committee.

The Remuneration Committee held 4 meetings during the Year. The Remuneration Committee reviewed the remuneration policy of the Company, assessed the performance of the executive Directors and senior management and recommended specific remuneration packages of the Directors and senior management to the Board. The letter of re-appointment of each of Mr. Hou Jun, Mr. Ho Kwok Wah, George, *MH* and Mr. Yu Xuezhong and the terms thereof were also reviewed and approved by the Remuneration Committee during the Year.

Nomination Committee

The Nomination Committee with specific written terms of reference in accordance with the provisions set out in the CG Code, which have been posted on the websites of the Stock Exchange and the Company. During the Year, the Nomination Committee has reviewed its term of reference.

From 1 January 2021 to conclusion of the meeting of the Board held on 26 March 2021, the Nomination Committee comprised three independent non-executive Directors, namely Mr. Ho Kwok Wah, George, *MH*, Mr. Yu Xuezhong and Ms. Li Mingqin; one non-executive Director, namely Mr. Zhao Hui and one executive Director, namely Mr. Chen Jinhao.

From 26 March 2021 to 30 March 2021, the Nomination Committee comprised three independent non-executive Directors, namely Mr. Ho Kwok Wah, George, *MH*, Mr. Yu Xuezhong and Ms. Li Mingqin; one non-executive Director, namely Mr. Zhao Hui and one executive Director, namely Mr. Jin Zhaogen.

From 31 March 2021 to 20 May 2021, the Nomination Committee comprised three independent non-executive Directors, namely Mr. Ho Kwok Wah, George, *MH*, Mr. Yu Xuezhong and Dr. Xu Weiguo; one non-executive Director, namely Mr. Zhao Hui and one executive Director, namely Mr. Jin Zhaogen.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES *(Continued)*

From 21 May 2021 to the date of this annual report, the Nomination Committee comprised three independent non-executive Directors, namely Mr. Ho Kwok Wah, George, *MH*, Mr. Yu Xuezhong and Dr. Xu Weiguo; one non-executive Director, namely Mr. Kong Dechang and one executive Director, namely Mr. Jin Zhaogen.

Mr. Zhao Hui resigned as the chairman of the Nomination Committee and Mr. Kong Dechang was appointed as the chairman of the Nomination Committee with effect from 21 May 2021. As at the date of this annual report, Mr. Kong Dechang was the chairman of the Nomination Committee.

The Group has adopted a board diversity policy, a summary of which is set out in the paragraph headed "Board diversity policy" on page 73 in this Corporate Governance Report.

Major responsibilities of the Nomination Committee are to formulate and implement the policy for nominating candidates for election by the Shareholders at the general meeting (either to fill a casual vacancy or as an addition to the Board); review the structure, size and composition of the Board (including the skills, knowledge and experience) and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorship; assess the independence of non-executive Directors; and make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors based on merits of the Directors, having due regard to the benefits of diversity on the Board. The process of nomination of Directors is led by the Nomination Committee, whose recommendations are made on a merit basis.

According to the Bye-laws, any Director appointed by the Board either to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting of the Company and who shall then be eligible for re-election at such meeting, and Directors are all subject to retirement by rotation and re-election at the annual general meeting of the Company at least once every three years.

The circular to the Shareholders with notice of the forthcoming annual general meeting will contain biographical details of all Directors proposed to be re-elected at the annual general meeting to enable the Shareholders to make an informed decision on re-election of Directors.

During the Year, the Nomination Committee held 5 meetings and reviewed the structure, size and composition of the Board for the year in light of the board diversity policy, in terms of factors including the skills, knowledge and experience possessed by the members of the Board.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES *(Continued)*

Audit Committee

The Board has established an Audit Committee with written terms of reference in accordance with the provisions set out in the CG Code, which have been posted on the websites of the Stock Exchange and the Company. During the Year, the Audit Committee has reviewed its term of reference. The principal duties of the Audit Committee are to review the Company's annual results and accounts and interim results and to provide advice and comments thereon to the Board. The Audit Committee is also responsible for reviewing and supervising the Group's financial reporting, risk management and internal control procedures.

From 1 January 2021 to 30 March 2021, the Audit Committee comprised three independent non-executive Directors, namely Mr. Ho Kwok Wah, George, *MH*, Mr. Yu Xuezhong and Ms. Li Mingqin.

From 31 March 2021 to the date of this annual report, the Audit Committee comprised three independent non-executive Directors namely Mr. Ho Kwok Wah, George, *MH*, Mr. Yu Xuezhong and Dr. Xu Weiguo. During the Year and as at the date of this annual report, Mr. Ho Kwok Wah, George, *MH* was the chairman of the Audit Committee.

The Audit Committee held 6 meetings during the Year and 3 meetings were attended by the Company's external auditors so that the members of the Audit Committee could exchange their views and concerns with the auditors. The Audit Committee reviewed the annual and interim results of the Group and made recommendations to the Board and the management in respect of the Group's financial reporting, risk management and internal control procedures. The Audit Committee also reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions.

Corporate governance functions

The Board is responsible for performing corporate governance and has reviewed the Company's policies and practices on corporate governance and compliance with the CG Code, reviewed and monitored the training and continuous professional development of the Directors and senior management and reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements during the Year as well as the disclosures in this Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES *(Continued)*

Attendance of Directors at meetings

The attendance of the Directors at the general meeting of the Company, meetings of the Board, the Audit Committee, the Remuneration Committee and the Nomination Committee during the Year are set out below:

	Number of meetings attended/held				
Directors	General meetings	Board meetings	Audit Committee meetings	Remuneration Committee meetings	Nomination Committee meetings
Executive Director					
Mr. Jin Zhaogen (Note 1)	1/1	12/12	N/A	3/3	3/3
Ms. Zhao Xiangke (Note 2)	1/1	12/12	N/A	N/A	N/A
Mr. Chen Jinhao (Note 3)	0/0	4/4	N/A	1/1	2/2
Non-executive Directors					
Mr. Kong Dechang (Note 4)	1/1	6/9	N/A	N/A	2/2
Mr. Hou Jun	1/1	15/16	N/A	N/A	N/A
Mr. Zhao Hui (Note 5)	0/0	6/7	N/A	N/A	2/3
Independent non-executive Directors					
Mr. Ho Kwok Wah, George, *MH*	1/1	16/16	6/6	4/4	5/5
Mr. Yu Xuezhong	1/1	16/16	6/6	4/4	5/5
Dr. Xu Weiguo (Note 6)	1/1	11/12	5/5	2/3	3/3
Ms. Li Mingqin (Note 7)	0/0	4/4	1/1	1/1	2/2

Notes:

1. On 26 March 2021, Mr. Jin Zhaogen was appointed as (i) an executive Director; (ii) the Chief Executive Officer; and (iii) a member of each of the Nomination Committee and the Remuneration Committee.

2. On 26 March 2021, Ms. Zhao Xiangke was appointed as an executive Director.

3. With effect from conclusion of the meeting of the Board held on 26 March 2021, Mr. Chen Jinhao resigned as (i) an executive Director; (ii) the Chief Executive Officer; and (iii) a member of each of the Nomination Committee and the Remuneration Committee.

4. On 21 May 2021, Mr. Kong Dechang was appointed as (i) a non-executive Director; (ii) the chairman of the Company; and (iii) the chairman of the Nomination Committee.

5. With effect from 21 May 2021, Mr. Zhao Hui resigned as (i) a non-executive Director; (ii) the chairman of the Company; and (iii) the chairman of the Nomination Committee.

6. On 31 March 2021, Dr. Xu Weiguo was appointed as (i) an independent non-executive Director; and (ii) a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee.

7. With effect from 31 March 2021, Ms. Li Mingqin resigned as (i) an independent non-executive Director; and (ii) a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES *(Continued)*

Accountability and audit

The Directors acknowledge their responsibility of preparing the financial statements of the Group which give a true and fair view of the state of affairs of the Group and of the profit and cash flows for the Year. The Directors prepared the financial statements of the Group on a going concern basis, and selected appropriate accounting policies and applied them consistently, with applicable disclosures required under the Listing Rules and pursuant to the relevant statutory requirements.

The statement issued by the auditors of the Company, Moore Stephens CPA Limited, regarding their reporting responsibilities is set out in the section headed "Independent Auditor's Report" on pages 84 to 92 of this annual report.

Risk management and internal control

The Board has the overall responsibility of internal control of the Group, including reviewing its effectiveness, risk management, and setting appropriate policies having regard to the objectives of the Group. The risk management and internal control systems are designed to meet the particular needs of the Group, to mitigate the risks which the Group is exposed to and to manage rather than eliminate the risk of failure to achieve the business objectives of the Company. The systems can only provide reasonable but not absolute assurance against material misstatement or loss.

The Group's internal control and risk management systems have been developed by the Board with the following features and processes:

(1) the management, with the assistance of the front-line personnel, identifies risks that may potentially affect the Group's business and operations;

(2) the management and head of various business units assess on the risks identified by considering the impacts of the risks on the business caused by the adverse events associated with the risks and the likelihood of occurrence of these adverse events;

(3) the management prioritises the risks based on their probability and the severity of impact on the business;

(4) the management reports regularly to the Board on the risks identified and their impact on the Group for the Board's formulation of the risk management strategies and internal control processes to prevent, avoid and mitigate the risks;

(5) the management performs ongoing and periodic monitoring of the risks to ensure that appropriate internal control processes are in place and material internal control defects can be resolved and reports its findings and results to the Board regularly;

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES *(Continued)*

(6) the Board, with the assistance of the Audit Committee and the management, reviews the risk management strategies and internal control processes on a regularly basis; and

(7) the internal audit department of the Group will also cooperate with external service provider to identify and take initiatives to prevent various business risks, and to report and make recommendation to the management and also directly to the Audit Committee.

The Company will perform ongoing assessment to update all material risk factors on a regular basis. In any case, review on risk management and internal controls will be conducted annually.

Internal audit

The Company had engaged an external service provider to conduct an annual review of the effectiveness of the risk management and internal control systems of the Group for the Year. Upon performing the review procedures and understanding of normal industrial practice, the external service provider reported that no significant deficiencies were identified and recommendations were suggested to the Audit Committee and the management for their consideration for the purpose of improving the risk management and control systems.

In October 2018, the Company established an internal audit department. The internal audit department evaluates and advises the management on the adequacy and effectiveness of the risk management and internal control systems. The internal audit department reports directly to the Audit Committee and also reports administratively to the Chief Executive Officer to ensure the internal controls are in place and functioning properly as intended.

Having considered the reports of the external service provider and the internal audit department, the Audit Committee and the Board considered that the works performed by Group's systems of risk management, financial and non-financial controls (including operational and compliance controls) during the Year are effective and adequate.

Inside information

In relation to the management of inside information, the Company has adopted an inside information policy to ensure that inside information is handled and disseminated properly and in accordance with the applicable laws and regulations. Each of the directors, officers and relevant employees of the Group must promptly bring any inside information and/or any potential or suspected inside information events to the attention of the Company Secretary and/or the relevant head of department/business unit of the Group, who shall notify the Senior Management Team accordingly for taking the appropriate prompt action. Based on the information obtained from internal reporting, the Senior Management Team assesses whether any of the information constitutes inside information which needs to be released to the public with the advice of internal legal team. The Senior Management Team will notify the Board accordingly if and when necessary or appropriate. Should public disclosure be required, the Board will determine the scope and the timing of disclosure. If and when appropriate, the Senior Management Team and/or the Board may seek independent professional advice to ensure that the Company complies with the disclosure requirements. The Company discloses information to the public generally and non-exclusively through channels including websites of its own and the Stock Exchange, with an aim to achieve fair and timely disclosure of information.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES *(Continued)*

Dividend Policy

On 23 December 2021, the Board approved and adopted a revised dividend policy of the Company ("Dividend Policy") with effect from 1 January 2022 in order to provide return to the Shareholders.

According to the Dividend Policy, in normal circumstances, the annual dividend to be distributed by the Company to the Shareholders shall not be less than 30% of the Group's consolidated net profit attributable to Shareholders in any particular year.

Notwithstanding the above, such declaration and payment of dividends shall remain to be determined at the sole discretion of the Board, and subject to the laws of Bermuda, the Bye-laws and any other applicable laws, rules and regulations.

In proposing any dividends, the Board shall take into account, inter alia, the operating results and financial condition of the Group; the Group's capital requirement for business operations and future development; the retained earnings and distributable reserves of the Group; the shareholders' expectation and industry's norm; the general market conditions; and any other factors that the Board may consider appropriate.

The Dividend Policy shall in no way constitute a legally binding commitment by the Company in respect of its future dividend and/or in no way obligate the Company to declare a dividend at any time or from time to time.

The Board will continually review the Dividend Policy and update, amend and/or modify the Dividend Policy as and when appropriate.

Directors', senior management's and employees' emoluments

The Group's remuneration policy aims to provide a fair market remuneration to attract, retain and motivate high quality talent, having regard to the Group's and individual's performance and comparable market trends. At the same time, such awards must be aligned with the Shareholders' interests.

Particulars of Directors' remuneration, five highest paid individuals' emoluments and staff costs are set out in notes 10 and 11 to the consolidated financial statements.

The amount or value of fees (including bonus) of the senior management of the Group by bands for the Year is set out below:

Fees by bands	Number of individuals
HK$2,000,001 to HK$3,000,000	2

No Director waived any emolument during the Year.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES *(Continued)*

Auditors' remuneration

For the Year, fees for statutory audit services provided by the auditors of the Group, Moore Stephens CPA Limited, to the Group amounted to approximately HK$3,825,000. Non-audit services include tax compliance and planning, agreed upon procedures on review of financial statements and transactions, etc. Total fees paid by the Group for non-audit services during the Year were approximately HK$797,000.

COMMUNICATION WITH SHAREHOLDERS

The Company provides information in relation to the Group to the Shareholders in a timely manner through a number of formal channels, including interim and annual reports, announcements and circulars. These published documents together with the Company's corporate information are also available on the Company's website (www.townhealth.com). The Board has established a shareholders' communication policy of the Company. During the Year, the Board has reviewed the shareholder's communication policy of the Company.

According to the Bye-laws, the Board may, whenever it thinks fit, convene a special general meeting, and special general meetings shall also be convened on requisition and, in default, may be convened by the requisitionists.

Procedures for Shareholders to convene a general meeting/put forward proposals

1. The Shareholders holding as at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition sent to the Company's head office at 6th Floor, Town Health Technology Centre, 10–12 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories, Hong Kong, for the attention of the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be convened within twenty-one days from the date of the deposit of such requisition.

2. The written requisition must state the purposes of the meeting, and must be signed by the Shareholders concerned and may consist of several documents in like form, each signed by one or more of those Shareholders.

3. The requisition will be verified with the Company's branch share registrar and upon their confirmation that the requisition is proper and in order, the Company Secretary will ask the Board to convene a special general meeting by serving sufficient notice in accordance with the statutory requirements to all the registered Shareholders. On the contrary, if the requisition has been verified as not in order, the Shareholders concerned will be advised of this outcome and accordingly, a special general meeting will not be convened as requested.

4. The Shareholders holding not less than one-twentieth of the total voting rights of those Shareholders having the right to vote at such meeting or not less than one hundred Shareholders, at the expenses of the Shareholders concerned, can submit a written requisition to move a resolution at a general meeting.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS *(Continued)*

5. The written requisition must state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution, signed by all the Shareholders concerned and may consist of several documents in like form (which between them contain the signatures of all the Shareholders concerned).

6. The written requisition must be deposited at 6th Floor, Town Health Technology Centre, 10–12 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories, Hong Kong, the head office of the Company, for the attention of the Company Secretary not less than six weeks before the meeting in the case of a requisition requiring notice of a resolution and not less than one week in the case of any other requisition.

7. The requisition will be verified with the Company's branch share registrar and upon their confirmation that the requisition is proper and in order, the Company Secretary will ask the Board to (i) include the resolution in the agenda for the annual general meeting; or (ii) convene a special general meeting by serving sufficient notice in accordance with the statutory requirements to all the registered Shareholders. On the contrary, if the requisition has been verified as not in order, the Shareholders concerned will be advised of this outcome and accordingly, (i) the proposed resolution will not be included in the agenda for the annual general meeting; or (ii) a special general meeting will not be convened as requested.

Procedures for Shareholders sending enquiries to the Board

1. *Enquiries about shareholdings*
   Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar, Tricor Tengis Limited, via its online holding enquiry service at www.tricoris.com, or send email to is-enquiries@hk.tricorglobal.com or call its hotline at (852) 2980 1333, or go in person to its public counter at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

2. *Enquiries about corporate governance or other matters to be put to the Board and the Company*
   Shareholders and the investment community may at any time make a request for the Company's information to the extent such information is publicly available.

   The Company will not normally deal with verbal or anonymous enquiries. Shareholders and the investment community may send written enquiries to the Company, for the attention of the Board or Company Secretary, by email: company.secretary@townhealth.com, fax: (852) 2210 2722, or mail to 6th Floor, Town Health Technology Centre, 10–12 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories, Hong Kong. Shareholders may call the Company at (852) 2699 8181 for any assistance.

INDEPENDENT AUDITOR'S REPORT

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大華馬施雲
會計師事務所有限公司

To the Shareholders of
Town Health International Medical Group Limited
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Town Health International Medical Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 93 to 221, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Town Health International Medical Group Limited *(Continued)*
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill and intangible assets arising on acquisition of subsidiaries and medical practices	
We identified the impairment assessment of goodwill and intangible assets as a key audit matter as significant judgement arising on acquisition of subsidiaries and medical practices was required to be exercised by the Group's management on the estimation of the recoverable amounts of the groups of cash generating units ("CGUs") to which goodwill and intangible assets have been allocated. As disclosed in notes 4, 20 and 21 to the consolidated financial statements, the Group's goodwill and intangible assets as at 31 December 2021 were HK$492,794,000 and HK$329,096,000, respectively (2020: HK$485,834,000 and HK$334,769,000), respectively. Goodwill and intangible assets have been allocated to the respective CGUs. Impairment assessment was performed by the management through comparing the recoverable amounts of the CGUs with the carrying amounts of the CGUs that include goodwill and intangible assets. The recoverable amount is the higher of value in use or fair value less costs of disposal. In determining the value in use, the management estimates based on discounted cash flows taking into account key assumptions including discount rate, future growth rate and expected gross margin.	Our procedures in relation to the impairment assessment of goodwill and intangible assets arising on acquisition of subsidiaries and medical practices included: • Discussed with management how they performed the impairment assessment of goodwill and intangible assets, including the process of allocating goodwill and intangible assets to the appropriate CGUs, and determining the recoverable amounts of the CGUs; • Evaluated the appropriateness of the valuation model adopted by the management; • Evaluated the reasonableness of key assumptions used in the value in use calculation against historical performance and future business plan of the Group in respect of each CGU and checked its arithmetical accuracy; • Tested the key inputs used in the discounted cash flows against the relevant supporting evidences and approved budgets; and • Evaluated the sufficiency of the relevant disclosure of impairment assessment in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Town Health International Medical Group Limited *(Continued)*
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the degree of significant judgements associated with determining the fair value. Management has estimated that the fair value of the Group's investment properties was HK$583,223,000 as at 31 December 2021 (2020: HK$535,570,000), with a fair value gain for the year ended 31 December 2021 recorded in consolidated profit or loss of HK$47,653,000 (fair value loss for the year ended 31 December 2020: HK$47,566,000). In determining the fair value of investment properties, the key inputs including price per square feet, reversionary rate and monthly rent with certain unobservable inputs that require significant management judgement by management and independent professional valuer (the "Valuer"), including the adjustment of the building age, location, fair market rents and people flows to reflect different locations or conditions.	Our procedures in relation to the valuation of investment properties included: • Discussed with management and the Valuer how the Group determined the fair value of the investment properties, including the valuation techniques selected and key inputs adopted; • Assessed the qualification and experiences of the Valuer; • Evaluated the appropriateness of valuation techniques and the reasonableness of the key inputs and assumptions adopted by the management of the Group and the Valuer by tracing to entity-specific information and market data; and • Evaluated the sufficiency of the relevant disclosures of the investment properties in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Town Health International Medical Group Limited *(Continued)*
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of interests in associates	
We identified the impairment assessment of interests in associates as a key audit matter as significant judgement was required to be exercised by the Group's management in assessing the impairment. As disclosed in notes 4 and 22 to the consolidated financial statements, the carrying amount of the interests in associates was HK$340,374,000 as at 31 December 2021 (2020: HK$308,768,000). In determining the recoverable amounts of associates, estimation of the value in use was required and the valuation was carried out by management and the Valuer engaged by the Group. In determining the value in use, management's estimates were based on cash flow forecast for the relevant business and required the adoption of certain assumptions such as budgeted sales, gross margin, other related expenses, discount rate and terminal growth rate. Management has concluded that there was no impairment in respect of the interests in associates as at 31 December 2021.	Our procedures in relation to the impairment assessment of interests in associates included: • Discussed with management and the Valuer how the Group estimated the recoverable amounts of associates, including the valuation model adopted, key assumptions used; • Assessed the competence, capabilities and objectivity of Valuer performing the valuation; and • Evaluated the reasonableness of the valuation methodology and key assumptions used in the value in use calculation against historical performance and future business plan of the associates and checking its arithmetical accuracy.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Town Health International Medical Group Limited *(Continued)*
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of the property, plant and equipment ("PPE") and the right-of-use assets ("ROU assets")	
We identified the impairment assessment of the PPE and the ROU assets as a key audit matter as inherent estimation uncertainty pertaining to the assumptions and estimations was required to assess the recoverable amounts of these assets. As disclosed in notes 4, 17 and 18 to the consolidated financial statements, the carrying amounts of the PPE and the ROU assets were HK\$363,031,000 and HK\$91,805,000 as at 31 December 2021, net of accumulated depreciation and impairment loss of HK\$305,030,000 and HK\$270,532,000 respectively. For the purpose of assessing impairment of these assets, the recoverable amounts of these assets have been determined by the management of the Group by value in use calculations of clinics using the discounted cash flow forecasts based on management's expectations of the market development and the past performance, where the key input parameters include revenue growth and gross profit margins. Based on management's assessment, impairment losses on the PPE and the ROU assets of HK\$3,067,000 and HK\$8,658,000 respectively have been recognised in profit or loss during the year ended 31 December 2021.	Our procedures in relation to the impairment assessment of the PPE and the ROU assets included: • Obtained an understanding of the management's process and basis adopted in the impairment assessment of the PPE and the ROU assets; • Evaluated the assumptions and estimates used in the value in use calculations of the recoverable value using forecasts in determining whether there are any impairment losses to be recognised based on the management's estimate of revenue growth and gross profit margins with reference to the past performance of the relevant clinics, management's expectations on the market development and the future operating plans of the Group; and • Performed sensitivity analysis of key assumptions and considered the resulting impact on the impairment of the PPE and the ROU assets and whether there were any indicators of management bias.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Town Health International Medical Group Limited *(Continued)*
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Assessment of expected credit loss ("ECL") on promissory note	
We identified the assessment of ECL on promissory note as a key audit matter due to significant judgments by management and high degree of estimation uncertainty involved. As disclosed in notes 4 and 26 to the consolidated financial statements, the carrying amounts of the promissory note as at 31 December 2021 were nil and ECL of HK$117,763,000 was recorded in profit or loss for the year ended 31 December 2021 (2020: HK$207,693,000). The Group has applied a lifetime expected credit loss model determining the ECL to be recognised in respect of the promissory note during and as at the end of the year because the directors of the Company consider there has been significant increase in credit risk associated with the promissory note due to default on repayment since April 2020. When determining the amount of ECL to be recognised as at the end of the reporting period, the management considered the risk of a default occurring on the promissory note as at the reporting date, taking into account both quantitative and qualitative information that is reasonable and supportable, including historical experience (including credit history and current credit worthiness of the promissory note issuer) and forward-looking information (including current market conditions) that is available without undue cost or effort. The Group also reviewed the amount and timing of future cash flows, guarantees, value of the collateral received from the borrower in measuring the ECL.	Our procedures in relation to the assessment of ECL on promissory note included: • Obtained an understanding of the management's process for credit risk assessment and assessment of ECL of the promissory note; • Understood key controls over the way in which management estimated the ECL of the promissory note, which relates to management's identification of events that triggered the provision for ECL of the promissory note and estimation of the amount of provision; • Inspected the promissory note agreement entered into between the Group and the promissory note issuer, and other relevant information relating to the promissory note issuer as assessed by the Group; • Assessed the reasonableness of the Group's ECL model by challenging management's basis and judgment used in determining the inputs and assumptions applied in the ECL model, including probability of default, loss experience and forward-looking information; • Tested the mathematical accuracy of the calculation of ECL; • Examined the valuation of the fair value of collateral; and • Evaluated the disclosures to the consolidated financial statements regarding the Group's exposure to the credit risk on the promissory note.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Town Health International Medical Group Limited *(Continued)*
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Town Health International Medical Group Limited *(Continued)*
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Town Health International Medical Group Limited *(Continued)*
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

