



# China Medical & HealthCare Group Limited

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 383)**

# 2022

## Annual Report



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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Ms. Chong Sok Un (*Deputy Chairman*)  
Mr. Kong Muk Yin  
Mr. Guo Meibao  
Mr. Zhou Haiying

#### Non-Executive Directors

Mr. Lai Hin Wing Henry Stephen  
Mr. Gao Zhaoyuan

#### Independent Non-Executive Directors

Mr. Zhang Jian  
Dr. Xia Xiaoning  
Dr. Wong Wing Kuen, Albert  
Ms. Yang Lai Sum, Lisa

### AUDIT COMMITTEE

Dr. Wong Wing Kuen, Albert (*Chairman*)  
Mr. Gao Zhaoyuan  
Mr. Zhang Jian  
Dr. Xia Xiaoning  
Ms. Yang Lai Sum, Lisa

### NOMINATION COMMITTEE

Ms. Chong Sok Un (*Chairman*)  
Mr. Zhang Jian  
Dr. Xia Xiaoning  
Dr. Wong Wing Kuen, Albert  
Ms. Yang Lai Sum, Lisa

### REMUNERATION COMMITTEE

Dr. Xia Xiaoning (*Chairman*)  
Ms. Chong Sok Un  
Mr. Kong Muk Yin  
Mr. Gao Zhaoyuan  
Mr. Zhang Jian  
Dr. Wong Wing Kuen, Albert  
Ms. Yang Lai Sum, Lisa

### COMPANY SECRETARY

Ms. Leung Yuk Yi

### AUDITOR

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

### SOLICITORS

Robertsons  
P.C. Woo & Co.

### PRINCIPAL BANKERS

Agricultural Bank of China Limited  
Bank of China Limited  
China Merchants Bank Corporation  
Industrial and Commercial Bank of China Limited  
Industrial and Commercial Bank of China (Asia) Limited  
Shanghai Pudong Development Bank Co., Ltd.  
Shanghai Rural Commercial Bank Co., Ltd.  
The Hongkong and Shanghai Banking Corporation Limited

### REGISTERED OFFICE

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

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

47/F., United Asia Finance Centre  
333 Lockhart Road  
Wanchai  
Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

MUFG Fund Services (Bermuda) Limited  
4th Floor North Cedar House, 41 Cedar Avenue  
Hamilton HM 12, Bermuda

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

### STOCK CODE

383

### WEBSITE

<http://www.cmhg.com.hk>  
<http://www.irasia.com/listco/hk/cmhg/>

## CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of China Medical & HealthCare Group Limited (the "Company"), I have the pleasure to present the financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2022.

### FINANCIAL RESULTS

For the year ended 31 December 2022, the Group recorded a total revenue of HK\$1,437,863,000 (2021: HK\$1,465,679,000) representing an approximately 1.9% decrease as compared with the total revenue for the year ended 31 December 2021 ("FY2021") and a loss attributable to owners of the Company of HK\$123,574,000 (2021: HK\$137,296,000) representing (a) an approximately 10.0% decrease as compared with the loss attributable to owners of the Company for FY2021; but (b) an approximately 80.5% increase ("Increase") as compared with the loss attributable to owners of the Company for FY2021 excluding the one-off non-recurring item of impairment loss on loan receivable (2021: HK\$68,846,000).

Such Increase in loss attributable to owners of the Company was mainly due to (i) the decrease in revenue from operations of the Eldercare Division as disrupted by the partial lockdown and social restriction arising from the resurgence of the COVID-19 pandemic in Shanghai; (ii) the pre-operation expenses of Cedar Care Polyclinic in Nanjing ("NCCC") newly opened in October 2022; (iii) the increase in employee benefit expenses of the Healthcare Division after revision of base salaries for social insurance contribution; (iv) the increase in impairment loss under expected credit losses model (excluding loan receivable); (v) the loss on fair value changes on investment properties; (vi) the provision for properties under development for sale and properties held for sale; (vii) the written-off of property, plant and equipment; and (viii) the increase in repair and maintenance charge of the Healthcare Division which were partially off-set by (ix) no impairment loss of goodwill.

Loss per share (basic) for the year ended 31 December 2022 was HK17.07 cents (2021 (restated): HK18.96 cents) which has been adjusted to reflect the effect of share consolidation effective on 24 February 2023.

The Group's net asset value per share as at 31 December 2022 amounted to HK\$2.15 (2021 (restated): HK\$2.35) which has been adjusted to reflect the effect of share consolidation effective on 24 February 2023.

### FINAL DIVIDEND

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

### CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "AGM") is scheduled to be held on Thursday, 1 June 2023. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 29 May 2023 to Thursday, 1 June 2023, both dates inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all transfers of ordinary shares, duly accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration, no later than 4:30 p.m. on Thursday, 25 May 2023.