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

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

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

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

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

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

Moore Stephens CPA Limited
Certified Public Accountants

Cheung Sai Kit
Practising Certificate Number: P05544

Hong Kong, 22 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	**2021** **HK$'000**	2020 HK$'000
Revenue	5	**1,483,892**	1,069,045
Cost of sales		**(1,012,631)**	(784,465)
Gross profit		**471,261**	284,580
Other income	7	**76,942**	90,779
Administrative expenses		**(357,117)**	(333,289)
Other gains and losses, net	8	**24,244**	(66,134)
Expected credit loss recognised on a promissory note	26	**(117,763)**	(207,693)
Finance costs	9	**(3,903)**	(5,279)
Share of results of associates		**40,484**	7,466
Share of results of joint ventures		**(7,640)**	(3,285)
Profit (loss) before tax		**126,508**	(232,855)
Income tax expenses	12	**(51,436)**	(25,595)
Profit (loss) for the year	13	**75,072**	(258,450)
Other comprehensive income (expense) for the year			
Items that will not be reclassified to profit or loss:			
Fair value change in equity instruments at fair value through other comprehensive income		**(9,839)**	(18,421)
Fair value change in revaluation of properties upon transfer from "property plant and equipment" to "investment properties"		**–**	49,574
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on the translation of foreign operations		**37,905**	59,777
Share of other comprehensive income of associates and joint ventures		**4,253**	896
		32,319	91,826
Total comprehensive income (expense) for the year		**107,391**	(166,624)
Profit (loss) for the year attributable to:			
Owners of the Company		**22,013**	(281,038)
Non-controlling interests		**53,059**	22,588
		75,072	(258,450)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**44,539**	(205,447)
Non-controlling interests		**62,852**	38,823
		107,391	(166,624)
Profit (loss) per share (HK cent(s))			
Basic and diluted	15	**0.29**	(3.73)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS			
Investment properties	16	**583,223**	535,570
Property, plant and equipment	17	**363,031**	382,812
Right-of-use assets	18	**91,805**	114,323
Loans receivable	19	**5,434**	3,271
Goodwill	20	**492,794**	485,834
Intangible assets	21	**329,096**	334,769
Interests in associates	22	**340,374**	308,768
Interests in joint ventures	23	**12,786**	19,892
Equity instruments at fair value through other comprehensive income	25	**29,770**	39,609
Fixed bank deposits	31	**104,805**	71,258
		2,353,118	2,296,106
CURRENT ASSETS			
Inventories	27	**38,678**	34,522
Trade and other receivables	28	**442,581**	306,485
Financial assets at fair value through profit or loss	24	**1,951**	6,774
Loans receivable	19	**353**	876
Promissory notes	26	**–**	117,763
Amounts due from associates	29	**1,270**	1,421
Tax recoverable		**207**	2,025
Fixed bank deposits	31	**981,754**	745,832
Bank balances and cash	31	**910,458**	1,070,835
		2,377,252	2,286,533
CURRENT LIABILITIES			
Trade and other payables	32	**268,495**	206,865
Contract liabilities	33	**3,095**	2,557
Amount due to an investee	34	**296**	298
Amounts due to non-controlling interests	30	**36,864**	41,715
Bank borrowing	35	**15,400**	16,623
Lease liabilities	36	**59,738**	68,551
Tax payable		**37,597**	23,773
		421,485	360,382
NET CURRENT ASSETS		**1,955,767**	1,926,151
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,308,885**	4,222,257

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT LIABILITIES			
Lease liabilities	36	**42,837**	54,709
Deferred tax liabilities	37	**40,614**	41,416
		83,451	96,125
		4,225,434	4,126,132
CAPITAL AND RESERVES			
Share capital	38	**75,261**	75,261
Reserves		**3,779,774**	3,735,220
Equity attributable to owners of the Company		**3,855,035**	3,810,481
Non-controlling interests		**370,399**	315,651
Total equity		**4,225,434**	4,126,132

The consolidated financial statements on pages 93 to 221 were approved and authorised for issue by the board of directors of the Company on 22 March 2022 and are signed on its behalf by:

Mr. Jin Zhaogen
DIRECTOR

Ms. Zhao Xiangke
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to owners of the Company												
	Share capital-ordinary shares HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000 (note i)	Capital reserve HK$'000 (note ii)	Distributable reserve HK$'000 (note iii)	Other reserves HK$'000 (note iv)	Property revaluation reserve HK$'000	Investment revaluation reserves HK$'000	Translation reserve HK$'000	Accumulated profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2020	75,261	3,341,639	9,020	10,033	62,677	(85,374)	45,657	(58,585)	(41,748)	656,967	4,015,547	287,464	4,303,011
Loss for the year	–	–	–	–	–	–	–	–	–	(281,038)	(281,038)	22,588	(258,450)
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	–	–	43,542	–	43,542	16,235	59,777
Share of other comprehensive income of associates and joint ventures	–	–	–	–	–	–	–	–	896	–	896	–	896
Fair value change in equity instruments at fair value through other comprehensive income ("FVTOCI")	–	–	–	–	–	–	–	(18,421)	–	–	(18,421)	–	(18,421)
Fair value change in revaluation of properties upon transfer to investment properties	–	–	–	–	–	–	49,574	–	–	–	49,574	–	49,574
Disposal of equity instruments at FVTOCI	–	–	–	–	–	–	–	836	–	(836)	–	–	–
Other comprehensive income (expense) for the year	–	–	–	–	–	–	49,574	(17,585)	44,438	(836)	75,591	16,235	91,826
Total comprehensive income (expense) for the year	–	–	–	–	–	–	49,574	(17,585)	44,438	(281,874)	(205,447)	38,823	(166,624)
Transfer of reserve	–	–	–	–	–	4,695	–	–	–	(4,695)	–	–	–
Acquisition of a subsidiary (note 40)	–	–	–	–	–	–	–	–	–	–	–	478	478
Acquisition of additional interests in subsidiaries (note 40)	–	–	–	–	–	(276)	–	–	–	–	(276)	(1,345)	(1,621)
Disposal of subsidiaries (note 41)	–	–	–	–	–	28	–	–	–	(28)	–	(337)	(337)
Transaction with non-controlling interests	–	–	–	–	–	657	–	–	–	–	657	(657)	–
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(8,775)	(8,775)
At 31 December 2020 and 1 January 2021	75,261	3,341,639	9,020	10,033	62,677	(80,270)	95,231	(76,170)	2,690	370,370	3,810,481	315,651	4,126,132
Profit for the year	–	–	–	–	–	–	–	–	–	22,013	22,013	53,059	75,072
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	–	–	28,112	–	28,112	9,793	37,905
Share of other comprehensive income of associates and joint ventures	–	–	–	–	–	–	–	–	4,253	–	4,253	–	4,253
Fair value change in equity instruments at FVTOCI	–	–	–	–	–	–	–	(9,839)	–	–	(9,839)	–	(9,839)
Other comprehensive (expense) income for the year	–	–	–	–	–	–	–	(9,839)	32,365	–	22,526	9,793	32,319
Total comprehensive (expense) income for the year	–	–	–	–	–	–	–	(9,839)	32,365	22,013	44,539	62,852	107,391
Transfer of reserve	–	–	–	–	–	5,759	–	–	–	(5,759)	–	–	–
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	1,417	1,417
Acquisition of a subsidiary (note 40)	–	–	–	–	–	–	–	–	–	–	–	646	646
Acquisition of additional interests in a subsidiary	–	–	–	–	–	15	–	–	–	–	15	(15)	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(10,152)	(10,152)
At 31 December 2021	**75,261**	**3,341,639**	**9,020**	**10,033**	**62,677**	**(74,496)**	**95,231**	**(86,009)**	**35,055**	**386,624**	**3,855,035**	**370,399**	**4,225,434**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

Notes:

(i) Capital redemption reserve arises from the reduction of the nominal value of the issued share capital of the Company upon the cancellation of the repurchased shares.

(ii) Capital reserve of the Group represents the difference between the nominal value of HK$350,000 of the ordinary shares issued by the Company and the nominal value of the share capital of HK$10,383,000 of Town Health (BVI) Limited ("Town Health (BVI)"), a subsidiary acquired through an exchange of shares pursuant to the group reorganisation in April 2000.

(iii) Distributable reserve of the Group represents the amount arising from the reduction of share capital net of dividend paid.

(iv) The other reserves of the Group mainly represented:

(a) according to the relevant requirements in the articles of association of the Group's subsidiary in the People's Republic of China (the "PRC"), a portion of its profits after taxation shall be transferred to the PRC statutory reserve. The transfer must be made before the distribution of dividend to equity owners. The statutory reserve fund can be used to make up the prior year losses, if any. The statutory reserve fund is non-distributable other than upon liquidation. During the year ended 31 December 2021, approximately HK$5,759,000 (2020: HK$4,695,000) was transferred and the carrying amount of the PRC statutory reserves as at 31 December 2021 is approximately HK$24,035,000 (2020: HK$18,276,000).

(b) other reserves of Group include the change in net assets attributable to the Group in relation to changes in ownership interest in subsidiaries without losing of control in prior year. Movements arising from acquisition of additional interest of subsidiaries and partial disposal of subsidiaries without losing control during the year are stated in notes 40 and 41.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
OPERATING ACTIVITIES			
Profit (loss) for the year		**75,072**	(258,450)
Adjustments for:			
Income tax		**51,436**	25,595
Interest income	7	**(16,328)**	(44,670)
Finance costs	9	**3,903**	5,279
Amortisation of intangible assets	21	**10,627**	10,401
Depreciation of right-of-use assets	18	**68,883**	76,667
Depreciation of property, plant and equipment	17	**42,711**	46,912
Dividend income from equity instruments at FVTOCI	7	**(1,285)**	(270)
Fair value changes on investment properties	8	**(47,653)**	47,566
Gain on written off of right-of-use assets and lease liabilities		**(44)**	–
Rent concessions	7	**(3,410)**	(8,251)
Expected credit loss recognised on other receivables	8	**3,528**	–
Expected credit loss recognised on a promissory note		**117,763**	207,693
Impairment loss recognised on goodwill	8	**3,027**	15,022
Reversal of allowance of expected credit loss recognised on amounts due from associates	8	**–**	(6,000)
Impairment loss recognised on property, plant and equipment	8	**3,067**	4,187
Impairment loss recognised on right-of-use assets	8	**8,658**	3,653
Loss on disposal/written off of property, plant and equipment	8	**284**	1,699
Share of results of associates		**(40,484)**	(7,466)
Share of results of joint ventures		**7,640**	3,285
Loss on disposal of an associate	8	**22**	–
Loss on disposal of a subsidiary	8	**–**	370
Fair value changes on financial assets at fair value through profit or loss ("FVTPL")	8	**4,823**	(363)
Operating cash inflow before movements in working capital		**292,240**	122,859
Increase in inventories		**(2,198)**	(9,972)
Increase in trade and other receivables		**(136,080)**	(86,932)
Increase in trade and other payables		**54,134**	42,759
Increase (decrease) in contract liabilities		**538**	(1,013)
Cash generated from operations		**208,634**	67,701
Income tax paid		**(37,684)**	(36,898)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**170,950**	30,803

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
INVESTING ACTIVITIES			
Proceeds from disposal of equity instruments at FVTOCI	25	–	1,579
(Advances) repayment of loans receivable		**(1,640)**	41,490
Interest received		**16,328**	44,670
Dividend received from associates		**12,540**	17,950
Dividend received from equity instruments at FVTOCI		**1,285**	270
Repayment from associates		**151**	5,743
Proceeds from disposal of an associate		**35**	–
Proceeds from disposal of property, plant and equipment		**203**	1,552
Acquisition of a subsidiary	40a	**(1,154)**	(2,950)
Net cash outflow on disposal of a subsidiary	41	–	(771)
Purchase of property, plant and equipment	17	**(19,945)**	(35,304)
Advance to an investee		**(2)**	(2)
Increase in fixed bank deposits		**(269,469)**	(817,090)
NET CASH USED IN INVESTING ACTIVITIES		**(261,668)**	(742,863)
FINANCING ACTIVITIES			
Partial acquisition of a subsidiary	40b	–	(1,621)
Repayment to non-controlling interests		**(4,851)**	(1,256)
Capital contribution from non-controlling interests		**1,417**	–
Repayment of bank borrowing		**(1,223)**	(1,107)
Repayment of lease liabilities		**(72,091)**	(67,394)
Interest paid on lease liabilities		**(3,526)**	(4,707)
Dividends paid to non-controlling interests		**(10,152)**	(8,775)
Interest paid on bank borrowing		**(377)**	(572)
NET CASH USED IN FINANCING ACTIVITIES		**(90,803)**	(85,432)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(181,521)**	(797,492)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**1,070,835**	1,840,856
EFFECT OF FOREIGN EXCHANGE RATES CHANGES		**21,144**	27,471
CASH AND CASH EQUIVALENTS AT 31 DECEMBER			
representing bank balances and cash	31	**910,458**	1,070,835

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL

The Company is registered in Bermuda as an exempted company under the laws of Bermuda.

The Company's shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The address of the registered office of the Company is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda. The address of the principal place of business of the Company is 6th Floor, Town Health Technology Centre, 10–12 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories, Hong Kong.

The consolidated financial statements are presented in Hong Kong Dollars ("HK$"), which is the same as the functional currency of the Company.

As disclosed in the consolidated financial statements for the years ended 31 December 2017, 2018, 2019 and 2020, the Securities and Futures Commission ("SFC") has on 27 November 2017 issued a direction to suspend trading in the shares of the Company with effect from 27 November 2017 ("Suspension") as it appears to the SFC that, inter alia, the Company's interim report for the six months ended 30 June 2016 published by the Company on 7 September 2016 and the Company's annual report for the year ended 31 December 2016 published by the Company on 27 April 2017 included materially false, incomplete or misleading information.

On 18 December 2017, the Company announced that in view of the Suspension, the board of directors ("Board") of the Company has established an independent board committee ("IBC") comprising all the independent non-executive directors of the Company, whose scope of the primary duties includes:

(i) conducting an independent investigation on the issues and matters arising from or relating to the Suspension;

(ii) making recommendations to the Board on appropriate action to be taken; and

(iii) working towards the goal of having the shares resumed in trading on The Stock Exchange.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL *(Continued)*

As at the date of approval for issuance of the consolidated financial statements for the financial year ended 31 December 2017, the investigation by the independent forensic accountant engaged by the IBC to investigate the issues and matters arising from or relating to the direction issued by the SFC has been completed and reported to the IBC. After reviewing the findings and conclusion of the independent forensic accountant ("First Forensic Report"), the IBC had adopted the First Forensic Report. With reference to the First Forensic Report, the IBC accepted that the matters leading to the SFC's concerns on the materially false, incomplete or misleading information contained in the Company's interim report for the six months ended 30 June 2016 published by the Company on 7 September 2016 and the Company's annual report for the year ended 31 December 2016 published by the Company on 27 April 2017 are not substantiated. Hence, the Board of the Company has determined that no restatement of figures stated in the accounts contained in these previously issued annual and interim reports is necessary, and no disclosures contained in these accounts need to be amended. The consolidated financial statements of the Group for the year ended 31 December 2017 have therefore been prepared on the above basis.

On 31 January 2019, the Company announced that as a result of recent communication with the SFC, the IBC has engaged the independent forensic accountant to conduct further inquiry and investigation into the matters and make recommendations to the Board. After reviewing the findings and conclusion of the independent forensic accountant report ("Second Forensic Report"), the IBC had adopted the Second Forensic Report. With reference to the Second Forensic Report, the IBC accepts that the matters leading to the SFC's concerns on the materially false, incomplete or misleading information contained in the Company's interim report for the six months ended 30 June 2016 published by the Company on 7 September 2016 and the Company's annual report for the year ended 31 December 2016 published by the Company on 27 April 2017 are not substantiated. Hence, the Board has determined that no restatement of figures stated in the accounts contained in these previously issued annual and interim reports is necessary, and no disclosures contained in these accounts need to be amended. The consolidated financial statements of the Group for the year ended 31 December 2018 have therefore been prepared on the above basis.

As disclosed in the announcement of the Company dated 31 October 2019, the Board resolved on 31 October 2019, among other things, to call each director to resign and each resigning director shall be eligible to put himself/herself forward for re-election at the special general meeting of the Company convened and held on 2 December 2019.

The Board proposed for a change of its composition as the Board believes that reorganisation of the Board would enable the Company to move forward and to develop a new development strategy for the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL *(Continued)*

On 10 January 2020, the Company announced that it received a letter from the Stock Exchange dated 7 January 2020 (the "Letter") stating that:

(i) The Stock Exchange's guidance letter states that the Stock Exchange would discuss with the SFC before exercising its right to delist an issuer suspended under Section 8 of the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) ("SMLR"); and

(ii) After consultation with the SFC, the Stock Exchange confirms that the Stock Exchange will, until further notice, withhold exercising its right to delist the Company under Rule 6.01A(2)(b)(i) of the Listing Rules should trading in the Company's securities remain suspended on 31 January 2020.

The Letter further states that the above is without prejudice to the Stock Exchange exercising its right under Rule 6.01A of the Listing Rules at a later stage when the Stock Exchange considers appropriate. The Stock Exchange also reserves all its rights under the Listing Rules. In particular, the Company was reminded of its obligation to procure a resumption of trading as soon as possible.

On 29 April 2020, 31 July 2020, 30 October 2020 and 2 February 2021, the Company has announced that the Company has continued communicating with the SFC on the resumption application made by the Company to the SFC under section 9 of the SMLR.

On 26 February 2021, the Company announced that, as disclosed in previous announcements of the Company, the Company has been communicating with the SFC on the resumption application made by the Company under section 9 of the SMLR. At the request of the SFC, a reputable independent consultant (as agreed by the SFC) (the "Consultant") has been engaged to conduct a review of the Company's internal control. Such review has now been completed and a report (the "IC Report") has been issued to the Company and the SFC. The Board confirmed that the Company was being managed by new Board members and senior management who were free from the control of or influence from Dr. Cho Kwai Chee, a former non-executive director retired on 29 June 2018 and Dr. Hui Ka Wah, Ronnie, a former executive director resigned on 2 December 2019 in their conduct of the Company's businesses and operations. The Company has been informed that the SFC has considered the IC Report and other documents and information submitted by the Company, and the SFC has, by notice to the Stock Exchange and pursuant to section 9(3) of the SMLR, permitted the dealings in the shares of the Company to recommence subject to the following conditions (collectively, the "Resumption Conditions"):

(i) the Company shall publish the announcement relating to resumption of trading;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

1. GENERAL *(Continued)*

(ii) the Company undertakes: (a) to implement all the recommendations made by the Consultant in the IC Report by the target completion date with respect to each recommendation as set out in the IC Report; (b) to procure the Consultant to perform a follow-up review as at 31 October 2021 to assess whether the recommendations in the IC Report have been properly implemented by the Company; (c) to procure the Consultant to submit a report following the follow-up review to the Company and the SFC Executive for concurrent review; and

(iii) the Company shall publish an announcement regarding the results of the follow-up review report.

The Company fulfilled the first Resumption Condition by publishing the announcement dated on 26 February 2021.

With reference to the second Resumption Condition, the Company will (i) implement all the recommendations made by the Consultant in the IC Report by the target completion date with respect to each recommendation as set out in the IC Report; (ii) procure the Consultant to perform a follow-up review as at 31 October 2021 to assess whether the Consultant's recommendations in the IC Report have been properly implemented by the Company; and (iii) procure the Consultant to submit a report following such follow-up review to the Company and the SFC for concurrent review. Further announcement will be made in respect of the follow-up review report as required under the third Resumption Condition. The SFC has permitted dealings in the shares of the Group to recommence from 9:00 a.m. on 1 March 2021.