# CHAIRMAN'S STATEMENT

## REVIEW OF OPERATIONS

The Group's principal businesses are investment in and management and operation of healthcare and hospital businesses, eldercare businesses, trading of medical equipment and related supplies, property investment and development, securities trading and investments, provision of financial services and strategic investment.

### Healthcare Division:

During the year 2022, the operating environment of the Group has been adversely impacted by the partial lockdown and social restriction arising from the resurgence of the COVID-19 pandemic in Nanjing, the People's Republic of China (the "PRC"), the consequential epidemic preventive measures, and the impacts from the reform of the national healthcare policies and medical insurance policies in particular the relevant medical insurance payment and settlement policies. Under such challenging operating conditions, the Group's Healthcare Division, operated through its wholly-owned subsidiary, Tongren Healthcare Industry Group Co., Ltd. (同仁醫療產業集團有限公司), achieved a revenue of HK\$1,382,134,000 (2021: HK\$1,372,032,000) and a reduced profit of HK\$12,828,000 (2021: HK\$59,573,000) inclusive of increase in impairment loss under expected credit losses model of trade receivables of HK\$34,493,000 (2021: reversal of impairment loss of HK\$9,182,000). Without interest, tax, depreciation and amortisation, the Healthcare Division generated an EBITDA, being earnings before interest, tax, depreciation and amortisation, of HK\$143,774,000 (2021: HK\$195,569,000) for the year ended 31 December 2022.

Nanjing hospital of the Healthcare Division ("NJH"):

For NJH, a Class III integrated hospital located in Jiangning Development Zone, Nanjing City, Jiangsu Province, the PRC and the Division's flagship hospital, currently it operates 41 clinical medical & technical departments including 1 national key clinical specialty (otorhinolaryngology ("ENT"), head and neck surgery), 1 provincial key clinical specialty (ENT, head and neck surgery), 6 municipal key medical specialties (ENT, head and neck surgery, ophthalmology, neurology, medical imaging, anesthesiology and clinical laboratory) as well as the approved Nanjing Tongren's ENT Hospital, Nanjing Tongren Internet Hospital and Nanjing Tongren Children's Hospital.

During the year under review:

- (i) for epidemic prevention and control: in accordance with the unified plan of the Health Committee of the local district, NJH conducted nucleic acid tests for over 22,400 people from March 2022 to December 2022. NJH was also responsible for the COVID-19 vaccination and healthcare services for multiple community healthcare centers in Hengxi (橫溪), Taowu (陶吳) and Guli (谷里) in Jiangning District. In order to optimise the human resources and complete emergency deployment, NJH merged 12 wards for the admission of COVID-19 patients with daily out-patient admission for fever cases exceeded 1,000 visits. The epidemic in Nanjing gradually peaked in December 2022;
- (ii) for application of integrated hospital accreditation: NJH had successfully passed the Class III B assessment and will prepare for the next round of accreditation application;

## CHAIRMAN'S STATEMENT

- (iii) for scientific research development: NJH established a ENT, head and neck surgery laboratory for Professor Gong Shusheng, a nationally renowned otology expert, with Professor Zhang Xiaoliang from Zhongda Hospital, Southeast University, officially joined its nephrology department, which enhanced the influence and coverage of NJH's medical specialty. Besides, NJH joined the 12th Nanjing Priority Medical Specialty Declaration (第十二屆醫學重點專科申報工作) and its medical laboratory department was recognised as a key medical specialty in Nanjing. Furthermore, the department of stomatology was successfully admitted as a base cultivation center in Nanjing while the department of medical laboratory completed the re-evaluation of ISO15189. In addition, NJH passed the preliminary review of the 5th Grade National Electronic Medical Record in Jiangsu Province (江蘇省國家電子病歷五級) in 2022, being the only private hospital in Jiangsu Province to pass such assessment. NJH was recognised as an elderly-friendly hospital in Jiangsu Province; and
- (iv) for marketing and public relation: the committee of the Communist Youth League of NJH won the honorary title of "Nanjing May 4th Red Flag Committee" (南京市五四紅旗團委). NJH was included in the list of "Top 50 of the Best Brand Marketing Private Medical Institutions" (最佳品牌營銷民營醫療機構50強). Besides, NJH actively pursued the construction of an integrated healthcare system that consists of community medical service centers, community healthcare stations, elderly homes, out-patient clinics and private hospitals, in order to establish an integrated healthcare and treatment model featuring "initial diagnosis in grass-root level, two-way referral, separate treatment of acute and chronic diseases" and achieve mutual recognition of diagnosis results within the integrated healthcare system improving medical services offered. NJH had successively entered into agreements with Jiangqiao Hospital of Integrated Traditional Chinese and Western Medicine (江喬中西醫結合醫院), Qiande Hospital (乾德醫院), Yuecheng Hospital of Traditional Chinese (悅成中醫院) and Danxi Hospital of Traditional Chinese (丹溪中醫院), incorporating them as the branches of the approved hypertension center of the hospital. NJH went deep into the community and enterprises to conduct healthcare lectures, free medical consultations, first-aid training, etc. and completed 19 various public welfare activities during the year. Through such charity events, NJH strengthened its communication with the surrounding community, enterprises and others units, and established a public welfare image.