Trading in the shares of the Company on the Stock Exchange resumed with effect from 9:00 a.m. on 1 March 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group has early applied the Amendments to HKFRS 16 "Covid-19-Related Rent Concession beyond 30 June 2021", which are mandatorily effective for annual reporting periods beginning on or after 1 April 2021.

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

Impact on early application of Amendment to HKFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021" (the "2021 Amendment")

The Group has early applied the Amendment to HKFRS16 "Covid-19-Related Rent Concessions" in prior year and the 2021 Amendment in the current year. The 2021 Amendment extends the availability of the practical expedient set out in paragraph 46A of HKFRS 16 to rent concessions on or before 30 June 2022. The early application of the 2021 Amendment has had no impact to the opening retained profits at 1 January 2021 and the financial position and financial performance for the current year.

During the current year, certain lessors agreed to reduce lease payments on several leases entered into with certain subsidiaries of the Group relating to lease payment that were due on or before 30 June 2022. The Group has derecognised the part of lease liabilities that have been extinguished using the discount rates originally applied to these leases respectively, resulting in a decrease in lease liabilities of HK$3,410,000, which have been accounted for as variable lease payment and recognised as other income in profit or loss during the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[1]

1 Effective for annual periods beginning on or after 1 January 2022.

2 Effective for annual periods beginning on or after 1 January 2023.

3 Effective for annual periods beginning on or after a date to be determined.

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

Amendments to HKAS 12 "Deferred tax related to assets and liabilities arising from a single transaction"

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 "Income taxes" so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

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

As disclosed in Note 4, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all taxable temporary differences.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The Group is still in the process of assessing the full impact of the application of the amendments.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments which are measured at fair values at the end of each reporting period, as explained in accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are accounted for in accordance with HKFRS 16 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of assets".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Basis of preparation of consolidated financial statements *(Continued)*

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

For financial instruments and investment properties which are transacted at fair value and a valuation technique that uses unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equal the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Basis of consolidation *(Continued)*

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

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 owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 "Financial Instruments" ("HKFRS 9"), when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations or asset acquisitions

Optional concentration test

Effective from 1 January 2021, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed. If the concentration test is not met, or if the entity elects not to apply the test, the entity shall then perform the assessment as to whether the set of activities and assets meets the definition of a business.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Business combinations or asset acquisitions *(Continued)*

Asset acquisitions

The acquisition of an asset or a group of assets that does not constitute a business. In such cases the acquirer shall identify and recognise the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets in HKAS 38 Intangible Assets) and liabilities assumed. The cost of the acquisition shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill.

Business combinations

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

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

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

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

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that standard; and

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Business combinations or asset acquisitions *(Continued)*

Business combinations (Continued)

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Goodwill

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

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

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

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

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

Interests in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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 joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Interests in associates and joint ventures *(Continued)*

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate or joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in change in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An interest in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Interests in associates and joint ventures *(Continued)*

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal or partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or a joint venture are recognised in the consolidated financial statements only to the extent of interests in the associate or a joint venture that are not related to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Revenue from contracts with customers

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

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; 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.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

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

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation.

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Revenue from contracts with customers *(Continued)*

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Leases *(Continued)*

The Group as a lessee (Continued)

Right-of-use assets

The cost of right-of-use asset includes:

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

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities, other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied practical expedient.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lease liabilities

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Leases *(Continued)*

Lease liabilities (Continued)

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- amounts expected to be payable by the lessee under residual value guarantees;

- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and

- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Leases *(Continued)*

Lease modifications (Continued)

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Leases *(Continued)*

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to accumulated profits.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair value, adjusted to exclude any prepaid or accrued operating lease income. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model.

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

If an item of investment properties is transferred to owner-occupied property, the deemed cost of a property is its fair value at the date of change in use.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Intangible assets

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair values at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives 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 relevant asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount of tangible and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash generating unit or group of cash-generating units.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Impairment on tangible and intangible assets other than goodwill *(Continued)*

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a 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 had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on first-in-first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

Retirement benefit costs

Payments to state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations in other parts of the PRC are translated into the presentation currency of the Group (i.e. HK$) using exchange rate prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, joint ventures, and associates, 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to 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 profit will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Taxation *(Continued)*

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities results in net deductible temporary differences.

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.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

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

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

Dividend income which are derived from the Group’s ordinary course course of business are presented as revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Financial instruments *(Continued)*

Financial assets (Continued)

Classification and subsequent measurement of financial assets *(Continued)*

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the FVTOCI reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" in profit or loss.

(iii) Financial assets at FVTPL

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

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

Impairment of financial assets

The Group performs impairment assessment under ECL on financial assets (including, trade and other receivables, loans receivable, amounts due from associates and promissory notes). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (Continued)

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

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

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (Continued)

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit– impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL

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

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

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Financial instruments *(Continued)*

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

On derecognition of a financial assets classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserves is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserves is not reclassified to profit or loss, but is transferred to accumulated profits.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Financial liabilities

Financial liabilities (including trade and other payables, amount(s) due to an investee/non-controlling interests, bank borrowing and lease liabilities) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The followings are the critical judgments, apart from those involving estimations, that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded:

In respect of the Group's investment properties located in Hong Kong, the management has determined that those properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties as the Group is not subject to any income taxes on disposal of its investment properties.

Indefinite useful life of an intangible asset

As disclosed in note 21 to the consolidated financial statements, the trade name, Dr. Vio & Partners, of HK$167,087,000 (2020: HK$167,087,000) of the Group has no definite useful life. The directors of the Company are of the opinion that the Group has the ability to use the trade name continuously. In the opinion of the directors of the Company, the trade name has no foreseeable limit to the period over which the services provided are expected to generate net cash flows for the Group indefinitely.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Critical judgments in applying accounting policies *(Continued)*

Determination on lease term of contracts with renewal options

The Group applies judgment to determine the lease term for lease contracts in which it is a lessee that include renewal option, specifically, the leases relating to clinic. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. Leases are considered no longer enforceable when the Group as the lessee and the relevant lessors both have the right to terminate the lease without permission from the other party with no more than an insignificant contractual penalty.

The assessment of whether the Group is reasonably certain to exercise renewal options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised. Re-assessment is performed upon the occurrence of either a significant event or a significant change in circumstances that is within the control of lessee and that affects the assessment.

When assessing reasonable certainty, the Group considers all relevant facts and circumstances including economic incentives for exercising or not exercising the options. Factors considered include:

- contractual terms and conditions for the optional periods compared with market rates (e.g. whether the amount of payments in the optional periods is below the market rates);
- the extent of leasehold improvements undertaken by Group;
- costs relating to termination of the lease (e.g. relocation costs, costs of identifying another underlying asset suitable for the Group's needs).

There are no new contracts entered during the year ended 31 December 2021 and 2020 that contain renewal options, and thus, no assessment on renewal option was performed during both years. For the contracts previously signed with renewal options, there is no change in the decision made when the right-of-use assets and lease liabilities were recognised.

Principal versus agent consideration (agent)

The Group is considered as an agent for its contracts with customers relating to the sales of medical equipment as the Group did not obtain the control over medical equipment before passing on to customers taking into consideration indicators such as the Group is not primarily responsible for fulfilling the promise and not exposed to inventory risk. When the Group satisfies the performance obligation, the Group recognised a commission revenue in the amount which amounted to an average rate of 17.91% (2020: 18.41%) of the gross amount of consideration.

During the year ended 31 December 2021, the Group recognised the commission as revenue relating to sales of medical equipment with the group being an agent amounted to HK$8,834,000 (2020: HK$2,783,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

The followings are 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.

Impairment of goodwill and intangible assets

Determining whether goodwill and intangible assets are impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill and intangible assets have been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value, taking into account of other key assumptions including discount rate, future growth rate and expected gross margin. When the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash, a material impairment loss/further impairment loss may arise.

As at 31 December 2021, the carrying amount of goodwill and intangible assets were HK$492,794,000 and HK$329,096,000 (net of accumulated impairment loss of goodwill and intangible assets of HK$226,648,000 and nil respectively) (2020: HK$485,834,000 and HK$334,769,000 (net of accumulated impairment loss of goodwill and intangible assets of HK$223,621,000 and nil respectively)). During the year ended 31 December 2021, impairment loss on goodwill of HK$3,027,000 (2020: HK$15,022,000) was recognised in profit or loss. Details of goodwill impairment assessment are disclosed in note 20 to the consolidated financial statements.

Valuation of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market conditions and assumptions made on the investment properties, including price per square feet, with certain unobservable inputs such as adjustment of the building age, location, fair market rents and people flows to reflect different locations or conditions.

In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the assumptions used in the valuation is reflective of the current market conditions and current development of the investment properties. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss. As at 31 December 2021, the carrying amount of investment properties was HK$583,223,000 (2020: HK$535,570,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Fair value measurement of financial instruments

As disclosed in notes 25 and 45 to the consolidated financial statements, the Group's financial assets comprise unquoted equity instruments of HK$29,770,000 as at 31 December 2021 (2020: HK$39,609,000) which are measured at fair values with fair values being determined based on unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments.

Impairment of associates and joint ventures

Management regularly reviews the recoverable amount of the associates and joint ventures. Determining whether impairment is required involves the estimation of the value in use. In determining the value in use, management's estimates are based on the Group's share of the present value of the estimated future cash flows expected to be generated. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flow, impairment loss may arise.

As at 31 December 2021, the carrying amount of interests in associates amounted to HK$340,374,000 (2020: HK$308,768,000) net of accumulated impairment loss amounting to HK$27,000,000 (2020: HK$27,000,000). As at 31 December 2021, the carrying amount of interests in joint ventures amounted to HK$12,786,000 (2020: HK$19,892,000). No impairment was recognised on interests in associates and joint ventures for the years ended 31 December 2021 and 2020.

Allowance of expected credit loss on loans receivable

The Group measures the loss allowance on loans receivable based on an expected credit loss model. The allowance for ECL on the loans receivable are calculated based on loss rates which are reference to the default rates from international credit rating agencies and historical data, adjusted for forward-looking futures specific to the debtors and the economic environment. Specifically, a credit loss is the present value of the difference between (i) the contractual cash flows that are due to an entity under the contract and (ii) the cash flows that the entity expects to receive. Such assessment involves a high degree of estimation and uncertainty. When the actual future cash flows are less or more than expected, material ECLs or material reversal of ECLs may arise, accordingly. As at 31 December 2021, the carrying amount of loans receivable amounted to HK$5,787,000 (2020: HK$4,147,000). No expected credit loss was recognised for the years ended 31 December 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Allowance of expected credit loss on promissory notes

The Group measures the loss allowance on promissory notes based on an expected credit loss model. As disclosed in note 26(ii) to the consolidated financial statements, Profit Castle Holding Limited ("Profit Castle"), the issuer of promissory note with principal amount of HK$330,000,000, failed to repay the principal of HK$330,000,000 on the maturity date (i.e. 9 April 2020) and all outstanding interest accrued. The management considered that such promissory note is credit impaired and negotiated with Dr. Ip Chun Heng, Wilson ("Dr. Ip") on the extension of the maturity date of the promissory note and interest accrued thereon since the maturity date. However, such negotiation fell through in the absence of any viable repayment proposal from Dr. Ip and Profit Castle that is acceptable to the Group. During the year ended 31 December 2021, operation of Bonjour Beauty International Limited ("Bonjour Beauty") was suspended. Date of resumption is unable to be estimated, the promissory note is therefore fully impaired. During the year ended 31 December 2021, no interest income was recognised (2020: HK$15,864,000).

The management performed the assessment and considered that expected credit loss of HK$117,763,000 (2020: HK$207,693,000) should be recognised in profit or loss during the year ended 31 December 2021. As at 31 December 2021, the carrying amount of such promissory note issued by Profit Castle was nil, net of accumulated allowance of expected credit loss of HK$330,000,000 (2020: promissory note issued by Profit Castle of HK$117,763,000, net of accumulated allowance of expected credit loss of HK$212,237,000).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Impairment on the property, plant and equipment and the right-of-use assets

Property, plant and equipment and right-of-use assets are carried at cost less accumulated depreciation and accumulated impairment losses, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the value in use including cash flow projections with appropriate discount rate. When 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 assets belong. Changing the assumptions and estimates, including the percentage change in revenue growth and gross profit margins in the cash flow projections, could affect the recoverable amount. As at 31 December 2021, the carrying amounts of the property, plant and equipment and the right-of-use assets were HK$363,031,000 and HK$91,805,000, net of accumulated depreciation and impairment loss of HK$305,030,000 and HK$270,532,000 respectively (2020: property, plant and equipment and the right-of-use assets were HK$382,812,000 and HK$114,323,000, net of accumulated depreciation and impairment loss of HK$267,622,000 and HK$193,358,000).

The recoverable amounts of the property, plant and equipment and the right-of-use assets have been determined by the management of the Group by value in use calculation of the clinics to which these assets belong. The value in use calculation uses the discounted cash flow forecasts based on management's expectations on the market development and the past performance, where the key input parameters include revenue growth and gross profit margins. The Group estimates the recoverable amount of the property, plant and equipment and the right-of-use assets of each clinic individually.

During the year ended 31 December 2021, impairment losses on the property, plant and equipment and the right-of-use assets of HK$3,067,000 and HK$8,658,000 respectively (2020: impairment losses on the property, plant and equipment and the right-of-use assets of HK$4,187,000 and HK$3,653,000), were recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

5. REVENUE

Revenue represents the aggregate of the net amounts received and receivable from third parties for the year. There is no seasonality and cyclicality of the operations of the Group. The performance obligation is part of a contract that has an original expected duration of one year or less. Disaggregation of revenue from contracts with the customers are as follows:

	2021 HK$'000	2020 HK$'000
Revenue recognised under HKFRS 15		
Hong Kong medical services		
– Medical services	**401,312**	304,195
– Dental services	**69,135**	53,640
	470,447	357,835
Hong Kong managed medical network business	**463,284**	419,380
Mainland hospital management and medical services	**453,503**	270,088
	1,387,234	1,047,303
Revenue recognised under other accounting standard		
Others		
– Rental income	**96,658**	21,742
Total	**1,483,892**	1,069,045
Revenue recognised under HKFRS 15		
Timing of revenue recognition		
At point in time	**1,274,761**	965,936
Over time	**112,473**	81,367
	1,387,234	1,047,303

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

5. REVENUE *(Continued)*

Revenue from Hong Kong medical services (including provision of medical and dental services), majority of Hong Kong managed medical network business and Mainland hospital management and medical services (including selling healthcare and pharmaceutical products and provision of medical and dental services) are recognised at a point in time, whereas other sources of revenue from Mainland hospital management services are recognised over time.

Mainland hospital management services has 180 days credit term upon the services provided, and they are recognised on over time basis which the transaction price is fixed on the agreement for such services.

Revenue for the services recognised on gross basis and net basis for the years ended 31 December 2021 and 2020 are as follows:

	2021 **HK$'000**	2020 HK$'000
Gross basis	**1,378,400**	1,044,520
Net basis	**8,834**	2,783
Total revenue	**1,387,234**	1,047,303

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

6. SEGMENT INFORMATION

The chief operating decision maker, being the chief executive officer ("CEO") regularly evaluated the current business units of the Group and the locations of the different types of business which are most relevant for the purposes of resources allocation and assessment of segment performance. The Group has identified four reportable and operating segments, namely Hong Kong medical services, Hong Kong managed medical network business, Mainland hospital management and medical services and others.

Specifically, the Group's operating and reportable segments are as follows:

Hong Kong medical services	–	Provision of medical and dental services in Hong Kong
Hong Kong managed medical network business	–	Managing healthcare networks & provision of third party medical network administrator services in Hong Kong
Mainland hospital management and medical services	–	Provision of medical and dental services in the PRC, provision of hospital management services and related services
Others	–	Leasing of properties

No segment information of assets and liabilities is provided to the CEO for the assessment of performance of different segments. Accordingly, no segment information of assets and liabilities is presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

6. SEGMENT INFORMATION *(Continued)*

Segment revenues and results

For the year ended 31 December 2021

	Hong Kong medical services HK$'000	Hong Kong managed medical network business HK$'000	Mainland hospital management and medical services HK$'000	Others HK$'000	Elimination HK$'000	Total HK$'000
Revenue						
External sales	470,447	463,284	453,503	96,658	–	1,483,892
Inter-segment sales	43,963	–	–	–	(43,963)	–
	514,410	463,284	453,503	96,658	(43,963)	1,483,892
Segment results before impairment losses and expected credit losses	(1,247)	42,324	94,710	179,577	–	315,364
Impairment loss recognised on goodwill	(3,027)	–	–	–	–	(3,027)
Impairment loss reocognised on right-of-use assets	(8,658)	–	–	–	–	(8,658)
Impairment loss recognised on property, plant and equipment	–	–	–	(3,067)	–	(3,067)
Expected credit loss recognised on other receivables	–	–	–	(3,528)	–	(3,528)
Expected credit loss recognised on a promissory note	–	–	–	(117,763)	–	(117,763)
Segment results	(12,932)	42,324	94,710	55,219	–	179,321
Finance costs						(377)
Unallocated other income						6,530
Unallocated corporate expenses						(58,966)
Profit before tax						126,508

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

6. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

For the year ended 31 December 2020

	Hong Kong medical services HK$'000	Hong Kong managed medical network business HK$'000	Mainland hospital management and medical services HK$'000	Others HK$'000	Elimination HK$'000	Total HK$'000
Revenue						
External sales	357,835	419,380	270,088	21,742	–	1,069,045
Inter-segment sales	36,385	–	–	–	(36,385)	–
	394,220	419,380	270,088	21,742	(36,385)	1,069,045
Segment results before impairment losses and expected credit loss	(39,970)	36,160	27,435	3,927	–	27,552
Impairment loss recognised on goodwill	–	(6,736)	(8,286)	–	–	(15,022)
Impairment loss reocognised on right-of-use assets	(3,653)	–	–	–	–	(3,653)
Impairment loss recognised on property, plant and equipment	(4,187)	–	–	–	–	(4,187)
Expected credit loss recognised on a promissory note	–	–	–	(207,693)	–	(207,693)
Segment results	(47,810)	29,424	19,149	(203,766)	–	(203,003)
Finance costs						(572)
Unallocated other income						9,650
Unallocated corporate expenses						(38,930)
Loss before tax						(232,855)

Segment profit or loss represents the profit earned by or loss from each segment without allocation of central administration costs, directors' remuneration, certain finance costs, certain items of other gains and losses and other income. This is the measure reported to the CEO for the purposes of resources allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

6. SEGMENT INFORMATION *(Continued)*

Other segment information

For the year ended 31 December 2021

	Hong Kong medical services HK$'000	Hong Kong managed medical network business HK$'000	Mainland hospital management and medical services HK$'000	Others HK$'000	Total for segments HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit (loss):							
Interest income	–	–	–	(16,328)	(16,328)	–	(16,328)
Dividend income	(1,285)	–	–	–	(1,285)	–	(1,285)
Fair value changes on investment properties	–	–	–	(47,653)	(47,653)	–	(47,653)
Share of results of associates	(7,538)	–	2,281	(35,227)	(40,484)	–	(40,484)
Share of results of joint ventures	–	–	7,632	8	7,640	–	7,640
Depreciation of property, plant and equipment	11,054	2,141	14,937	14,468	42,600	111	42,711
Depreciation of right-of-use assets	49,860	10,510	8,513	–	68,883	–	68,883
Amortisation of intangible assets	–	7,251	3,376	–	10,627	–	10,627
Loss (gain) on disposal/written off of property, plant and equipment	121	–	278	(115)	284	–	284
Impairment loss on goodwill	3,027	–	–	–	3,027	–	3,027
Impairment loss on property, plant and equipment	–	–	–	3,067	3,067	–	3,067
Impairment loss on right-of-use assets	8,658	–	–	–	8,658	–	8,658
Expected credit loss recognised on other receivables	–	–	–	3,528	3,528	–	3,528
Expected credit loss recognised on a promissory note	–	–	–	117,763	117,763	–	117,763
Finance costs	2,232	656	638	–	3,526	377	3,903
Amounts included in the information regularly provided to the CEO:							
Additions to property, plant and equipment	6,538	1,822	10,619	387	19,366	579	19,945

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

6. SEGMENT INFORMATION *(Continued)*
Other segment information *(Continued)*
For the year ended 31 December 2020

	Hong Kong medical services HK$'000	Hong Kong managed medical network business HK$'000	Mainland hospital management and medical services HK$'000	Others HK$'000	Total for segments HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit (loss):							
Interest income	–	–	–	(44,670)	(44,670)	–	(44,670)
Dividend income	(270)	–	–	–	(270)	–	(270)
Fair value changes on investment properties	–	–	–	47,566	47,566	–	47,566
Share of results of associates	(5,677)	–	329	(2,118)	(7,466)	–	(7,466)
Share of results of joint ventures	–	–	3,245	40	3,285	–	3,285
Depreciation of property, plant and equipment	14,709	3,645	12,771	14,562	45,687	1,225	46,912
Depreciation of right-of-use assets	59,602	10,444	6,621	–	76,667	–	76,667
Amortisation of intangible assets	–	7,251	3,150	–	10,401	–	10,401
Loss on disposal/written off of property, plant and equipment	31	–	–	1,668	1,699	–	1,699
Loss on disposal of a subsidiary	–	–	370	–	370	–	370
Impairment loss on goodwill	–	6,736	8,286	–	15,022	–	15,022
Impairment loss on property, plant and equipment	4,187	–	–	–	4,187	–	4,187
Impairment loss on right-of-use assets	3,653	–	–	–	3,653	–	3,653
Expected credit loss recognised on a promissory note	–	–	–	207,693	207,693	–	207,693
Finance costs	3,041	940	726	–	4,707	572	5,279
Amounts included in the information regularly provided to the CEO:							
Additions to property, plant and equipment	8,094	2,597	12,917	11,696	35,304	–	35,304

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

6. SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's revenue from external customers based on geographical location of operations, are detailed below:

	2021	2020
	HK$'000	HK$'000
Other regions of the PRC	**453,503**	270,088
Hong Kong	**1,030,389**	798,957
	1,483,892	1,069,045

Information about the Group's non-current assets by geographical location of the assets are detailed below:

	Carrying amount of non-current assets	
	2021	2020
	HK$'000	HK$'000
Other regions of the PRC	**655,051**	641,726
Hong Kong	**1,662,863**	1,611,500
Non-current assets (Note)	**2,317,914**	2,253,226

Note: Non-current assets shown above exclude loans receivable and equity instruments at FVTOCI.

Information about a major customer

The major customers which contributed more than 10% of the total revenue for the year ended 31 December 2021 and 2020 are listed as below:

	2021	2020
Customer A	**26%**	22%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

7. OTHER INCOME

	2021 HK$'000	2020 HK$'000
Interest income:		
– Bank balances and fixed bank deposits	**16,307**	27,247
– Promissory note	**–**	15,864
– Loans receivable	**21**	1,310
– Amounts due from associates	**–**	249
	16,328	44,670
Dividend income from equity instruments at FVTOCI:– Relating to investments held at the end of the reporting period	**1,285**	270
Rental income	**3,761**	3,560
Employee support scheme income (Note i)	**–**	29,646
Rental concessions	**3,410**	8,251
Compensation from termination of management service agreement by a customer and other related proceeds (Note ii)	**49,333**	–
Sundry income	**2,825**	4,382
	76,942	90,779

Notes:

(i) During the year ended 31 December 2020, the Group recognised government grants of approximately HK$29,646,000 in respect of Coronavirus Disease 2020 ("COVID-19")-related subsidies, of which were all related to Employment Support Scheme ("ESS") provided by the Hong Kong government under which the Group was required (1) not to implement redundancies from June 2020 to November 2020; and (2) to spend all the wage subsidies on paying wages to its employees. There was no unfulfilled conditions or contingencies relating to these grants.

(ii) During the year ended 31 December 2021, 廣州宜康醫療管理有限公司 (in English for identification purpose only, Guangzhou Yikang Medical Management Company Limited) ("Yikang"), a subsidiary of the Company, 中山大學附屬第六醫院 (in English for identification purpose only, The Sixth Affiliated Hospital of Sun Yat-Sen University) ("Sixth Hospital"), and 中山大學附屬第六醫院影像檢驗中心 (in English for identification purpose only, the Medical Diagnostic Centre of The Sixth Affiliated Hospital of Sun Yat-Sen University) (the "Medical Diagnostic Centre") entered into a termination agreement, pursuant to which the parties thereto have mutually agreed to terminate the management service agreement entered into between, among others, Sixth Hospital and Yikang in February 2008 (as amended and supplemented from time to time) with effect from 10 September 2021 and Yikang was compensated by the Medical Diagnostic Centre in the sum of RMB40,844,000 (equivalent to approximately HK$49,333,000) for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

8. OTHER GAINS AND LOSSES, NET

	2021 HK$'000	2020 HK$'000
Fair value changes on investment properties	**47,653**	(47,566)
Fair value changes on financial assets at FVTPL	**(4,823)**	363
Loss on disposal of a subsidiary (note 41)	**–**	(370)
Loss on disposal of an associate	**(22)**	–
Loss on disposal/written off of property, plant and equipment	**(284)**	(1,699)
Impairment loss recognised on goodwill	**(3,027)**	(15,022)
Impairment loss recognised on property, plant and equipment	**(3,067)**	(4,187)
Impairment loss recognised on right-of-use assets	**(8,658)**	(3,653)
Expected credit loss recognised on other receivables	**(3,528)**	–
Reversal of allowance of expected credit loss recognised on amounts due from associates	**–**	6,000
	24,244	(66,134)

9. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest on bank borrowing	**377**	572
Interest on lease liabilities	**3,526**	4,707
	3,903	5,279

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

During both years ended 31 December 2021 and 2020, no emoluments were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

Details of emoluments of individual executives, including the chief executive officer, non-executive and independent non-executive directors of the Company, are set out as below:

For the year ended 31 December 2021

	Fees HK$'000	Salaries and other benefits HK$'000	Performance bonus HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Executive directors					
Mr. Jin Zhaogen *(Chief Executive Officer) (Appointed on 26 March 2021)*	–	1,845	–	66	1,911
Mr. Chen Jinhao *(Chief Executive Officer) (Resigned with effect from conclusion of the meeting of the Board held on 26 March 2021)*	–	–	–	–	–
Ms. Zhao Xiangke *(Appointed on 26 March 2021)*	–	1,182	–	118	1,300
	–	3,027	–	184	3,211
Non-executive directors					
Mr. Kong Dechang *(Appointed on 21 May 2021)*	–	–	–	–	–
Mr. Hou Jun	–	–	–	–	–
Mr. Zhao Hui *(Resigned on 21 May 2021)*	–	–	–	–	–
	–	–	–	–	–
Independent non-executive directors					
Mr. Ho Kwok Wah, George, *MH*	180	–	–	–	180
Dr. Xu Weiguo *(Appointed on 31 March 2021)*	135	–	–	–	135
Mr. Yu Xuezhong	180	–	–	–	180
Ms. Li Mingqin *(Resigned on 31 March 2021)*	45	–	–	–	45
	540	–	–	–	540
Total	540	3,027	–	184	3,751

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

For the year ended 31 December 2020

	Fees HK$'000	Salaries and other benefits HK$'000	Performance bonus HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Executive director					
Mr. Chen Jinhao *(Chief Executive Officer)*	–	–	–	–	–
	–	–	–	–	–
Non-executive directors					
Ms. Fang Haiyan *(Resigned on 25 May 2020)*	–	–	–	–	–
Mr. Wan Yiqing *(Resigned on 25 May 2020)*	–	–	–	–	–
Mr. Hou Jun *(Appointed on 25 May 2020)*	–	–	–	–	–
Mr. Zhao Hui *(Appointed on 25 May 2020)*	–	–	–	–	–
	–	–	–	–	–
Independent non-executive directors					
Mr. Ho Kwok Wah, George, *MH*	168	–	–	–	168
Mr. Yu Xuezhong	168	–	–	–	168
Ms. Li Mingqin	168	–	–	–	168
	504	–	–	–	504
Total	504	–	–	–	504

The performance bonus is a performance-related incentive payment which is determined with reference to the Group's performance for the relevant year.

Neither the chief executive officer nor any of the directors of the Company waived any emoluments in the years ended 31 December 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

Salaries and other benefits paid to or received by the executive directors were generally emoluments paid or receivable in respect of those person's salaries in connection with the management of the affairs of the Company and its subsidiaries.

The independent non-executive director's emoluments shown above were for these services as directors of the Company.

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, none (2020: none) of them was an executive director of the Company whose emolument is included in note 10 above. The emoluments of the five (2020: five) individuals were as follows:

	2021 HK$'000	2020 HK$'000
Salaries and other allowances	**11,350**	10,989
Performance bonus (Note)	**2,779**	4,215
Retirement benefits scheme contributions	**72**	63
	14,201	15,267

Their emoluments were within the following bands:

	2021 Number of employees	2020 Number of employees
HK$2,000,001 – HK$2,500,000	**3**	2
HK$2,500,001 – HK$3,000,000	**1**	2
HK$5,000,001 – HK$5,500,000	**1**	1
	5	5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

11. EMPLOYEES' EMOLUMENTS *(Continued)*

During the year, no emoluments were paid by the Group to the five highest paid individuals, as an inducement to join or upon joining the Group or as compensation for loss of office.

Note: Pursuant to the service agreement entered into between each of the medical/dental practitioners and the Group, the practitioners are entitled to a fixed salary and a cash performance bonus of such amount representing a certain percentage of the monthly net profit (or, as the case may be, the monthly turnover) generated by the medical or dental practices at which he/she provides his/her services. The percentage is determined with reference to the qualification and experience of the practitioners, as well as the profitability of the medical centres at which the practitioners are practicing.

12. INCOME TAX EXPENSES

	2021 **HK$'000**	2020 HK$'000
Tax charge comprises:		
Current tax		
– Hong Kong Profits Tax	**26,428**	10,256
– PRC Enterprise Income Tax	**26,624**	18,123
	53,052	28,379
Provision in prior years		
– Under (over) provision of Hong Kong Profits Tax	**425**	(800)
	53,477	27,579
Deferred tax		
– Current year (note 37)	**(2,041)**	(1,984)
	51,436	25,595

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%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

12. INCOME TAX EXPENSES *(Continued)*

Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The tax charge for the year can be reconciled to the profit (loss) before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2021	2020
	HK$'000	HK$'000
Profit (loss) before tax	**126,508**	(232,855)
Tax at the domestic income tax rate of 16.5% (2020: 16.5%)	**20,874**	(38,421)
Tax effect of expenses not deductible for tax purpose	**29,291**	46,316
Tax effect of income not taxable for tax purpose	**(15,780)**	(13,296)
Tax effect of tax losses and other deductible temporary differences not recognised	**15,081**	30,206
Tax effect of share of results of associates	**(6,680)**	(1,232)
Tax effect of share of results of joint ventures	**1,261**	542
Tax effect of utilisation of tax losses and other deductible temporary differences previously not recognised	**(1,986)**	(407)
Under (over) provision in prior years	**425**	(800)
Effect of different tax rate of subsidiaries operating in other jurisdictions	**8,950**	2,687
Income tax expenses for the year	**51,436**	25,595

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For the year ended 31 December 2021

13. PROFIT (LOSS) FOR THE YEAR

	2021 HK$'000	2020 HK$'000
Profit (loss) for the year has been arrived at after charging:		
Staff costs		
– Directors' remuneration (note 10)	3,751	504
– Other staff's salaries	559,961	523,351
– Other staff's bonus	81,806	49,272
– Other staff's other benefits	–	532
– Other staff's retirement benefits scheme contributions	10,820	8,299
	656,338	581,958
Less: Staff costs recognised in administrative expenses	(128,443)	(111,576)
Staff costs recognised in cost of sales	527,895	470,382
Auditors' remuneration	3,825	3,662
Cost of inventories recognised in cost of sales:		
– Pharmaceutical supplies	246,157	163,952
– Other inventories	4,200	3,189
	250,357	167,141
Depreciation of property, plant and equipment recognised in administrative expenses	34,494	39,524
Depreciation of property, plant and equipment recognised in cost of sales	8,217	7,388
Total depreciation of property, plant and equipment (note 17)	42,711	46,912
Loss on disposal/written off of property, plant and equipment	284	1,699
Depreciation of right-of-use assets (note 18)	68,883	76,667
Amortisation of intangible assets, recognised in administrative expenses		
– customer relationship	7,251	7,251
– management services right and consulting services contracts	3,376	3,150
Total amortisation of intangible assets (note 21)	10,627	10,401
and after crediting:		
Gross rental income from investment properties	11,927	12,515
Less: Direct operating expenses of properties that generated rental income	(1,015)	(1,211)
Net rental income from investment properties	10,912	11,304

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

14. DIVIDENDS

The Board recommends the payment of a final dividend of Hong Kong 0.15 cent per share for the year ended 31 December 2021 (2020: Nil).

15. PROFIT (LOSS) PER SHARE

The calculation of the basic and diluted profit (loss) per share attributable to the owners of the Company is based on the following data:

Profit (loss) for the purposes of basic and diluted profit (loss) per share

	2021	2020
	HK$'000	HK$'000
Profit (loss) for the year attributable to owners of the Company	**22,013**	(281,038)

Number of shares

	2021	2020
Weighted average number of ordinary shares for the purposes of basic and diluted profit (loss) per share	**7,526,134,452**	7,526,134,452

The denominators used are the same as those detailed above for both basic and diluted profit (loss) per share. Diluted profit (loss) per share for both 2021 and 2020 were presented as the same as basic profit (loss) per share as there were no potential ordinary shares in issue for both 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

16. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2020	567,416
Decrease in fair value recognised in profit or loss	(47,566)
Transfer from property, plant and equipment	63,338
Transfer to property, plant and equipment	(47,618)
At 31 December 2020	535,570
Increase in fair value recognised in profit or loss	47,653
At 31 December 2021	**583,223**

The investment properties were under medium-term leases and situated in Hong Kong. All of the Group's property interests in land held to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties at 31 December 2021 and 31 December 2020 has been arrived at on the basis of a valuation carried out on the respective dates by Ascent Partners Valuation Service Limited, an independent qualified professional valuer not connected with the Group.

During the year ended 31 December 2020, the use of one premise situated in Hong Kong which was previously self-used premise had been changed to lease out for rental income and two premises situated in Hong Kong which were previously leased out for rental income had been changed to self-used premises. The investment property with fair value of HK$63,338,000 had been transferred from leasehold land and buildings and the investment properties with fair value of HK$47,618,000 had been transferred to property, plant and equipment.

Accordingly, at the date of the properties transferred from leasehold land and buildings to investment properties, the difference between the fair value and the carrying amount of the properties at the date of transfer of HK$49,574,000 was recognised in property revaluation reserve. At the date of property transfer from investment properties to property, plant and equipment, the fair value loss of HK$671,000 of investment properties was recognised in profit or loss included in other gains and losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

16. INVESTMENT PROPERTIES *(Continued)*

Ascent Partners Valuation Service Limited has appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on direct comparison method that reflects recent transaction prices for similar properties, adjusted for differences in nature, location and condition of the properties under review.

There has been no change to the valuation technique in 2021 and 2020. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2021 and 31 December 2020 are as follows:

	Fair value as at 31 December 2021 HK$'000 (Level 3)	Fair value as at 31 December 2020 HK$'000 (Level 3)
Property units located in Hong Kong	**583,223**	535,570

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

16. INVESTMENT PROPERTIES *(Continued)*

The fair value of all properties located in Hong Kong was derived using the market comparable approach based on price per square feet observed in recent market prices and adjusting the observed prices per square feet with certain unobservable inputs including the adjustments of the building age, location, fair market rent and people flows to reflect different locations and conditions.

For investment properties categorised into Level 3 of the fair value hierarchy, the following information is relevant:

Investment properties held by the group	Fair value at 31 December 2021 HK$'000	Fair value at 31 December 2020 HK$'000	Fair value hierarchy	Valuation technique(s) & key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 1 – Commercial Property in Shatin	**293,388**	261,375	Level 3	Direct comparison method The key input is price per square feet	Price per square feet, using market direct comparable and taking into account of location and other individual factors such as age and location of the property, which is ranged from HK$7,531 to HK$7,848 (2020: from HK$6,852 to HK$7,425) per square feet	An increase in the price per square feet will increase significantly the fair value.
Property 2 – Commercial Property in Tsuen Wan	**18,100**	19,100	Level 3	Direct comparison method The key input is price per square feet	Price per square feet, using market direct comparable and taking into account of location and other individual factors such as age and location of the property, of HK$107,968 (2020: HK$113,601) per square feet	A decrease in the price per square feet will decrease significantly the fair value.
Property 3 – Commercial Property in Mongkok	**10,300**	15,800	Level 3	Direct comparison method The key input is price per square feet	Price per square feet, using market direct comparable and taking into account of location and other individual factors such as age and location of the property, of HK$85,343 (2020: HK$130,442) per square feet	A decrease in the price per square feet will decrease significantly the fair value.

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16. INVESTMENT PROPERTIES *(Continued)*

Investment properties held by the group	Fair value at 31 December 2021 HK$'000	2020 HK$'000	Fair value hierarchy	Valuation technique(s) & key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 4 – Commercial Property in Shatin	**12,550**	8,800	Level 3	Direct comparison method The key input is price per square feet	Price per square feet, using market direct comparable and taking into account of location and other individual factors such as age and location of the property, of HK$43,638 (2020: HK$30,666) per square feet	An increase in the price per square feet will increase significantly the fair value.
Property 5 – Commercial Property in Yau Ma Tei	**7,595**	7,735	Level 3	Direct comparison method The key input is price per square feet	Price per square feet, using market direct comparable and taking into account the location and other individual factors such as age and location of the property, of HK$15,552 (2020: HK$15,848) per square feet	A decrease in the price per square feet will decrease significantly the fair value.
Property 6 – Commercial Property in Jordan	**34,400**	31,200	Level 3	Direct comparison method The key input is price per square feet	Price per square feet, using market direct comparable and taking into account the location and other individual factors such as shape of the property, of HK$36,948 (2020: HK$33,496) per square feet	An increase in the price per square feet will increase significantly the fair value.
Property 7 – Commercial Property in Tsim Sha Tsui	**52,500**	49,100	Level 3	Direct comparison method The key input is price per square feet	Price per square feet, using market direct comparable and taking into account of location and other individual factors such as age and location of the property, of HK$15,074 (2020: HK$14,121) per square feet	An increase in the price per square feet will increase significantly the fair value.

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For the year ended 31 December 2021

16. INVESTMENT PROPERTIES *(Continued)*

Investment properties held by the group	Fair value at 31 December 2021 HK$'000	Fair value at 31 December 2020 HK$'000	Fair value hierarchy	Valuation technique(s) & key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 8 – Commercial Property in Tsim Sha Tsui	**52,700**	49,400	Level 3	Direct comparison method The key input is price per square feet	Price per square feet, using market direct comparable and taking into account of location and other individual factors such as age and location of the property, of HK$15,150 (2020: HK$14,193) per square feet	An increase in the price per square feet will increase significantly the fair value.
Property 9 – Commercial Property in Tsim Sha Tsui	**53,000**	49,600	Level 3	Direct comparison method The key input is price per square feet	Price per square feet, using market direct comparable and taking into account of location and other individual factors such as age and location of the property, of HK$15,277 (2020: HK$14,264) per square feet	An increase in the price per square feet will increase significantly the fair value.
Property 10 – Commercial Property in Shatin	**35,200**	31,000	Level 3	Direct comparison method The key input is price per square feet	Price per square feet, using market direct comparable and taking into account of location and other individual factors such as age and location of the property, of HK$59,017 (2020: HK$52,042) per square feet	An increase in the price per square feet will increase significantly the fair value.
Property 11 – Commercial Property in Shatin	**890**	860	Level 3	Direct comparison method The key input is price per unit	Price per unit, using market direct comparable and taking into account of location and other individual factors such as age and location of the property, of HK$890,000 (2020: HK$860,000) per unit	An increase in the price per unit will increase significantly the fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

16. INVESTMENT PROPERTIES *(Continued)*

Investment properties held by the group	Fair value at 31 December 2021 HK$'000	Fair value at 31 December 2020 HK$'000	Fair value hierarchy	Valuation technique(s) & key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 12 – Commercial Property in Shatin	**9,300**	8,500	Level 3	Direct comparison method The key input is price per square feet	Price per square feet, using market direct comparable and taking into account the location and other individual factors such as age and location of the property, of HK$4,692 (2020: HK$4,273) per square feet	An increase in price per square feet will increase significantly in fair value
Property 13 – Commercial Property in Shatin	**3,300**	3,100	Level 3	Direct comparison method The key input is price per square feet	Price per square feet, using market direct comparable and taking into account the location and other individual factors such as age and location of the property, of HK$4,780 (2020: HK$4,498) per square feet	An increase in price per square feet will increase significantly in fair value
	583,223	535,570				

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Tools and equipment HK$'000	Total HK$'000
COST						
At 1 January 2020	336,088	150,837	12,024	3,797	112,415	615,161
Additions	–	11,948	504	817	22,035	35,304
Acquisition of subsidiary (note 40)	–	453	238	703	364	1,758
Exchange realignment	3,836	691	437	148	2,853	7,965
Transfer from investment properties	47,618	–	–	–	–	47,618
Transfer to investment property	(15,644)	(6,399)	–	–	–	(22,043)
Disposal of subsidiaries	–	(1,854)	(152)	–	(2,655)	(4,661)
Disposals/written off	–	(4,380)	(23)	–	(17,207)	(21,610)
Impairment	–	(9,058)	–	–	–	(9,058)
At 31 December 2020	371,898	142,238	13,028	5,465	117,805	650,434
Additions	–	12,188	178	352	7,227	19,945
Acquisition of a subsidiary (note 40)	–	–	57	–	2,680	2,737
Exchange realignment	2,185	624	221	(29)	1,854	4,855
Disposals/written off	–	(535)	(1,063)	(889)	(3,171)	(5,658)
Impairment	–	–	(141)	–	(4,111)	(4,252)
At 31 December 2021	**374,083**	**154,515**	**12,280**	**4,899**	**122,284**	**668,061**
ACCUMULATED DEPRECIATION						
At 1 January 2020	75,179	124,695	5,560	3,557	44,229	253,220
Charge for the year	16,965	11,708	963	328	16,948	46,912
Exchange realignment	304	250	103	58	565	1,280
Transfer to investment property	(8,279)	–	–	–	–	(8,279)
Eliminated on disposal of subsidiaries	–	(891)	(84)	–	(1,306)	(2,281)
Eliminated on disposals/written off	–	(4,372)	(13)	–	(13,974)	(18,359)
Impairment	–	(4,871)	–	–	–	(4,871)
At 31 December 2020	84,169	126,519	6,529	3,943	46,462	267,622
Charge for the year	16,578	7,629	1,018	482	17,004	42,711
Exchange realignment	252	238	57	2	504	1,053
Eliminated on disposals/written off	–	(531)	(961)	(849)	(2,830)	(5,171)
Impairment	–	–	(29)	–	(1,156)	(1,185)
At 31 December 2021	**100,999**	**133,855**	**6,614**	**3,578**	**59,984**	**305,030**
CARRYING VALUES						
At 31 December 2021	**273,084**	**20,660**	**5,666**	**1,321**	**62,300**	**363,031**
At 31 December 2020	287,729	15,719	6,499	1,522	71,343	382,812

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	5%
Leasehold improvements	25% or over the term of the lease, if shorter
Furniture and fixtures	20%
Motor vehicles	20%
Tools and equipment	10 – $33^{1/3}$%

The carrying value of leasehold land represents land in Hong Kong held under medium-term lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

As a result of the changes in the current economic environment due to the COVID-19 pandemic, the Group is experiencing negative conditions and certain CGUs were recording loss, that indicate that the relevant property, plant and equipment may be impaired. As at 31 December 2021, the Group performed impairment testing and the recoverable amounts of eight cash-generating-units (the "8 CGUs") are smaller than the carrying amounts of the CGU. Impairment losses of approximately HK$3,067,000 and HK$8,658,000 (2020: HK$4,187,000 and HK$3,653,000) have been recognised on the plant and equipment under property, plant and equipment and the right-of-use assets related to the 8 CGUs (2020: 7 CGUs).