Kunming hospital of the Healthcare Division ("KMH"):

For KMH, another Class III integrated hospital of the Group located in Kunming City, Yunnan Province, the PRC, currently it operates 42 clinical medical & technical departments.

During the year under review:

- (i) for specialty and department development: KMH completed the construction of three major centers and the emergency network system after the acceptance inspection of the trauma centers, enhancing KMH's capabilities of comprehensive treatment for myocardial infarction, cerebral infarction and trauma patients. Besides, KMH completed the initial assessment for the approved hypertension center and the official online assessment meeting, and was officially recognised as a national approved hypertension center. As such, driven by the chest pain center under national standard, KMH formed the atrial fibrillation center, heart failure center and approved hypertension center, forming the foundation of the heart center. In addition, KMH launched night clinic since June 2022 and become the first "credit-based" (信用就醫) hospital in the province, implementing "treat first and pay later" (先治後付) mode. KMH further improved its service quality and coverage, optimised its medical resources distribution and clinical processes. Furthermore, KMH organised the pre-declaration work for "Kunming Spring City Industrial Mentors" (昆明市春城產業導師) and the declaration of talent cultivation projects in the resort district;

## CHAIRMAN'S STATEMENT

- (ii) for application of integrated hospital accreditation: On-site assessment was carried out in July 2022. Experts conducted comprehensive evaluation of KMH through interviews, questionnaire, data inspection and on-site drill who provided many ideas and recommendations for the future development and operations of KMH. KMH had successfully passed the Class III A assessment;
- (iii) for marketing and public relation: KMH launched "Medical and Elderly Home Integration" (醫養結合), an elderly healthcare project, and regularly visited Hongqi Elderly Home (紅旗養老院), Shulin Elderly Home (書林養老院), Baishou Elderly Home (柏壽養老院) and other collaborators and provide healthcare guidance. Through these elderly healthcare services, KMH fulfilled the social responsibility and improved its popularity and reputation. KMH also entered into letters of intent for cooperation with four insurance companies such as Ping An Annuity Insurance and China Taiping General Insurance to start the cooperation practice of in-depth integration of commercial insurance and healthcare; and
- (iv) for the development of KMH Phase II: in July 2022, the Company announced that after a tendering and selection process, KMH entered into the construction agreement with the main contractor for the construction of the KMH Phase II, which includes, among others, the integrated inpatient building (綜合住院樓), thyroid centre (甲狀腺中心) and the rehabilitation medical building (康復醫學樓) at the consideration of RMB225.9 million.

### NCCC:

NCCC, the high-end integrated clinic situated at the prime commercial building in central business district of Hexi, Nanjing, commenced operation in October 2022 and offered a wide range of healthcare services, such as general practice, ophthalmology, otorhinolaryngology, stomatology and medical aesthetic.

For the year under review, the Healthcare Division achieved an increase in business volume with NJH recorded a total of 2,961,246 out-patients visits (2021: 1,180,171), 27,963 in-patient admissions (2021: 27,154) and 58,643 body-checks (2021: 62,612), KMH recorded a total of 358,445 out-patients visits (2021: 299,951), 16,839 in-patient admissions (2021: 15,917) and 91,581 body-checks (2021: 70,810) and NCCC recorded a total of 1,813 out-patients visits (2021: nil). As at 31 December 2022, NJH operated with 403 doctors (2021: 402), 525 nurses (2021: 532) and 1,144 beds (2021: 1,015), KMH operated with 267 doctors (2021: 266), 401 nurses (2021: 387) and 500 beds (2021: 475) and NCCC operated with 41 doctors (2021: nil) and 16 nurses (2021: nil).

### Eldercare Division:

For the year ended 31 December 2022, the Group's Eldercare Operations, operated through its wholly-owned subsidiary, Aveo China (Holdings) Limited, recorded a decreased revenue of HK\$49,787,000 (2021: HK\$79,889,000) and a decreased loss of HK\$51,169,000 (2021: HK\$72,135,000) inclusive of a loss on fair value changes on investment properties of HK\$11,318,000 (2021: HK\$1,404,000) and a provision for properties held for sale of HK\$5,694,000 (2021: HK\$7,228,000) which were partially off-set by no impairment loss of goodwill (2021: HK\$34,043,000). The operations of the Division were affected by the negative impacts of the COVID-19 epidemic in Shanghai, the PRC, the consequential restrictive regulations and measures on elders community village and the increasingly tightened regulation and control in elders real estate market in the PRC.