The recoverable amount of cash-generating unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on forecasts approved by the management of the Group covering the remaining lease term period with a pre-tax discount of 13.7% per annum (2020: 15% per annum) as at 31 December 2021. The revenue growth and gross profit margin used is with reference to the market development and past performance of the clinic. Based on the result of the assessment, management of the Group determined that the recoverable amount of certain cash-generating units are lower than the corresponding carrying amounts. The impairment amount has been allocated to each category of the property, plant and equipment and the right-of-use assets such that the carrying amount of each category of asset is not reduced below the highest of its value in use, its fair value less cost of disposal and zero.

18. RIGHT-OF-USE ASSETS

	2021 **HK$'000**	2020 HK$'000
Carrying amount	**91,805**	114,323
Depreciation charge	**68,883**	76,667
Total cash outflow for leases	**75,617**	72,101
Additions to right-of-use assets	**51,200**	31,044
Impairment loss recognised on right-of-use assets	**8,658**	3,653

18. RIGHT-OF-USE ASSETS *(Continued)*

For both years, the Group leases clinic premises for its operations. Lease contracts which effective interest rates ranged from 2.30% to 4.75% (2020: 2.39% to 4.75%) are entered into for fixed term of 12 months to 6 years (2020: 22 months to 8 years), but may have extension and termination options included. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is beyond its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

During the year ended 31 December 2021, lessors of retail shops provided rent concessions to the Group through rent reductions ranging from 7% to 100% over one month to one year (2020: from 5% to 75% over one to eight months). These rent concessions occurred as a direct consequence of the COVID-19 pandemic and met all of the conditions in HKFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. During the year, the effects on changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of HK$3,410,000 (2020: HK$8,251,000) were recognised as negative variable lease payments.

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19. LOANS RECEIVABLE

	2021 HK$'000	2020 HK$'000
Fixed-rate loans receivable (unsecured)	**5,787**	4,147
Analysed for reporting purposes as:		
Non-current portion	**5,434**	3,271
Current portion	**353**	876
	5,787	4,147

As at 31 December 2021, loans receivable of HK$5,434,000 (2020: HK$3,271,000) bearing fixed-rate interest of 4.35% (2020: 1% to 2%) are due for repayment from 1 to 14 years (2020: 2 to 15 years) and included in non-current assets. The balance includes a loan to a joint venture amounted to RMB3,000,000 (equivalent to HK$3,681,000) bearing fixed rate interest of 4.35% and due for repayment in 5 years (2020: nil).

As at 31 December 2021, loans receivable of HK$353,000 (2020: HK$876,000) bearing fixed rate interest of 1% (2020: 1% to 2%) are due within one year from the end of the reporting period and included in current assets.

No collateral agreements have been entered into in respect of the loans receivable.

Before granting loans to outsiders, the Group uses an internal credit assessment process to assess the potential borrower's credit quality and defines credit limits granted to borrowers. Limits attributed to borrowers are reviewed by the management regularly.

Management believes that no further allowance for expected credit loss is necessary in respect of the remaining loans receivable as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The borrowers have good reputation and good history of repayment of interests.

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20. GOODWILL

	HK$'000
COST	
At 1 January 2020	691,953
Additions (note 40)	1,242
Exchange realignment	16,260
At 31 December 2020	709,455
Additions (note 40)	766
Exchange realignment	9,221
At 31 December 2021	**719,442**
IMPAIRMENT	
At 1 January 2020	208,599
Impairment loss recognised during the year	15,022
At 31 December 2020	223,621
Impairment loss recognised during the year	3,027
At 31 December 2021	**226,648**
CARRYING VALUES	
At 31 December 2021	**492,794**
At 31 December 2020	485,834

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20. GOODWILL *(Continued)*

For the purposes of impairment testing, goodwill have been allocated to groups of individual cash generating units ("CGUs") in 3 (2020: 3) divisions of the Group, namely, Hong Kong medical services, Hong Kong managed medical network business and Mainland hospital management and medical services. The carrying amounts of goodwill (net of accumulated impairment losses) as at 31 December 2021 and 31 December 2020 allocated to these units are as follows:

	2021 **HK$'000**	2020 HK$'000
Hong Kong medical services ("Division A"):		
Town Health Medical & Dental Services Limited ("Town Health M&D")	**2,648**	5,675
Hong Kong Traumatology and Orthopaedics Institute Limited ("Hong Kong T&O")	**3,544**	3,544
	6,192	9,219
Hong Kong managed medical network business ("Division B"):		
Dr. Vio & Partners Limited ("Vio")	**198,199**	198,199
Mainland hospital management and medical services ("Division C")		
Nanyang Xiangrui	**288,403**	278,416
	492,794	485,834

The basis of the calculation of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Division A

The recoverable amounts of the CGUs in Hong Kong medical services division were determined based on value in use calculations. Those calculations used cash flow projections based on financial budgets approved by management covering a period of 5 years, and cash flows beyond 5 years were extrapolated by assuming growth rates, and discount rates as below:

	2021	2020
Growth rate	**3.81% – 6.6%**	0.61% – 4.9%
Pre-tax discount rate	**13.70%**	15.00%

Another key assumption for the value in use calculations was the budgeted gross margin, which was determined based on the CGUs' past performance and management's expectations for the market development.

For the impairment testing, goodwill, property, plant and equipment and right-of-use assets that generate cash flows together with the related goodwill are also included in Division A for the purpose of impairment testing.

The aggregated recoverable amount of the group of CGU in Division A was calculated and it is lower than the carrying value of the net assets of Division A. Accordingly, impairment loss on goodwill of HK$3,027,000 (2020: nil) was recognised in profit or loss for the year ended 31 December 2021 on Division A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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20. GOODWILL *(Continued)*

Division B

For the impairment testing, goodwill, trade name (note 21) and customer relationship (note 21), property, plant and equipment and right-of-use assets that generate cash flows together with the related goodwill are also included in Division B for the purpose of impairment testing.

The recoverable amount of the CGU of Hong Kong managed medical network business was based on its value in use and was determined with the assistance of Ascent Partners Valuation Service Limited, an independent professional qualified valuer not connected with the Group. The calculation used cash flow projections based on financial budgets approved by management covering a five-year period and at a pre-tax discount rate of 16% (2020: 15.66%). The cash flows beyond the five-year period are extrapolated using a growth rate of 2.00% (2020: 2.80%) per annum, which was determined after taking into consideration the economic conditions of the market. Other key assumptions for the value in use calculations related to the estimation of cash inflows/outflows which include a budgeted sales and gross margin and other related expenses, such estimation was based on historical performance of Division B.

The aggregated recoverable amount of the group of CGU in Division B was calculated based on value in use method that is higher than the carrying value of the net assets of Division B. Accordingly, no impairment loss on goodwill (2020: HK$6,736,000) was recognised in profit or loss for the year ended 31 December 2021 on Division B.

Division C

For the impairment testing, goodwill, management service right and consulting services contracts (note 21), property, plant and equipment and right-of-use assets that generate cash flows together with the related goodwill are also included in Division C for the purpose of impairment testing.

The recoverable amount of the CGU of Mainland hospital management and medical services business was based on its value in use calculations. The calculation used cash flow projections based on financial budgets approved by management covering a five-year period and at a pre-tax discount rate of 17.33% (2020: 18.36%). Cash flows after the five-year period were extrapolated using a growth rate of 2.51% (2020: 2.51%) per annum, which was determined after taking into consideration the economic conditions of the market. Other key assumptions for the value in use calculations related to the estimation of cash inflows/outflows which include budgeted revenues and gross margin and other related expenses, such estimation was based on historical performance and future plans of Division C.

The aggregated recoverable amount of the group of CGU in Division C was calculated based on value in use method that is higher than the carrying value of the net assets of Division C. Accordingly, no impairment loss on goodwill (2020: HK$8,286,000) was recognised in profit or loss for the year ended 31 December 2021 on Division C.

There are no changes in both the valuation methods and the key assumptions compared to those applied as at the year ended 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

21. INTANGIBLE ASSETS

	Customer relationship HK$'000	Trade name HK$'000	Management service right and consulting services contracts HK$'000	Total HK$'000
COST				
At 1 January 2020	72,512	167,087	151,298	390,897
Exchange realignment	–	–	9,335	9,335
At 31 December 2020	72,512	167,087	160,633	400,232
Exchange realignment	–	–	5,524	5,524
At 31 December 2021	**72,512**	**167,087**	**166,157**	**405,756**
AMORTISATION				
At 1 January 2020	39,756	–	14,789	54,545
Charge for the year	7,251	–	3,150	10,401
Exchange realignment	–	–	517	517
At 31 December 2020	47,007	–	18,456	65,463
Charge for the year	7,251	–	3,376	10,627
Exchange realignment	–	–	570	570
At 31 December 2021	**54,258**	**–**	**22,402**	**76,660**
CARRYING VALUES				
At 31 December 2021	**18,254**	**167,087**	**143,755**	**329,096**
At 31 December 2020	25,505	167,087	142,177	334,769

Customer relationship and trade name were recognised as part of the acquisition accounting of Vio and were recognised at their fair value at the date of acquisition.

The customer relationship has finite useful lives and is amortised on a straight-line basis over 10 years.

The trade name has no definite useful life. The directors of the Company are of the opinion that the Group has the ability to use the trade name continuously. In the opinion of the directors of the Company, the trade name has no foreseeable limit to the period over which the services provided are expected to generate net cash flows for the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

21. INTANGIBLE ASSETS *(Continued)*

As a result, the trade name is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trade name will not be amortised until its useful life is determined to be finite. Instead, it will be tested for impairment annually and whenever there is an indication that it may be impaired.

Management service right and consulting services contracts intangible assets were recognised as part of the acquisition accounting of Nanyang Xiangrui during the year ended 31 December 2016 and was recognised at its fair value at the date of acquisition.

The management service right and consulting services contracts intangible assets have finite useful lives and are amortised on a straight-line basis over 50 years based on the services terms of the management agreements entered into between Nanyang Xiangrui and Nanshi Hospital.

22. INTERESTS IN ASSOCIATES

	2021 **HK$'000**	2020 HK$'000
Cost of investments in associates	**277,375**	277,375
Share of post-acquisition profit and other comprehensive income, net of dividend received	**62,999**	31,393
	340,374	308,768

Notes:

1) **Auspicious Idea Corporate Development Limited ("Auspicious Idea")**

During the year ended 31 December 2016, Natural Glory International Limited ("Natural Glory"), a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with Stand Forever Corporate Consulting Limited, an independent third party, (the "Vendor"), to acquire 20% equity interest in Auspicious Idea, at a total consideration of HK$28,000,000, settled by cash of HK$22,000,000 and the entire issued share capital of Global Excel Limited ("Global Excel"), a then indirect wholly-owned subsidiary of the Company.

During the year ended 31 December 2017, Natural Glory entered into a sale and purchase agreement with the Vendor, to acquire an additional 30% equity interest ("Sales Shares") in Auspicious Idea, at a consideration of HK$108,000,000 in cash. Included in the Group's cost of unlisted investments as at 31 December 2017 is a goodwill of HK$71,049,000 and Group's share of intangible assets, net of deferred tax effect, of HK$27,900,000 arising on the acquisitions of the 50% equity interest in Auspicious Idea. In the opinion of the directors of the Company, the Vendor is an independent third party which is not related to the Group or its related parties as at the date of acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

22. INTERESTS IN ASSOCIATES *(Continued)*

Notes: *(Continued)*

2) Western Aurora Limited ("Western Aurora")

During the year ended 31 December 2016, Eyecare International Holdings Limited ("Eyecare International"), an indirect wholly-owned subsidiary of the Company, acquired 480 shares in Western Aurora which represented 48% issued and fully paid shares of Western Aurora, from an independent third party at a total consideration of HK$72,000,000. Western Aurora is regarded as an associate of the Group.

Pursuant to the sale and purchase agreement, the vendor irrevocably and unconditionally guaranteed to Eyecare International that the audited consolidated revenue and the audited consolidated net profit after taxation of Western Aurora for each of the eight financial years ending 31 December 2024 shall not be less than HK$86,916,000 and HK$10,000,000, respectively. Subsequent to the completion of the acquisition, Eyecare International entered into a consultancy agreement with a company controlled by the vendor (the "Consultant"). The Consultant shall be responsible for the management and the daily operation of the medical centres of Western Aurora and shall provide all the medical consultation and related healthcare services to patients of the medical centers and charges for consultancy services fee. If the audited consolidated revenue and/or the audited consolidated net profit after taxation of Western Aurora is less than the target revenue and target profit after taxation for each of the relevant year, Western Aurora shall be entitled to deduct the consultancy services fee paid to the Consultant by an equal amount equal to the shortfall.

The management of the Group has performed a review of the consolidated revenue and the consolidated net profit after taxation of Western Aurora for the years ended 31 December 2021 and 2020. The consolidated revenue and the consolidated net profit after taxation are HK$122,081,000 and HK$15,858,000 (2020: HK$108,126,000 and HK$12,990,000) respectively which are above the target revenue and target profit. No shortfall of revenue and profit was recognised in profit or loss for the years ended 31 December 2021 and 2020.

As at 31 December 2021, the directors of the Company took into consideration of the discounted cash flow calculation of Western Aurora and the revenue and profit targets for the years ended 2021 and 2020 were met and the directors of the Company expected that the audited consolidated revenue and the audited consolidated net profit after taxation for each of the three years ending 31 December 2024 would meet the target requirements and accordingly, the target requirement at fair value through profit or loss amounted to nil.

In the opinion of the directors of the Company, the vendor is an independent third party which is not related to the Group or its related parties as at the date of acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

22. INTERESTS IN ASSOCIATES *(Continued)*

Details of the Group's principal associates at the end of the reporting period are as follows:

Name of company	Form of business structure	Place of incorporation	Principal place of operation	Class of shares held	Attributable proportion of nominal value of issued/ registered capital held by the Group		Proportion of voting power held by the Company		Principal activities
					2021	2020	**2021**	2020	
Auspicious Idea	Incorporated	British Virgin Islands	Hong Kong	Ordinary	**50% (Note)**	50% (Note)	**50%**	50%	Investment holding and its subsidiaries engaged in provision of beauty and cosmetic medical services in Hong Kong and the PRC
Western Aurora	Incorporated	British Virgin Islands	Hong Kong	Ordinary	**48%**	48%	**33%**	33%	Investment holding and its subsidiaries engaged in provision of ophthalmic medical services in Hong Kong
Luck Key Investment Limited ("Luck Key")	Incorporated	British Virgin Islands	Hong Kong	Ordinary	**33.51%**	33.51%	**20%**	20%	Investment holding and its subsidiaries engaged in provision of medical diagnostic and health care services in Hong Kong

In the opinion of the directors of the Company, the above associates have a significant effect on the results or assets of the Group. To give details of other associates would, in the opinion of the directors of the Company, result in particulars of excessive length.

These associates are strategic for the Group's investment in industry of cosmetic and medical beauty services, medical diagnostic services and ophthalmic medical services.

Note: The Group is entitled to appoint up to two out of four directors to the board of directors of Auspicious Idea and has appointed one out of two directors to the board as at 31 December 2021 and 2020. According to the shareholders' agreement, the director who is appointed by the other shareholder shall be entitled to a second and/or casting vote in the event of an equality of vote. Hence, in the opinion of the directors of the Company, the Group has significant influence but no control over Auspicious Idea.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

22. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of material associates

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associates' financial statements prepared in accordance with HKFRSs.

All of these associates are accounted for using the equity method in the consolidated financial statements.

(a) Auspicious Idea

	2021 HK$'000	2020 HK$'000
Current assets	**276,829**	223,138
Non-current assets	**117,680**	99,974
Current liabilities	**(246,103)**	(216,558)

	2021 HK$'000	2020 HK$'000
Revenue	**379,192**	245,400
Profit (loss) and total comprehensive income (expense) for the year	**41,852**	(2,188)
Dividend distributed by the associate to the Group during the year	**–**	(10,000)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

22. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of material associates *(Continued)*

(a) *Auspicious Idea (Continued)*

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2021 **HK$'000**	2020 HK$'000
Net assets of Auspicious Idea	**148,406**	106,554
Non-controlling interests	**6,683**	6,301
Net assets of Auspicious Idea attributable to owners	**155,089**	112,855
Proportion of the Group's ownership interest in Auspicious Idea	**50%**	50%
Net assets of the Group's interest in Auspicious Idea	**77,545**	56,428
Effects of fair value adjustments on intangible assets	**13,031**	16,110
Goodwill	**71,409**	71,409
Carrying amount of the Group's interest in Auspicious Idea	**161,985**	143,947

(b) *Western Aurora*

	2021 **HK$'000**	2020 HK$'000
Current assets	**36,785**	44,511
Non-current assets	**6,354**	8,458
Current liabilities	**(9,898)**	(12,586)
Non-current liabilities	**(602)**	(602)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

22. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of material associates *(Continued)*

(b) Western Aurora (Continued)

	2021 HK$'000	2020 HK$'000
Revenue	**122,081**	108,126
Profit for the year	**15,858**	12,990
Dividend distributed by the associate to the Group during the year	**(11,040)**	(7,200)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2021 HK$'000	2020 HK$'000
Net assets of Western Aurora	**32,639**	39,781
Proportion of the Group's ownership interest in Western Aurora	**48%**	48%
Net assets of the Group's interest in Western Aurora	**15,667**	19,095
Effects of fair value adjustments on intangible assets	**15,545**	15,545
Goodwill	**45,168**	45,168
Carrying amount of the Group's interest in Western Aurora	**76,380**	79,808

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

22. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of material associates *(Continued)*

(c) Luck Key

	2021 **HK$'000**	2020 HK$'000
Current assets	**145,648**	107,266
Non-current assets	**215,309**	185,251
Current liabilities	**(59,504)**	(123,096)
Non-current liabilities	**(71,678)**	–

	2021 **HK$'000**	2020 HK$'000
Revenue	**308,957**	196,294
Profit and total comprehensive income for the year	**60,352**	14,157

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2021 **HK$'000**	2020 HK$'000
Net assets of Luck Key	**229,775**	169,421
Non-controlling interests	**(2,204)**	(376)
Net assets of Luck Key attributable to owners	**227,571**	169,045
Proportion of the Group's ownership interest in Luck Key	**33.51%**	33.51%
Carrying amount of the Group's interest in Luck Key	**76,259**	56,647

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

22. INTERESTS IN ASSOCIATES *(Continued)*

Aggregate information of associates that are not individually material

	2021 HK$'000	2020 HK$'000
The Group's share of loss for the year	**(1,115)**	(1,229)
The Group's share of other comprehensive income for the year	**56**	302
The Group's share of loss and other comprehensive expense for the year	**(1,059)**	(927)
Aggregate carrying amount of the Group's interests in these associates	**25,750**	28,366
Aggregate dividend distributed by the associates to the Group during the year	**(1,500)**	(750)

The Group has discontinued recognition of its share of losses of certain associates. The amounts of unrecognised share of those associates, extracted from the relevant audited financial statements or management accounts of associates, both for the year and cumulatively, are as follows:

	2021 HK$'000	2020 HK$'000
Unrecognised share of losses of associates for the year	**(892)**	(2,703)
Accumulated unrecognised share of losses of associates	**(22,758)**	(21,866)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

23. INTERESTS IN JOINT VENTURES

Details of the Group's investment in joint ventures as follows:

	2021 HK$'000	2020 HK$'000
Cost of unlisted investments in joint ventures	**63,922**	63,922
Share of post-acquisition loss and other comprehensive expenses, net of dividend received	**(52,513)**	(44,873)
Exchange adjustment	**1,377**	843
	12,786	19,892

Details of major joint ventures at the end of the reporting period as follows:

Name of company	Form of business structure	Place of incorporation	Principal place of operation	Class of shares held	Attributable proportion of nominal value of issued/registered capital held by the Group 2021	2020	Proportion of voting power held by the Company 2021	2020	Principal activities
中山市尚峰宜康醫療管理有限公司 (Zhongshan City Shangfeng Yikang Medical Management Co. Ltd.) ("Zhongshan Shangfeng")	Incorporated	PRC	PRC	Ordinary	**50%**	50%	**50%**	50%	Provision for health check and related services in PRC
Sky View Investment Limited ("Sky View")	Incorporated	British Virgin Islands	PRC	Ordinary	**51% (Note)**	51% (Note)	**50%**	50%	Investment holding in an associate engaged in operation of beauty mobile application in the PRC

Note: The Group has the right to appoint one out of two directors in the board of directors of Sky View which is responsible for making decisions of the relevant activities of Sky View. Decisions about the relevant activities of Sky View require the unanimous consent of one director appointed by the Group and one director appointed by another joint venturer. In this regard, the investment in Sky View is accounted for as a joint venture of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

23. INTERESTS IN JOINT VENTURES *(Continued)*

The joint venture is accounted for using the equity method in consolidated financial statements:

(a) Zhongshan Shangfeng

	2021 HK$'000	2020 HK$'000
Current assets	**13,143**	14,587
Non-current assets	**26,367**	25,159
Current liabilities	**(14,150)**	(188)

	2021 HK$'000	2020 HK$'000
Revenue	**1,032**	–
Loss for the year	**(15,265)**	(6,490)
Other comprehensive income for the year	**1,068**	2,344
Loss and total comprehensive expense for the year	**(14,197)**	(4,146)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	2021 HK$'000	2020 HK$'000
Net assets of Zhongshan Shangfeng	**25,360**	39,558
Proportion of Group's ownership interest in Zhongshan Shangfeng	**50%**	50%
Carrying amount of Group's interest in Zhongshan Shangfeng	**12,680**	19,779

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

23. INTERESTS IN JOINT VENTURES *(Continued)*

(b) Sky View

	2021 HK$'000	2020 HK$'000
Current assets	**207**	222

	2021 HK$'000	2020 HK$'000
Revenue	**–**	–
Loss and total comprehensive expense for the year	**(15)**	(78)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	2021 HK$'000	2020 HK$'000
Net assets of Sky View	**207**	222
Proportion of Group's ownership interest in Sky View	**51%**	51%
Carrying amount of Group's interest in Sky View	**106**	113

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 HK$'000	2020 HK$'000
Financial assets mandatorily at FVTPL:		
Listed equity securities in Hong Kong (note)	**1,951**	6,774

Note:

Listed equity securities held for trading purposes are stated at fair value which is determined based on the quoted market bid prices available on the Stock Exchange. During the year ended 31 December 2021, fair value loss on listed securities of HK$4,823,000 (2020: fair value gain of HK$363,000) was recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

25. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 HK$'000	2020 HK$'000
Unlisted investments:		
Equity securities	**29,770**	39,609

Note:

The above unlisted equity investments represent the Group's interest in private entities established in Hong Kong, Cayman Islands and British Virgin Islands. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that these investments are held for long-term purposes and for realising their performance potential in the long run.

Included in the equity instruments at FVTOCI mainly represents by HCMPS Healthcare Holdings Limited ("HCMPS") amounted to HK$24,915,000 (2020: HK$33,573,000). The Group held 17.67% of HCMPS and HCMPS's subsidiaries are principally engaged in the provision of contracted medical scheme for integrated medical and healthcare check-up services in Hong Kong. The fair value of this unlisted equity securities is determined using cash flow projection with the assistance of Ascent Partners Valuation Service Limited. During the year ended 31 December 2021, a fair value loss of HK$8,658,000 (2020: fair value loss of HK$19,437,000) of HCMPS was recognised in investment revaluation reserve.

During the year ended 31 December 2020, an investment, Union Crown International Limited, has been liquidated and at a consideration of approximately HK$1,579,000 and total fair value gain of approximately HK$440,000 was accounted to other comprehensive income, the previously recognised change in fair value of HK$836,000 has been transferred to accumulated profits upon the date of disposal.

As at 31 December 2021, fair value loss of HK$9,839,000 (2020: fair value loss of HK$18,421,000) of the above unlisted investment was accounted for in other comprehensive income.

In the opinion of the directors of the Company, the investees are independent third parties, none of which is related to the Group or its related parties.

Details of the valuation methodology and inputs are disclosed in note 45(c).

26. PROMISSORY NOTES

	Notes	2021 HK$'000	2020 HK$'000
Mr. Dai Hai Dong	(i)	–	–
Profit Castle Holdings Limited	(ii)	–	117,763
		–	117,763

Notes:

(i) As at 31 December 2021 and 2020, a promissory note with a principal amount of HK$203,705,000 was outstanding, which carries interest of 5% per annum and matured in November 2019. The promissory note was issued by the purchaser, Mr. Dai Hai Dong ("Mr. Dai"), as part of consideration of the acquisition of the Group's interests in Wise Lead Holdings Limited ("Wise Lead") in 2016. The promissory note is secured by the entire issued share capital of Wise Lead. Wise Lead owns 49% interest in Huayao Medical Group Limited ("Huayao"), whose major assets were a rehabilitation-oriented hospital situated in Hangzhou and certain outpatient medical clinics situated in Hangzhou. As disclosed in the annual report of the Company for the year ended 31 December 2017, the Group had reassessed the recoverability of the promissory note receivable as at 31 December 2017 by carrying out credit reviews on the financial condition of the counterparty. During the credit reviews, it was noted upon preliminary inspection conducted by the staff members of the Company that the operations of the hospital and the outpatient medical clinics of Huayao in Hangzhou had ceased. The directors of the Company conducted further credit assessments on Mr. Dai and reassessed the recoverable amount of the promissory note and expected credit loss of HK$203,705,000 was recognised in consolidated profit or loss during the year ended 31 December 2017 to fully write down the carrying amount of the promissory note.

In 2018, the Group has conducted another credit review on the financial condition of the counterparty. During the credit review, it was noted upon the inspection conducted by the staff members of the Company that the status of the hospital and clinics remained unchanged. The directors of the Company considered the recoverability of the promissory note was still remote.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

26. PROMISSORY NOTES *(Continued)*

Notes: *(Continued)*

On 12 April 2019, the Group announced that Mr. Dai failed to repay the interest accrued from 1 January 2019 and considered that the recoverability of the promissory note was remote. On 6 May 2019, the Group initiated legal proceedings in the Court of First Instance of the High Court of Hong Kong against Mr. Dai in respect of all outstanding sums owing by him under the promissory note by the issuance of a writ of summons endorsed with an indorsement of claim. The above legal proceedings in Hong Kong was discontinued by the Group on 6 December 2019. Instead, on 12 December 2019, the Group initiated legal proceedings against Mr. Dai in the Hangzhou Intermediate People's Court of the PRC ("PRC Court"). On 23 April 2021, the Group received a notice and a court summons issued by the PRC Court, pursuant to which, among others, the counterclaim filed by Mr. Dai has been accepted by the PRC Court and will be heard together with the Group's original claim against Mr. Dai. On 30 September 2021, the PRC Court issued the judgment (the "Judgement") in relation to TH (BVI)'s claims against the Purchaser and the Counterclaim, pursuant to which, among others:

(1) The Purchaser shall within 30 days after the Judgement becoming effective pay to TH (BVI) the principal amount of HK$203,705,000 and interest accrued thereon (including the interest accrued from 1 January 2019 to 31 August 2019 amounting to HK$6,780,865 and the interest accrued on the principal amount of HK$203,705,000 at the rate of 5% per annum after 31 August 2019 up to the date of actual repayment);

(2) The Counterclaim shall be dismissed;

(3) The total litigation costs in relation to TH (BVI)'s claims against the Purchaser of RMB999,480 shall be borne as to RMB2,000 by TH (BVI) and RMB997,480 by the Purchaser, and the total litigation costs in relation to the Counterclaim of RMB66,107 shall be solely borne by the Purchaser. TH (BVI) is entitled to request the PRC Court for the refund of the fees prepaid by it within 10 days after the Judgement becoming effective, and the Purchaser shall pay the litigation costs borne by him to the PRC Court within 7 days after his receipt of the payment notice; and

(4) TH (BVI) and the Purchaser shall be entitled to submit an appeal within 30 days after the service of the Judgment.

On 5 November 2021, the Company announced that (i) the Purchaser has recently filed an appeal to the Higher People's Court of Zhejiang Province of the PRC ("Zheijang Higher Court") seeking to, among others, overturn the Judgement; and (ii) TH (BVI) has also filed a cross appeal to Zhejiang Higher Court in relation to its claims against the former spouse of the Purchaser under the PRC Legal Claim. Further details are set out in the Company's announcements dated 4 November 2016, 12 April 2019, 10 May 2019, 3 May 2021, 6 October 2021 and 5 November 2021.

During the year, the legal proceedings were still in process. Accordingly, the allowance for expected credit loss recognised in the previous years was not reversed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

26. PROMISSORY NOTES *(Continued)*

Notes: *(Continued)*

(ii) A promissory note with an outstanding principal amount of HK$330,000,000, which carries interest of 6% per annum and matured on 9 April 2020 (the "Maturity Date"), was issued by Profit Castle, a company incorporated in the British Virgin Islands with limited liability and owned as to 50% by Dr. Ip and 50% by his spouse, as part of the consideration of the acquisition of the Group's interests in Bonjour Beauty and its subsidiaries. The promissory note is covered by personal guarantee provided by Dr. Ip and if there is any default, the Group has the right to apply to the court for realising the collateral of the shares of Bonjour Beauty. The issuer of the promissory note has the option to early repay the principal amount of the note in full or in part before the Maturity Date.

Since the Maturity Date, the Group had been in negotiation with Dr. Ip and Profit Castle on the extension of the maturity date of the promissory note and the repayment schedule of the principal amount of the promissory note and interest accrued thereon. However, such negotiation fell through in the absence of any viable repayment proposal from Dr. Ip and Profit Castle that is acceptable to the Group. As at 31 December 2021, the promissory note became 628 days past due, Dr. Ip and Profit Castle failed to pay the principal amount of HK$330,000,000 and all outstanding interest accrued. The management of the Group considered that the credit risk of the promissory note has been significantly increased accordingly.

Having considered the facts and circumstances, the Group had instructed its legal advisor to issue a final demand letter to each of Profit Castle and Dr. Ip. The Group had taken legal actions against Profit Castle and/or Dr. Ip in respect of, among other things, their default in repayment of the outstanding principal amount of the promissory note and all outstanding interest accrued, including issue of a notice of enforcement to Profit Castle to declare the enforcement of the collateral over all the shares of Bonjour Beauty for securing the repayment of the promissory note and appointment of receivers over all the shares of Bonjour Beauty on 22 April 2021 and 23 April 2021 respectively. On 21 May 2021, Oasis Beauty Limited ("Oasis Beauty"), a wholly owned subsidiary of the Company, was served with a writ of summons together with a statement of claim from Profit Castle and Dr. Ip who are seeking i) damages for deceit or fraudulent misrepresentation and rescission of several agreements in relation to the promissory note and the respective collateral and guarantee, ii) a declaration that the Group is not entitled to enforce the respective collateral and guarantee and iii) declaration that the appointment of receivers and directors for Bonjour Beauty and its subsidiaries be null and void. Oasis Beauty issued the summons for summary judgment and striking out of the claims of Profit Castle and Dr. Ip on 21 July 2021. During the year ended 31 December 2021, operation of Bonjour Beauty was suspended. Date of resumption is unable to be estimated, the promissory note is therefore fully impaired.

As at 31 December 2021, the Group engaged an independent valuer, Ascent Partners Valuation Service Limited ("Independent Valuer") to assess the expected credit loss of the promissory note. When performing the valuation assessment, the management considered that asset approach was more appropriate (2020: combination of income and market approach with different scenarios). Due to the changes in the conditions of collaterals during the year, scenario analysis adopted by the Independent Valuer in 2020, that based on the Group's decision to proceed to exercise its claims to the shares of Bonjour Beauty is not appropriate. As at 31 December 2021, the enterprise value of Bonjour Beauty was determined by using asset approach. The recoverable amount of the promissory note is nil, net of accumulated allowance of expected credit loss of approximately HK$330,000,000, (2020: approximately HK$117,763,000, net of accumulated allowance of expected credit loss of approximately HK$212,237,000). An expected credit loss of approximately HK$117,763,000 was recognised during the year ended 31 December 2021 (2020: approximately HK$207,693,000).

The directors of the Company assessed that the promissory notes have been issued within the range of the market borrowing rates of the note issuers and considered the interest rates as fair and reasonable. The principal amounts of the promissory notes are considered as the fair value at the date of issuance.

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27. INVENTORIES

	2021 HK$'000	2020 HK$'000
Pharmaceutical supplies	**37,700**	32,255
Healthcare equipment	**–**	1,223
Dental materials and supplies	**978**	1,044
	38,678	34,522

28. TRADE AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables (note i)	**348,937**	230,705
Bills receivables (note i)	**37,715**	–
	386,652	230,705
Deposits	**39,389**	39,689
Other receivables (note ii)	**8,304**	19,562
Prepayments (note iii)	**8,236**	16,529
	442,581	306,485

Notes:

(i) Most of the patients of the medical and dental practices settle in cash. Payments arising from use of medical cards by patients will normally be settled within 180 to 240 days whilst settlement by corporate customers for the Group's managed medical network operation is from 60 to 180 days. The Group allows an average credit period of 60 to 240 days to its trade customers under other business activities.

The following is an aged analysis of trade and bills receivables, net of allowance, presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates:

	2021 HK$'000	2020 HK$'000
0 – 60 days	**242,650**	164,099
61 – 120 days	**85,668**	45,982
121 – 180 days	**55,017**	18,992
Over 180 days	**3,317**	1,632
	386,652	230,705

28. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

These receivables are related to a number of independent customers that have good repayment history with the Group. The Group does not hold any collateral over these balances.

As at 31 December 2021 and 2020, no trade and bills receivables are past due at the end of the reporting period for which the Group has not provided an allowance for expected credit loss.

The Group has provided fully for all receivables over 365 days because historical experience is such that receivables that are past due beyond 365 days are generally not recoverable.

(ii) As at 31 December 2020, the Group's other receivables mainly included receivables of interest income from promissory note of HK$1,000,000 (2021: nil), receivables from customers arising from purchase of medical equipment of HK$13,155,000 (2021: nil). As at 31 December 2021, the Group's other receivables mainly included the receivables of compensation from termination of management service agreement by a customer and other related proceeds of HK$2,700,000 (2020: nil).

As at 31 December 2020, included in other receivables of HK$13,155,000 (2021: nil) is with an average credit period of 180 days and the remaining are repayable on demand, unsecured and interest-free. As at 31 December 2021 and 2020, no other receivables has been past due.

(iii) As at 31 December 2020, the Group's prepayments mainly included prepayments of purchase of property, plant and equipment of HK$4,480,000 (2021: nil) and prepayments to suppliers for trading of medical equipment of HK$3,072,000 (2021: HK$2,297,000).

29. AMOUNTS DUE FROM ASSOCIATES

The amounts are of non-trade nature, unsecured, interest-free and repayable on demand.

At 31 December 2021, the balances of amounts due from associates are net of accumulated allowance of HK$4,557,000 (2020: HK$4,557,000) as the amounts were credit-impaired as at those dates. During the year ended 31 December 2020, allowance of expected credit loss of HK$6,000,000 has been reversed due to the settlement during the year (2021: nil). The directors of the Company considered the carrying amounts of remaining amounts due from associates approximate their fair values as at 31 December 2021 and 2020.

30. AMOUNTS DUE TO NON-CONTROLLING INTERESTS

The amounts are of non-trade nature, unsecured, interest-free and repayable on demand. The directors of the Company anticipated the carrying amounts approximate their fair values as at 31 December 2021 and 2020.

31. BANK BALANCES AND CASH AND FIXED BANK DEPOSITS

Bank balances and cash comprise cash held by the Group and bank balances that carry interest at market rate which ranged from 0.001% to 0.40% (2020: 0.001% to 0.75%) per annum and have original maturity of three months or less.

The fixed bank deposits carry fixed interest rates ranged from 0.2% to 3.2% (2020: from 0.7% to 3.2%) per annum and have original maturity of over three months, of which HK$104,805,000 (2020: HK$71,258,000) will be mature in three years and included in non-current assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

32. TRADE AND OTHER PAYABLES

	2021 HK$'000	2020 HK$'000
Trade payables (note i)	**143,486**	103,601
Other payables (note ii)	**15,670**	19,223
Deposits received	**4,624**	4,674
Accruals (note iii)	**104,715**	79,367
	268,495	206,865

Notes:

(i) The following is an aged analysis of trade payables presented based on invoice dates at the end of the reporting period:

	2021 HK$'000	2020 HK$'000
0 – 60 days	**95,165**	65,509
61 – 120 days	**21,555**	24,149
Over 120 days	**26,766**	13,943
	143,486	103,601

The average credit period on purchase of goods is 60 to 120 days.

(ii) Included in the Group's other payables as at 31 December 2020 were amounts due to suppliers for acting as an agent for payment of medical equipment of HK$5,584,000 (2021: nil) with an average credit period of 60-120 days.

(iii) Included in the balance of accruals are the provision of consultancy services payable to affiliated doctors and specialists of HK$34,907,000 (2020: HK$33,252,000), accrued staff costs of HK$8,770,000 (2020: HK$10,472,000), provision for medical card expenses of HK$12,433,000 (2020: HK$9,204,000) and provision for bonus of HK$17,379,000 (2020:HK$3,695,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

33. CONTRACT LIABILITIES

	2021 HK$'000	2020 HK$'000
Receipts in advance of medical services	**3,095**	2,557

All contract liabilities are expected to be recognised as income within one year.

Movements in contract liabilities are as follows:

	2021 HK$'000	2020 HK$'000
At 1 January	**2,557**	3,570
Revenue recognised during the year	**(4,132)**	(5,291)
Receipts in advance during the year	**4,670**	4,278
At 31 December	**3,095**	2,557

34. AMOUNT DUE TO AN INVESTEE

At 31 December 2021 and 2020, the amount due to an investee was non-trade nature, unsecured, interest-free and repayable in demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

35. BANK BORROWING

	2021 HK$'000	2020 HK$'000
Secured:		
Mortgage loan	**15,400**	16,623
The bank borrowing is repayable as follows:		
On demand and within one year	**1,239**	1,126
In more than one year but not more than two years	**1,272**	1,151
In more than two years but not more than three years	**1,303**	1,198
In more than three years but not more than four years	**1,338**	1,247
In more than four years but not more than five years	**1,372**	1,300
Over five years	**8,876**	10,601
	15,400	16,623
Less: Amounts due within one year shown under current liabilities	**(1,239)**	(1,126)
Carrying amount of bank borrowing that is not repayable within one year from the end of reporting period but contain a repayment on demand clause (shown under current liabilities)	**(14,161)**	(15,497)
	–	–

As at 31 December 2021, the bank borrowing of the Group carry variable interest rates at Hong Kong Interbank Offered Rate ("HIBOR")+2.25% per annum (2020: variable interest rate at HIBOR+2.25% per annum).

The Group's mortgage loan is secured by the Group's leasehold land and building with carrying value of HK$39,804,000 (2020: HK$42,925,000) and supported by personal guarantee provided by non-controlling interests of the Company's non-wholly owned subsidiary which will be released upon repayment of the mortgage.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

36. LEASE LIABILITIES

	2021 HK$'000	2020 HK$'000
Lease liabilities payable:		
Within one year	**59,738**	68,551
Within a period of more than one year but not more than two years	**32,206**	40,330
Within a period of more than two years but not more than five years	**10,631**	14,379
	102,575	123,260
Less: Amounts for settlement with 12 months shown under current liabilities	**(59,738)**	(68,551)
Amount due for settlement after 12 months shown under non-current liabilities	**42,837**	54,709

The weighted average incremental borrowing rates applied to lease liabilities range from 2.30% to 4.75% (2020: 2.39% to 4.75%).

The maturity analysis of lease liabilities is disclosed in note 45(b) to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

37. DEFERRED TAX LIABILITIES

The followings are the major deferred tax liabilities recognised and movements thereon during the current and prior years:

	Fair value adjustments on business combinations HK$'000
At 1 January 2020	41,195
Credit to profit or loss	(1,984)
Exchange realignment	2,205
At 31 December 2020	41,416
Credit to profit or loss	(2,041)
Exchange realignment	1,239
At 31 December 2021	**40,614**

Fair value adjustments on business combinations represent deferred tax effect of HK$11,990,000 on customer relationship acquired on the acquisition of Vio and deferred tax effect of HK$40,627,000 on management service right and consulting services contracts acquired on the acquisition of Nanyang Xiangrui.

At 31 December 2021, the Group has unused tax losses of HK$757,146,000 (2020: HK$678,115,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. Such losses may be carried forward indefinitely.

Under the prevailing PRC income tax law and its relevant regulations, foreign corporate investors are levied PRC dividend withholding tax at 10%, unless reduced by tax treaties/arrangements, on dividends declared by PRC-resident enterprises for profits earned subsequent to 1 January 2008.

As at 31 December 2021, no deferred tax liabilities have been provided for in the consolidated financial statements in respect of the temporary differences attributable to the undistributed accumulated profits irrespective of HK$231,434,000 (2020: HK$86,165,000) earned by the subsidiaries established in the PRC as the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

38. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2020, 31 December 2020 and 2021	30,000,000,000	300,000
Issued and fully paid:		
At 1 January 2020, 31 December 2020 and 2021	7,526,134,452	75,261

39. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme subject to a maximum of HK$1,500 per month, the contribution of which is matched by employees. No forfeited contribution under the MPF Scheme was utilised during the year and available to reduce the contribution payable in future years.

The employees in the PRC are members of respective state-managed defined contribution retirement benefits schemes operated by the local government. The employer and the employees are obliged to make contributions at a certain percentage of the basic payroll under rules of the schemes and the Group has fulfilled the obligation of the retirement benefits schemes. No forfeited contribution under the state-managed defined contribution retirement benefits schemes was untilised during the year and available to reduce the contribution payable in future years.

During the year ended 31 December 2021, the total cost charged to the consolidated statement of profit or loss and other comprehensive income approximately of HK$11,004,000 (2020: HK$8,299,000) represents contributions payable to the above schemes by the Group during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

40. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of subsidiaries

For the year ended 31 December 2021

On 1 September 2021, Nanyang Xiangrui, a 60.2% owned subsidiary of the Company, entered into a sale and purchase agreement with 河南豫康祥商貿有限公司 (Henan Yukangxiang Commercial Limited) to purchase 80% equity interests in 河南恆益祥醫藥有限公司 (Henan Hengyixiang Pharmaceuticals Co., Ltd.) ("Hengyixiang") at a consideration of RMB2,756,000 (equivalent to HK$3,352,000). Hengyixiang is engaged in trading of medicines in the PRC. The transaction was completed on 30 September 2021. The acquisition has been accounted for as acquisition of business using the acquisition method.

The fair value of the identifiable assets and liabilities of Hengyixiang on the date of acquisition is as follows:

	30 September 2021 HK$'000
Property, plant and equipment	2,737
Right-of-use assets	3,442
Inventories	1,958
Trade and other receivables	3,544
Tax recoverable	151
Bank balances and cash	2,198
Trade and other payables	(7,701)
Lease liabilities	(3,097)
	3,232
Cash consideration	3,352
Plus: non-controlling interest (20% in Hengyixiang)	646
Less: recognised amounts of net assets acquired	(3,232)
Goodwill arising on acquisition (note 20)	766
Net cash outflow arising on acquisition:	
Cash consideration paid	3,352
Less: bank balances and cash acquired	(2,198)
	1,154

The non-controlling interest (20%) in Hengyixiang recognised on the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Hengyixiang and amounted to HK$646,000.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

40. ACQUISITION OF SUBSIDIARIES *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

For the year ended 31 December 2021 *(Continued)*

Impact of the acquisition on the results of the Group

Included in the profit for the year is HK$4,369,000 attributable to the additional business generated by Hengyixiang. Revenue for the year includes HK$34,019,000 generated from Hengyixiang.

Had the acquisition of Hengyixiang been completed on 1 January 2021, revenue for the year of the Group from continuing operations would have been HK$1,486,897,000, and profit for the year from continuing operations would have been HK$73,364,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2021, nor is it intended to be a projection of future results.

In determining the 'prof-forma' revenue and profit of the group had Hengyixiang been acquired at the beginning of the year, the directors of the Company calculated depreciation of property, plant and equipment based on the recognised amounts of property, plant and equipment on the date of acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

40. ACQUISITION OF SUBSIDIARIES *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

For the year ended 31 December 2020

On 6 May 2020, Nanyang Xiangrui, a 60.2% owned subsidiary of the Company, entered into a sale and purchase agreement with 河南豫康祥商貿有限公司 (Henan Yukangxiang Commercial Limited) to purchase 80% equity interests in 雲南豫港祥醫藥有限公司 (Yunnan Yugangxiang Pharmaceuticals Co., Ltd.) ("Yugangxiang") at consideration of HK$3,154,000 (equivalent to RMB2,874,000). Yugangxiang is engaged in trading of medicines in the PRC. The transaction was completed on 13 May 2020.

The fair value of the identifiable assets and liabilities of Yugangxiang on the date of acquisition is as follows:

	13 May 2020 HK$'000
Property, plant and equipment	1,758
Inventories	2
Trade and other receivables	425
Tax recoverable	1
Bank balances and cash	204
	2,390
Cash consideration	3,154
Plus: non-controlling interest (20% in Yugangxiang)	478
Less: recognised amounts of net assets acquired	(2,390)
Goodwill arising on acquisition (note 20)	1,242
Net cash outflow arising on acquisition:	
Cash consideration paid	3,154
Less: bank balances and cash acquired	(204)
	2,950

40. ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) Acquisition of additional interests in subsidiaries

For the year ended 31 December 2020

(i) On 30 December 2020, Town Health Healthcare Services Limited, a subsidiary of the Company entered into a sale and purchase agreement with Dr. Kwok Siu Kong to purchase additional 30% equity interests in Sure Choice Limited ("Sure Choice") at a consideration of HK$39,000. Sure Choice became a 100% owned subsidiary of the Group. The carrying amount of net liabilities attributable to the 30% equity interests in Sure Choice on the date of acquisition was HK$79,000. The Group recognised an increase in non-controlling interest of HK$79,000 in total and decrease in equity attributable to owners of the Company of approximately HK$118,000 upon acquisition.

(ii) On 28 December 2020, Nanyang Xiangrui, a 60.2% owned subsidiary of the Company, entered into a sale and purchase agreement with 北京中視視覺健康管理有限公司 to purchase additional 10% equity interests in 南陽瑞視眼科醫院有限公司(Nanyang Ruishi Ophthalmology Hospital Co., Ltd.) ("Ruishi Ophthalmology") at a consideration of HK$1,582,000 (equivalent to RMB1,331,000). Ruishi Ophthalmology became a 36.72% indirectly owned subsidiary to the Group. The carrying amount of the net assets attributable to the 6.02% equity interest in Ruishi Ophthalmology on the date of acquisition was HK$1,424,000. The Group recognised decrease in non-controlling interest of HK$1,424,000 in total and a decrease in equity attributable to owners of the Company of approximately HK$158,000 upon acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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41. DISPOSAL OF SUBSIDIARIES

Disposal of subsidiaries with loss of control

For the year ended 31 December 2020

On 5 June 2020, the Group entered into a sale and purchase agreement with Regency Gain International Limited, to dispose of its 79% interests in TH Shanghai Medical Management Group Limited ("TH Shanghai") with its subsidiaries and to assign the amounts owed by TH Shanghai to the Group for an aggregate cash consideration of approximately HK$218,000 (equivalent to RMB200,000).

The aggregate amounts of the assets and liabilities attributable to TH Shanghai and its subsidiaries being disposed of as at the date of disposal on 5 June 2020 were approximately HK$925,000. Including the bank balances of approximately HK$989,000, resulting a net cash outflow of HK$771,000. Accordingly, the Group recognised a decrease in non-controlling interest of approximately HK$337,000 and a loss on disposal of HK$370,000.

42. OPERATING LEASES

The Group as lessor

During the year ended 31 December 2021, the Group had property rental income of approximately HK$15,688,000 (2020: HK$16,075,000).

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases with fixed rents in respect of premises which would fall due as follows:

	2021 **HK$'000**	2020 HK$'000
Within one year	**11,251**	15,582
In the second to fifth year inclusive	**3,032**	7,115
	14,283	22,697

All of the properties held have committed tenants for the coming one to two years.

43. PLEDGE OF ASSETS

As at 31 December 2021, property, plant and equipment of the Group with carrying value of approximately HK$39,804,000 (2020: HK$42,925,000) were pledged to secure general banking facilities granted to the Group.

44. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of borrowings and equity attributable to owners of the Company (comprising issued share capital, share premium, reserves and accumulated profits).

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts or the redemption of existing debts.

45. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2021 **HK$'000**	2020 HK$'000
Financial assets		
Financial assets at FVTPL	**1,951**	6,774
Equity instruments at FVTOCI	**29,770**	39,609
Financial assets at amortised cost (including cash and cash equivalents)	**2,399,030**	2,190,168
Financial liabilities		
Amortised cost	**318,914**	309,394

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45. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

The Group's corporate treasury function provides services to the business units, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include foreign currency risk, market risk (including interest rate risk and other price risk), credit risk and liquidity risk.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. Other than Hong Kong, the Group's operations are mainly in the PRC and certain bank balances, receivables, payables and other loans of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors the related foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of monetary assets and monetary liabilities that are denominated in a currency other than functional currencies of entities at the end of the respective reporting periods are as follows:

	Assets		Liabilities	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
Renminbi ("RMB")	**13,466**	923	**–**	–
United Stated Dollars ("USD")	**815**	2,718	**–**	–
Hong Kong Dollars ("HKD")	**5,920**	8,658	**–**	–

The Group is mainly exposed to the currency risk of RMB against HK$.

45. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Foreign currency risk (Continued)

The Group is mainly exposed to the risk of fluctuation of USD, RMB and HKD when such currencies are different from the functional currency of relevant group entities.

The following tables detail the Group's sensitivity to a 5% increase in the above foreign currencies against the functional currency of the corresponding group entities, except for USD against HKD. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The sensitivity analysis includes only bank balances and cash. A positive number indicates an increase in post-tax profit where the above foreign currencies strengthen against the functional currency of the corresponding group entities. If there is 5% increase in USD, RMB and HKD against the functional currency of the corresponding group entities, the increase in the post-tax profit is shown as below:

	2021	2020
	HK$'000	HK$'000
USD	**41**	136
HKD	**296**	433
RMB	**673**	46

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Market risk

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risks.

(i) Interest rate risk management

The Group's fair value interest rate risk relates primarily to the promissory notes, loans receivable and lease liabilities which carry interests at fixed rates. The Group currently does not have any interest rate hedging policy. The Group monitors the interest rate risk exposure closely and may consider to enter any hedging activities if the need arises.

The Group's cash flow interest rate risk relates primarily to variable-rate bank balances and bank borrowings. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's Hong Kong dollars denominated borrowings.

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45. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(i) Interest rate risk management *(Continued)*

Interest rates sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank borrowings at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2020: 50 basis points) increase or decrease in HIBOR is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Cash flow interest rate risk

If interest rates had been 50 basis points (2020: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2021 would decrease/increase by HK$64,000 (2020: decrease/increase by HK$69,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

(ii) Other price risk management

Equity price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks on equity instruments at the end of reporting period.

If the prices of the respective equity instruments had been 10% (2020: 10%) higher/lower:

- post-tax profit for the year ended 31 December 2021 would increase/decrease by HK$163,000 (2020: HK$566,000) as a result of the changes in fair value of financial assets at fair value through profit or loss.

- investment revaluation reserve for the year ended 31 December 2021 would increase/decrease by HK$2,486,000 (2020: HK$3,307,000) for the Group as a result of the changes in fair value of unlisted equity securities under equity instrument at fair value through other comprehensive income.

The percentage applied in the sensitivity analysis is 10% in both years ended 31 December 2021 and 2020 of which management considers that is reasonable in current financial market.

45. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(ii) Other price risk management *(Continued)*

Credit risk and impairment assessment

As at 31 December 2021 and 2020, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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 trade debt and loans receivable 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.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date.	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

45. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(ii) Other price risk management *(Continued)*

Credit risk and impairment assessment *(Continued)*

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

2021	Notes	Internal credit rating	12-month/ Lifetime ECL	Gross carrying amount HK$'000	Not credit-impaired HK$'000	Credit-impaired HK$'000	Net carrying amount HK$'000
Trade and bills receivables	28	Low risk (note 4)	Lifetime ECL	386,652	–	–	386,652
Other receivables	28	Loss (note 2)	Lifetime ECL	3,528	–	(3,528)	–
		Low Risk (note 2)	12-month ECL	8,304	–	–	8,304
				11,832	–	(3,528)	8,304
Loans receivable	19	Low risk (note 3)	12-month ECL	5,787	–	–	5,787
Promissory notes	26(i)	Write-off (note 2)	Lifetime ECL	203,705	–	(203,705)	–
	26(ii)	Write-off (note 2)	Lifetime ECL	330,000	–	(330,000)	–
				533,705	–	(533,705)	–
Amounts due from associates	29	Loss (note 2)	Lifetime ECL	4,557	–	(4,557)	–
	29	Low risk (note 2)	12-month ECL	1,270	–	–	1,270
				5,827	–	(4,557)	1,270
Fixed bank deposits	31	N/A (note 5)	N/A	1,086,559	–	–	1,086,559
Bank balances	31	N/A (note 5)	N/A	908,915	–	–	908,915

45. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(ii) Other price risk management *(Continued)*

Credit risk and impairment assessment *(Continued)*

2020	Notes	Internal credit rating	12-month/ Lifetime ECL	Gross carrying amount HK$'000	Not credit-impaired HK$'000	Credit-impaired HK$'000	Net carrying amount HK$'000
Trade receivables	28	Low risk (note 4)	Lifetime ECL	230,705	–	–	230,705
Other receivables	28	Low Risk (note 2)	12-month ECL	19,562	–	–	19,562
Loans receivable	19	Low risk (note 3)	12-month ECL	4,147	–	–	4,147
Promissory notes	26(i)	Write-off (note 2)	Lifetime ECL	203,705	–	(203,705)	–
	26(ii)	Loss (note 2)	Lifetime ECL	330,000	–	(212,237)	117,763
				533,705	–	(415,942)	117,763
Amounts due from associates	29	Loss (note 2)	Lifetime ECL	4,557	–	(4,557)	–
	29	Low risk (note 2)	12-month ECL	1,421	–	–	1,421
				5,978	–	(4,557)	1,421
Fixed bank deposits	31	N/A (note 5)	N/A	817,090	–	–	817,090
Bank balances	31	N/A (note 5)	N/A	1,069,606	-	-	1,069,606

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

45. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(ii) Other price risk management *(Continued)*

Credit risk and impairment assessment *(Continued)*

Notes:

1. For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

2. For those financial assets which are past due, management assessed they are credit-impaired as follow:

   a) i) promissory note of gross amount of HK$203,705,000 (2020: HK$203,705,000) issued by Mr. Dai Hai Dong, which internal credit rating set as write-off (2020: write-off); ii) promissory note issued by Profit Castle of gross amount of HK$330,000,000 (2020: HK$330,000,000) which internal credit rating set as write-off (2020: loss) details of the promissory note are disclosed in note 26 to the consolidated financial statements.

   b) amounts due from associates of gross amount of HK$4,557,000 (2020: HK$4,557,000).

   For the financial assets including the remaining portion of other receivables and amount due from associates which are either not yet past due or no fixed-term of repayment, management assessed they are not credit-impaired and internal credit rating set as low risk.

3. The Group assessed the loss allowances for loans receivable with gross amount of HK$5,787,000 (2020: HK$4,147,000) on 12m ECL basis. The expected loss of loans receivable is assessed individually, taking into account the repayment histories, collaterals provided to the Group and internal credit rating of the debtors as well as forward-looking information, as appropriate.

4. For trade and bills receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses past due status. No allowance of expected loss has been recognised for 31 December 2021 and 2020.

5. Management considers the Group has limited credit risk with its banks which are leading and reputable banks and are assessed as having low credit risk. Majority of bank balances are deposited with reputable banks in Hong Kong. The Group has not incurred significant loss from non-performance by these parties in the past and management does not expect so in the future.

As at 31 December 2021 and 2020, the Group also has aggregate promissory notes due from two parties with principals amounting to HK$533,705,000. As at 31 December 2021, both promissory notes have been fully impaired (2020: allowance for expected credit losses of HK$203,705,000 and HK$212,237,000 have been made on the promissory notes respectively.) As at 31 December 2021 and 2020, no aggregate loans receivable was due from one single company. An internal credit assessment process assesses the potential borrower's credit quality and defines credit limits by borrower, and the credit risk is considered low. There is no other significant concentration risk during the year.

The Group's concentration of credit risk relating to trade and bills receivables by geographical locations is mainly in the PRC as at 31 December 2021 and 2020.

The Group has concentration of credit risk by customer as 74% (2020: 73%) and 59% (2020: 50%) of the total trade and bills receivables which were due from the Group's five largest customers and the largest customer respectively. The Group's five largest customers are medical service companies with good reputation.

The management manages and monitors these exposures by monitoring the share price quoted in the Stock Exchange to ensure appropriate measures are implemented on a timely and effective manner.

45. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants. As at 31 December 2021, the Group had available unutilised banking facilities of HK$20,000,000 (2020: nil).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Liquidity and interest risk tables

	Weighted average effective interest rate	On demand or less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2021 HK$'000
31 December 2021							
Non-derivative financial liabilities							
Trade and other payables		–	163,780	–	–	163,780	163,780
Amounts due to non-controlling interests		36,864	–	–	–	36,864	36,864
Amount due to an investee		296	–	–	–	296	296
Variable rate bank borrowings	2.27%	15,400	–	–	–	15,400	15,400
Lease liabilities	3.06%	–	18,091	44,172	45,537	107,800	102,575
		52,560	181,871	44,172	45,537	324,140	318,915

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

45. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk management (Continued)

Liquidity and interest risk tables *(Continued)*

	Weighted average effective interest rate	On demand or less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2020 HK$'000
31 December 2020							
Non-derivative financial liabilities							
Trade and other payables	–	–	127,498	–	–	127,498	127,498
Amounts due to non-controlling interests	–	41,715	–	–	–	41,715	41,715
Amount due to an investee	–	298	–	–	–	298	298
Variable rate bank borrowings	4.10%	16,623	–	–	–	16,623	16,623
Lease liabilities	2.44%	–	20,393	51,805	56,107	128,305	123,260
		58,636	147,891	51,805	56,107	314,439	309,394

The table below summarises the maturity analysis of the bank borrowings which contained a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis contained in the above table. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid within 3 months to 12 years (2020: within 3 months to 13 years) after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$17,670,000 (2020: HK$20,998,000). Details of which are set out in the table below:

Maturity Analysis – Bank borrowing with a repayment on demand clause based on scheduled repayments

	Less than 1 year HK$'000	1-2 years HK$'000	2-5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
31 December 2021	**1,619**	**1,619**	**4,856**	**9,576**	**17,670**	**15,400**
31 December 2020	1,762	1,762	5,286	12,188	20,998	16,623

The amounts included above for variable interest rate instruments are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

45. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurement of financial instruments

This note provides information about how the Group determines fair value of various financial assets and financial liabilities.

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

1. Level 1 fair value measurements are those derived from quoted process (unadjusted) in active market for identical assets or liabilities;

2. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3. Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

45. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurement of financial instruments *(Continued)*

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Fair value hierarchy as at 31 December 2021

	Level 1 **HK$'000**	**Level 2** **HK$'000**	**Level 3** **HK$'000**	**Total** **HK$'000**
Financial assets at FVTPL				
– Listed equity securities in Hong Kong	1,951	–	–	1,951
Equity instruments at FVTOCI				
– Unlisted equity securities	–	–	29,770	29,770
	1,951	–	29,770	31,721

Fair value hierarchy as at 31 December 2020

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL				
– Listed equity securities in Hong Kong	6,774	–	–	6,774
Equity instruments at FVTOCI				
– Unlisted equity securities	–	–	39,609	39,609
	6,774	–	39,609	46,383

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

45. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurement of financial instruments *(Continued)*

Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)

Financial assets	Fair value as at 31 December 2021 HK$'000	Fair value as at 31 December 2020 HK$'000	Fair value hierarchy	Valuation technique	Significant unobservable input(s)	Range (weighted average)	Relationship of unobservable inputs for fair value
1 Financial assets at FVTPL							
– Listed equity securities in Hong Kong	**1,951**	6,774	Level 1	Quoted bid prices in an active market	n/a	n/a	n/a
2 Equity instruments at FVTOCI	**29,770**	39,609	Level 3	Discounted cash flow method	Yearly growth rates of revenue	Ranging from -1.16% to 2.71% (2020: 2.07% to 21.01%)	The increase in yearly growth rates of revenue would increase in fair value.
					Terminal growth rate	2.71% (2020: 2.07%)	The increase in terminal growth rate would increase in fair value.
					Pre-tax operating profit margin	10.85% (2020: 13.05%)	The decrease in yearly pre-tax operating profit margin would decrease in fair value.
					Weighted average cost of capital	13.43% (2020: 12.83%)	The increase in weighted average cost of capital would decrease in fair value.
					Company specific risk premium	2.50% (2020: 2.50%)	The increase in company specific risk premium would decrease in fair value.
					Discount rate for lack of control and marketability	Ranging from 10.15% to 15.80% (2020: 10.15% to 15.80%)	The increase in discount rate would decrease in fair value.

There were no transfers of financial assets between different levels of the fair value hierarchy in the current year and prior year.

The quantitative information of significant unobservable inputs used in arriving at the Level 3 fair value measurement are set out above.

The directors of the Company consider that except for financial assets as disclosed in the above table, the carrying amounts of remaining financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

45. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurement of financial instruments *(Continued)*

Reconciliation of Level 3 fair value measurements of financial assets

	Equity instruments at FVTOCI HK$'000
At 1 January 2020	59,609
Fair value changes	(18,421)
Disposal	(1,579)
At 1 January 2021	39,609
Fair value changes	(9,839)
At 31 December 2021	**29,770**

The fair value loss of approximately HK$9,839,000 (2020: fair value loss of approximately HK$18,421,000) included in other comprehensive income related to equity instruments at FVTOCI held at the end of the reporting period and are reported as changes of "investment revaluation reserve". As a result of the changes in the current economic environment due to the COVID-19 pandemic, the investment of the financial assets is experiencing negative conditions of decreased revenues, that indicate that the relevant fair value change in financial assets at fair value through other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

46. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Amounts due to non-controlling interests (note 30) HK$'000	Lease liabilities (note 36) HK$'000	Borrowing (note 35) HK$'000	Total liabilities from financing activities HK$'000
At 1 January 2020	42,971	129,799	17,730	190,500
Changes from financing cash flows:				
Repayment to non-controlling interests	(1,256)	–	–	(1,256)
Repayment of liabilities	–	(67,394)	(1,107)	(68,501)
Interest paid	–	(4,707)	(572)	(5,279)
Total changes from financing cash flow	(1,256)	(72,101)	(1,679)	(75,036)
Non-cash changes:				
Recognition of lease liabilities during the year	–	69,819	–	69,819
Interest expenses	–	4,707	572	5,279
Rent concessions	–	(8,251)	–	(8,251)
Exchange differences	–	(713)	–	(713)
At 31 December 2020 and 1 January 2021	41,715	123,260	16,623	181,598
Changes from financing cash flows:				
Repayment to non-controlling interests	(4,851)	–	–	(4,851)
Repayment of liabilities	–	(72,091)	(1,223)	(73,314)
Interest paid	–	(3,526)	(377)	(3,903)
Total changes from financing cash flow	(4,851)	(75,617)	(1,600)	(82,068)
Non-cash changes:				
Recognition of lease liabilities during the year	–	54,424	–	54,424
Interest expenses	–	3,526	377	3,903
Rent concessions	–	(3,410)	–	(3,410)
Exchange differences	–	392	–	392
At 31 December 2021	**36,864**	**102,575**	**15,400**	**154,839**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

47. RELATED PARTY TRANSACTIONS AND BALANCES

During the year, the Group entered into the following transactions with related parties:

Name of related party	Nature of transactions	2021 HK$'000	2020 HK$'000
Advance Bond Limited*	Rental income	**960**	886
Anova Medical Centre	Laboratory fee income	**–#**	–
China Life Insurance (Overseas) Company Limited**	Medical related services income	**629**	528
	Insurance expenses	**(650)**	(659)
China Life Insurance Company Limited	Medical related services income	**2,047**	2,390
	Sales of medical consumables	**101**	–
	Property management income	**109**	51
	Insurance expenses	**(130)**	–
China Life Insurance Company Limited, Shandong Branch***	Repayment of lease liabilities	**(4,386)**	(2,886)
China Life Trustees Limited	Retirement benefits scheme contributions	**(44)**	–
Early Light International (Holdings) Limited	Medical services income	**142**	–
Fecund Medical Centre	Laboratory fee income	**–**	2
Hong Kong Bariatric and Metabolic Institute Limited*	Management services fee income	**299**	272
	Management services fee expense	**–**	(43)
	Repayment of lease liabilities	**(320)**	(308)
Hong Kong Health Check and Medical Diagnostic Centre Limited*	Rental income	**6,734**	3,626
	Cost of sales	**(467)**	(11)
My Beauty Company Limited*	Rental income	**1,768**	1,760
	Laboratory fee income	**12**	8
Paragon Medical Centre	Laboratory fee income	**–#**	1
Platform Healthcare Limited	Laboratory fee income	**3**	–
	Medical services income	**103**	–
	Cost of sales	**(247)**	–
Prestige Medical Centre (HK) Ltd.	Medical services income	**256**	28
	Purchase of pharmaceutical supplies	**–**	(25)

47. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

Notes:

* The related parties are the associates of the Company during the years ended 31 December 2021 and 2020.

** The related parties are the subsidiaries of the China Life Insurance (Group) Company, one of the beneficial owners of the Company.

*** China Life Insurance Company Limited, Shandong Branch is a branch office of China Life Insurance Company Limited.

\# For amount less than HK$1,000.

As disclosed in note 1 to the consolidated financial statements, the Company published an announcement that the SFC has on 27 November 2017 issued a direction to suspend trading in the shares of the Company as it appears to the SFC that, inter alia, the Company's interim report for the six months ended 30 June 2016 published by the Company on 7 September 2016 and the Company's annual report for the year ended 31 December 2016 published by the Company on 27 April 2017 included materially false, incomplete or misleading information.

Notwithstanding the above, the board of directors of the Company has determined that no disclosures contained in these consolidated financial statements or in previously issued consolidated financial statements of the Group need to be amended.

Further, in the opinion of the directors of the Company, based on the information and explanations received by them and the best efforts and endeavors done by them to-date, there were no transactions or balances with related parties of the Group other than those disclosed in this note or elsewhere in the consolidated financial statements.

Details of balances with related parties as at the end of the reporting period are set out in the consolidated statement of financial position and in notes 29, 30 and 34.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

47. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

Compensation of key management personnel

The remuneration of key management personnel which represent the directors of the Company during the year was as follows:

	2021 HK$'000	2020 HK$'000
Short-term benefits	**3,567**	504
Post-employment benefits	**184**	–
	3,751	504

The remuneration of key management personnel is determined by the remuneration committee of the board of directors of the Company having regard to the performance of individuals and market trends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS		
Unlisted investment in a subsidiary	**28,530**	28,530
Amounts due from subsidiaries	**3,692,064**	3,898,736
	3,720,594	3,927,266
CURRENT ASSETS		
Amount due from an associate	**500**	500
Other receivables	**883**	806
Bank balances and cash	**356,923**	152,452
	358,306	153,758
CURRENT LIABILITY		
Other payables	**–**	493
NET CURRENT ASSETS	**358,306**	153,265
	4,078,900	4,080,531
CAPITAL AND RESERVES		
Share capital – ordinary shares	**75,261**	75,261
Reserves (Note)	**4,003,639**	4,005,270
Total equity	**4,078,900**	4,080,531

The Company's statement of financial position was approved and authorised for issue by the board of directors of the Company on 22 March 2022 and are signed on its behalf by:

Mr. Jin Zhaogen
DIRECTOR

Ms. Zhao Xiangke
DIRECTOR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY
(Continued)

Note:

Reserves

	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Distributable reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1 January 2020	3,341,639	9,020	28,180	62,677	559,915	4,001,431
Profit and total comprehensive income for the year	–	–	–	–	3,839	3,839
At 31 December 2020	3,341,639	9,020	28,180	62,677	563,754	4,005,270
Loss and total comprehensive expense for the year	–	–	–	–	(1,631)	(1,631)
At 31 December 2021	3,341,639	9,020	28,180	62,677	562,123	4,003,639

Contributed surplus of the Company includes the difference between the nominal value of HK$350,000 of the ordinary shares issued by the Company and the net assets value of approximately HK$28,530,000 of Town Health (BVI), a subsidiary acquired through an exchange of shares pursuant to the group reorganisation in April 2000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

49. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2021 and 2020 are as follows:

Name of company	Place of incorporation/ form of legal entity	Principal place of operation	Class of shares held	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/registered capital held by the Company				Proportion of voting power held by the Company				Principal activities
					31 December 2021		31 December 2020		31 December 2021		31 December 2020		
					Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	
Town Health (BVI)	British Virgin Islands/ limited liability company	(Note)	Ordinary	US$1,331,131	100%	–	100%	–	100%	–	100%	–	Investment holding
Allied Gallant Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$100	–	80%	–	80%	–	70%	–	70%	Provision of medical healthcare services
Bright Wisdom International Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$1	–	100%	–	100%	–	100%	–	100%	Provision of laboratory related services
Vio	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$1,000	–	94.3%	–	94.3%	–	100%	–	100%	Provision of managed medical network services
Easy Result Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$100	–	51%	–	51%	–	67%	–	67%	Provision of medical healthcare services
First Billion Investment Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$2	–	100%	–	100%	–	100%	–	100%	Property investments services
Hong Kong T&O	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$1,000	–	43.4%	–	43.4%	–	67%	–	67%	Provision of medical healthcare services
Nanyang Xiangrui	PRC/sino foreign equity joint venture	PRC	–	RMB84,835,000	–	60.2%	–	60.2%	–	60%	–	60%	Provision of hospital management services
PHC Medical Group Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$2	–	100%	–	100%	–	100%	–	100%	Provision of medical healthcare services
Modern Ascent Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$1	–	35%	–	35%	–	67%	–	67%	Provision of medical healthcare services
Profit Sources Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$100	–	100%	–	100%	–	100%	–	100%	Property investments services
Regal Luck International Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$1	–	100%	–	100%	–	100%	–	100%	Property investments services
Town Health Corporate Advisory and Investments Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$100	–	100%	–	100%	–	100%	–	100%	Provision of business and corporate advisory services
Town Health Dental Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$2	–	100%	–	100%	–	100%	–	100%	Provision of dental consultation services
Town Health M&D	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$2	–	100%	–	100%	–	100%	–	100%	Provision of medical healthcare services
廣州宜康醫療管理有限公司	PRC/sino foreign equity joint venture	PRC	–	RMB199,750,000	–	80%	–	80%	–	75%	–	75%	Provision of medical healthcare services
河南祥邦物業服務有限公司	PRC/sino foreign equity joint venture	PRC	–	RMB5,000,000	–	60.2%	–	60.2%	–	60%	–	60%	Provision of property management services
南陽健科醫療科技有限公司	PRC/sino foreign equity joint venture	PRC	–	RMB15,000,000	–	60.2%	–	60.2%	–	60%	–	60%	Trading of medical consumables and equipment
Ruishi Ophthalmology	PRC/sino foreign equity joint venture	PRC	–	RMB20,000,000	–	36.7%	–	36.7%	–	40%	–	40%	Provision of eyecare services
Yugangxiang	PRC/sino foreign equity joint venture	PRC	–	RMB4,000,000	–	48.2%	–	48.2%	–	48%	–	48%	Provision of trading medicines

Note: The subsidiary acts as investment holding company and has no specific principal place of operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

49. PRINCIPAL SUBSIDIARIES *(Continued)*

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, results in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in Hong Kong.

Details of non-wholly owned subsidiary that have material non-controlling interests

The table below shows details of non-wholly owned subsidiary of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of voting rights held by non-controlling interests		Proportion of ownership interests held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		31.12.2021	31.12.2020	**31.12.2021**	31.12.2020	**31.12.2021 HK$'000**	31.12.2020 HK$'000	**31.12.2021 HK$'000**	31.12.2020 HK$'000
Nanyang Xiangrui	PRC	**40%**	40%	**39.8%**	39.8%	**28,236**	16,517	**284,264**	245,391
Individually immaterial subsidiaries with non–controlling interests						**24,823**	6,071	**86,135**	70,260
						53,059	22,588	**370,399**	315,651

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

49. PRINCIPAL SUBSIDIARIES *(Continued)*

Details of non-wholly owned subsidiary that have material non-controlling interests *(Continued)*

Nanyang Xiangrui	2021 HK$'000	2020 HK$'000
Current assets	**536,200**	425,874
Non-current assets	**174,782**	163,366
Current liabilities	**(128,189)**	(97,247)
Non-current liabilities	**(2,480)**	–
Equity attributable to owners of the Company	**349,351**	296,182
Non-controlling interests	**230,962**	195,811
Income	**438,106**	254,448
Expenses	**(369,244)**	(210,555)
Profit for the year	**68,862**	43,893
Profit attributable to owners of the Company	**41,455**	26,424
Profit attributable to the non-controlling interests	**27,407**	17,469
Profit for the year	**68,862**	43,893
Other comprehensive income attributable to owners of the Company	**10,239**	16,656
Other comprehensive income attributable to the non-controlling interests	**6,769**	11,012
Other comprehensive income for the year	**17,008**	27,668
Total comprehensive income attributable to owners of the Company	**51,694**	43,080
Total comprehensive income attributable to the non-controlling interests	**34,176**	28,481
Total comprehensive income for the year	**85,870**	71,561
Net cash (outflow) inflow from operating activities	**(14,432)**	1,312
Net cash outflow used in investing activities	**(7,819)**	(68,154)
Effect of foreign exchange rate changes	**14,171**	25,164
Net cash outflow	**(8,080)**	(41,678)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

50. EVENT AFTER THE REPORTING PERIOD

On 11 March 2022, (i) Sure Metro Limited, a wholly-owned subsidiary of the Company ("Sure Metro"); (ii) Hong Kong Medical Test Centre Limited, a wholly-owned subsidiary of the Company before completion of joint venture arrangement (the "JV Company"); and (iii) Sunrise Diagnostic Centre Limited ("Sunrise"), an independent third party, entered into a joint venture agreement pursuant to which: (a) Sure Metro shall subscribe for 48 shares in the JV Company ("JV Shares") while Sunrise shall subscribe for 51 JV Shares. Sure Metro currently owns one JV Share such that immediately upon completion of such subscriptions, the JV Company shall be owned as to 49% and 51% by Sure Metro and Sunrise respectively; and (b) the JV Company will be engaged in the operation of a medical laboratory in Hong Kong to carry out, among others, COVID-19 nucleic acid testing services for general public clients.

MAJOR PROPERTIES INFORMATION

The Group's property portfolio summary – major properties held for investment.

	Location	Existing use	Tenure	Group's interest (%) 2021	2020
1.	Whole block of Nos. 10-12 Yuen Shun Circuit, Sha Tin Town Lot No. 282, New Territories	Office	Medium term lease	**100%**	100%
2.	14/F, Kaiseng Commercial Centre, Nos. 4-6 Hankow Road, Kowloon	Office	Medium term lease	**100%**	100%
3.	13/F, Kaiseng Commercial Centre, Nos. 4-6 Hankow Road, Kowloon	Office	Medium term lease	**100%**	100%
4.	12/F, Kaiseng Commercial Centre, Nos. 4-6 Hankow Road, Kowloon	Office	Medium term lease	**100%**	100%
5.	Shop G01 on Ground Floor Kings Wing Plaza 1 No. 3 On Kwan Street Sha Tin New Territories	Shops	Medium term lease	**100%**	100%

FINANCIAL SUMMARY

RESULTS

	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
Revenue	**1,483,892**	1,069,045	1,128,932	1,121,736	1,108,724
Profit (loss) for the year from continuing operations	**75,072**	(258,450)	10,519	85,509	(97,360)
Profit for the year from discontinued operation	**–**	–	–	–	21,681
Profit (loss) for the year	**75,072**	(258,450)	10,519	85,509	(75,679)
Attributable to:					
Owners of the Company					
– from continuing operations	**22,013**	(281,038)	(8,414)	64,014	(129,426)
– from discontinued operation	**–**	–	–	–	21,681
Non-controlling interests	**53,059**	22,588	18,933	21,495	32,066
	75,072	(258,450)	10,519	85,509	(75,679)

ASSETS AND LIABILITIES

	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
Total assets	**4,730,370**	4,582,639	4,738,571	4,633,068	4,675,437
Total liabilities	**(504,936)**	(456,507)	(435,560)	(288,970)	(360,957)
	4,225,434	4,126,132	4,303,011	4,344,098	4,314,480
Assets attributable to:					
Owners of the Company	**3,855,035**	3,810,481	4,015,547	4,071,271	4,037,403
Non-controlling interests	**370,399**	315,651	287,464	272,827	277,077
	4,225,434	4,126,132	4,303,011	4,344,098	4,314,480

GLOSSARY

AGM	annual general meeting of the Company
Audit Committee	audit committee of the Board
BB Promissory Note	the promissory note with a principal amount of HK$330,000,000 issued by Profit Castle as part of the consideration for the acquisition of the Group's interests in Bonjour Beauty and its subsidiaries
Board	the board of Directors
Bonjour Beauty	Bonjour Beauty International Limited
Broad Idea	Broad Idea International Limited
Bye-laws	bye-laws of the Company
CCTs	continuing connected transactions contemplated in relation to the provision of the Medical Related Services by the Group under the Framework Agreements and the Framework Cooperation Agreement
CEO or Chief Executive Officer	the chief executive officer of the Company
CG Code	Corporate Governance Code as contained in Appendix 14 to the Listing Rules
China or Mainland China or PRC	the People's Republic of China excluding, for the purpose of this annual report only, Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan
China Life Group	CLIG and its subsidiaries
CL Group	CLIO and its Branches, CLIS and its Branches, CLPS and its Branches
CL Products	the CLIO Products, the CLIS Products and the CLPS Products
Classictime	Classictime Investments Limited
CLG Subscription	the subscription for 1,785,098,644 Shares by CLIG pursuant to an investment agreement dated 5 January 2015 and entered into between the Company and CLIG

GLOSSARY

CLIC	China Life Insurance Company Limited, a joint stock company established in the PRC with limited liability whose shares are listed on the Main Board (Stock Code: 2628), New York Stock Exchange (stock code: LFC) and Shanghai Stock Exchange (stock code: 601628) respectively
CLIG	中國人壽保險(集團)公司 (in English, for identification purpose only, China Life Insurance (Group) Company)
CLIO	China Life Insurance (Overseas) Company Limited, a company established in the PRC with limited liability and is a wholly-owned subsidiary of CLIG
CLIO and its Branches	CLIO and all subsidiaries, branches and sub-branches of CLIO in Hong Kong
CLIO Framework Agreement	the framework agreement dated 19 February 2021 and entered into between the Company and CLIO in respect of (1) the provision of the Medical Related Services by the Group to CLIO and its Branches or their respective staff and clients and (2) the procurement of the CLIO Products by the Group from CLIO and its Branches
CLIO Products	insurance products, including but not limited to staff medical insurance, to be sold by CLIO and its Branches to the Group pursuant to the CLIO Framework Agreement
CLIS	中國人壽保險股份有限公司山東省分公司 (in English, for identification purpose only, China Life Insurance Company Limited, Shandong Branch)
CLIS and its Branches	CLIS and all branches and sub-branches of CLIC in Shandong Province of the PRC under the management of CLIS
CLIS Framework Agreement	the framework agreement dated 19 February 2021 and entered into between the Company and CLIS in respect of (1) the provision of the Medical & Healthcare Services by the Group to CLIS and its Branches or their respective staff and clients and (2) the procurement of the CLIS Products by the Group from CLIS and its Branches
CLIS Products	insurance products, including but not limited to staff medical insurance, to be sold by CLIS and its Branches to the Group pursuant to the CLIS Framework Agreement
CLIZ	中國人壽保險股份有限公司深圳市分公司 (in English, for identification purpose only, China Life Insurance Company Limited, Shenzhen Branch)

GLOSSARY

CLPE	China Life Private Equity Investment Company Limited
CLPI	中國人壽財產保險股份有限公司 (in English, for identification purpose only, China Life Property & Casualty Insurance Company Limited)
CLPS	中國人壽財產保險股份有限公司山東省分公司 (in English, for identification purpose only, China Life Property & Casualty Insurance Company Limited, Shandong Branch)
CLPS and its Branches	CLPS and all branches and sub-branches of CLPI in Shandong Province of the PRC under the management of CLPS
CLPS Framework Agreement	the framework agreement dated 19 February 2021 and entered into between the Company and CLPS in respect of (1) the provision of the Medical & Healthcare Services by the Group to CLPS and its Branches or their respective staff and clients and (2) the procurement of the CLPS Products by the Group from CLPS and its Branches
CLPS Products	insurance products, including but not limited to property loss insurance, to be sold by CLPS and its Branches to the Group pursuant to the CLPS Framework Agreement
Company or Town Health	Town Health International Medical Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability whose Shares are listed on the Main Board
Company Secretary	company secretary of the Company
connected person	has the meaning ascribed to it under the Listing Rules
controlling shareholder	has the meaning ascribed to it under the Listing Rules
Convertible Preference Shares	perpetual non-voting redeemable convertible preference shares of HK$0.01 each in the share capital of the Company subscribed by Fubon Life, Fubon Insurance and Broad Idea pursuant to the CPS Subscription Agreement
CPS Subscription	the subscription for 212,121,212 Convertible Preference Shares by Fubon Life, 79,545,454 Convertible Preference Shares by Fubon Insurance and 83,333,333 Convertible Preference Shares by Broad Idea, pursuant to the CPS Subscription Agreement
CPS Subscription Agreement	perpetual non-voting redeemable convertible preference shares subscription agreement dated 31 October 2014 and entered into between the Company, Fubon Life, Fubon Insurance and Broad Idea

GLOSSARY

Director(s)	the director(s) of the Company
Disposal	the disposal of the entire issued share capital of Wise Lead, which owns 49% interest in Huayao, by the Group
Dr. Cho	Dr. Cho Kwai Chee
Dr. Choi	Dr. Choi Chee Ming *GBS, JP*
Dr. Ip	Dr. Ip Chun Heng Wilson
Framework Agreements	the CLIO Framework Agreement, the CLIS Framework Agreement and the CLPS Framework Agreement
Framework Cooperation Agreement	the framework cooperation agreement dated 2 July 2021 and entered into between Guangdong Townsfolk and CLIZ in respect of the provision of the Medical & Healthcare Services by Townsfolk Group to CLIZ or its staff and clients
Fubon Insurance	Fubon Insurance Co., Ltd.
Fubon Life	Fubon Life Insurance Co., Ltd.
Ganghe Clinic	深圳港和診所 (in English, for identification purpose only, Shenzhen Ganghe Clinic)
Group	the Company and its subsidiaries
Guangdong Townsfolk	廣東港康醫院管理有限公司 (in English, for identification purpose only, Guangdong Townsfolk Hospital Management Co., Ltd.), an indirect wholly-owned subsidiary of the Company incorporated in the PRC
Guarantee	the deed of guarantee dated 13 April 2017 executed by Dr. Ip in favour of Oasis Beauty for securing the repayment of the BB Promissory Note by Profit Castle
HK$ or HKD	Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Huayao	Huayao Medical Group Limited

GLOSSARY

JV Company	Hong Kong Medical Test Centre Limited, a subsidiary of the Company as at the date of this annual report
JV Shares	the shares in the JV Company
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Main Board	the Main Board of the Stock Exchange
Medical Diagnostic Centre	中山大學附屬第六醫院影像檢驗中心 (in English, for identification purpose only, the Medical Diagnostic Centre of The Sixth Affiliated Hospital of Sun Yat-Sen University)
Medical & Healthcare Services	health check services (including but not limited to general health checks, underwriting health checks and VIP customer health checks) and medical services (including but not limited to general practice and specialist medical services, dental health care and treatments, medical beauty and anti-ageing services, Hong Kong medical consultation, vaccination and auxiliary medical services)
Medical Network Administrator Services	medical network administrator services, including but not limited to third-party medical network administrator services
Medical Related Services	the Medical & Healthcare Services and the Medical Network Administrator Services
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
Nanshi Hospital	南陽南石醫院 (in English, for identification purpose only, Nanshi Hospital of Nanyang)
Nanyang Ruishi Ophthalmology Hospital	南陽瑞視眼科醫院有限公司 (in English, for identification purpose only, Nanyang Ruishi Ophthalmology Hospital Co., Ltd.), a subsidiary of the Company
Nanyang Xiangrui	南陽祥瑞醫院管理諮詢有限公司 (in English, for identification purpose only, Nanyang Xiangrui Hospital Management Advisory Co., Ltd.), a subsidiary of the Company
Nomination Committee	nomination committee of the Board
Oasis Beauty	Oasis Beauty Limited, an indirect wholly-owned subsidiary of the Company
Ordinary Shares Subscription	the subscription of 459,183,673 Shares by Fubon Life, Fubon Insurance and Broad Idea and the allotment and issue of the subscription shares

GLOSSARY

Power Financial	Power Financial Group Limited
Profit Castle	Profit Castle Holdings Limited
Purchaser	the purchaser in the Disposal, i.e. Mr. Dai Hai Dong
Remuneration Committee	remuneration committee of the Board
RMB	Renminbi, the lawful currency of the PRC
Senior Management Team	the senior management team of the Company comprising the Chief Executive Officer, the chief operating officer of the Company, the chief financial officer of the Company and the group head of legal & company secretary of the Company
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shanghai United Imaging	上海聯影智慧醫療投資管理有限公司 (in English, for identification purpose only, Shanghai United Imaging Smart Medical Investments and Management Co. Ltd.)
Share(s)	ordinary share(s) of HK$0.01 each in the share capital of the Company
Shareholders	holders of the Shares
Share Mortgage	the share mortgage dated 13 April 2017 executed by Profit Castle in favour of Oasis Beauty over the entire issued share capital of Bonjour Beauty for securing the repayment of the BB Promissory Note
Sixth Hospital	中山大學附屬第六醫院 (in English, for identification purpose only, The Sixth Affiliated Hospital of Sun Yat-Sen University)

GLOSSARY

SP Agreement	the agreement for sale and purchase dated 30 December 2016 and entered into between Profit Castle, Oasis Beauty and Dr. Ip in respect of the disposal of the entire issued share capital of Bonjour Beauty by Oasis Beauty to Profit Castle
Stock Exchange	The Stock Exchange of Hong Kong Limited
substantial shareholder	has the meaning ascribed to it under the Listing Rules
Sunrise	Sunrise Diagnostic Centre Limited
Sure Metro	Sure Metro Limited, a subsidiary of the Company
TBM	The Beauty Medical
TH (BVI)	Town Health (BVI) Limited, a wholly-owned subsidiary of the Company
Townsfolk Group	Guangdong Townsfolk and its branches and health service centres
US$	United States dollars, the lawful currency of the United States of America
Vio	Dr. Vio & Partners Limited, a subsidiary of the Company
Wise Lead	Wise Lead Holdings Limited
WL Promissory Note	the promissory note in the principal amount of HK$203,705,000 issued by the Purchaser, a third party individual, in favour of TH (BVI), being the vendor in the Disposal
Year	year ended 31 December 2021
Yikang	廣州宜康醫療管理有限公司 (in English, for identification purpose only, Guangzhou Yikang Medical Management Co., Ltd.), a subsidiary of the Company
Yugangxiang	雲南豫港祥醫藥有限公司 (in English, for identification purpose only, Yunnan Yugangxiang Pharmaceuticals Co., Ltd.), a subsidiary of the Company
Zhongshan Shangfeng Yikang	中山市尚峰宜康醫療管理有限公司 (in English, for identification purpose only, Zhongshan City Shangfeng Yikang Medical Management Co., Ltd.)