## CHAIRMAN'S STATEMENT

As of 31 December 2022, Tide Health Campus (天地健康城) of the Eldercare Division located in Zhu Jia Jiao County, Qingpu District, Shanghai, the PRC, a retirement community village that integrates community eldercare, institutional eldercare, home eldercare and eldercare nursing hospital (Shanghai Deyi Hospital, "SDH"), sold 856 Independent Living Units ("ILU"s) out of a total inventory of 868 ILUs and among which 2 ILUs (net) (2021: 14) were recorded as sales in the year under review with more than 347 residents (2021: 346) moved into the retirement community village. In addition, the Division's service apartments ("SA(s)") consist of two 11-storey buildings with the construction and renovation of the first building and the second building completed in November 2016 and May 2020 respectively, offering a total of 210 SAs (2021: 210) for lease. As at 31 December 2022, the Division leased out 57 SAs (2021: 59).

During the year under review:

- i) for community village operations: due to the continuous impact of the epidemic, the community activities were carried out in a limited extent, causing some elderly people to move out of the community village. At the same time, in accordance with the regulatory requirements of Ministry of Civil Affairs, nursing homes were under semi-closed management, group activities were suspended, which further affected the Division's operating performance. During the year, the Division mitigated pressure on the operation by integrating services and implementing strict cost control; and
- ii) for SDH's operation: the performance of in-patient and out-patient had yet to recover to the level before the epidemic. Despite the difficulties in operation, SDH continued to strengthen its daily management and cost control and made positive progress in cultural development. During the year, SDH ranked the first in Qingpu District and was recognised as an "Elderly-Friendly Medical Institution" (老年友善醫療機構) and highly praised by the local authorities.

During the year ended 31 December 2022, SDH recorded a total of 16,510 out-patients visits (2021: 25,330) and 8,998 in-patient admissions (2021: 8,670). As at 31 December 2022, SDH operated with 22 doctors (2021: 21), 17 nurses (2021: 17) and 100 beds (2021: 100). As of 31 December 2022, home care services were rendered to a total of 40 elders (2021: 34) with 3,795 visits (2021: 5,419).

As at 31 December 2022, following the transfer of an investment property to property under development for sale upon the change in use, the Division's investment properties portfolio, 100% attributable to the Group, comprising 2 SAs (2021: 3) (two 11-storey buildings with total gross floor area ("GFA") of 17,117m<sup>2</sup>) and the retail shopping precinct (retail shops with GFA of 1,980m<sup>2</sup> and shopping mall with GFA of 7,354m<sup>2</sup>) with a total value amounted to HK\$350,086,000 (2021: HK\$549,570,000). The Division's property under development for sale consisted of a residential property in Shanghai, the PRC, amounted to HK\$147,402,000 (2021: nil).

### Property Development:

For the year ended 31 December 2022, the Group's property development business recorded a decreased revenue of HK\$732,000 (2021: HK\$6,803,000) and a loss of HK\$24,329,000 (2021: profit of HK\$439,000) inclusive of provision for properties under development for sale of HK\$5,000,000 (2021: nil), provision for properties held for sale of HK\$1,162,000 (2021: nil) and written-off of property, plant and equipment of HK\$10,296,000 (2021: nil) among the PRC real estate market under stress. As at 31 December 2022, the Division's properties under development for sale increased to HK\$38,204,000 (2021: HK\$6,488,000) consisted of a parcel of commercial land in Lianyungang, the PRC, and an office premise in Guangzhou, the PRC, following the transfer of an investment property to property under development for sale upon the change in use during the year.

## CHAIRMAN'S STATEMENT

### Property Investment:

For the year ended 31 December 2022, the Group's investment properties portfolio, for leasing, located in Hong Kong and the PRC recorded an increased rental income of HK\$5,188,000 (2021: HK\$4,756,000) but a loss of HK\$9,397,000 (2021: profit of HK\$6,296,000) with a loss on fair value changes on investment properties of HK\$12,628,000 (2021: gain of HK\$3,694,000).

As at 31 December 2022, following the transfer of an investment property to property under development for sale upon change in use, the Division's investment properties portfolio, 100% attributable to the Group decreased to HK\$207,003,000 (2021: HK\$256,875,000).

### Securities Trading and Investments:

For the year under review, the Group's activities in securities trading and investments recorded a revenue of HK\$22,000 (2021: HK\$2,199,000) and a loss of HK\$2,594,000 (2021: HK\$4,506,000). This was mainly due to the loss in fair value of investments held for trading of HK\$2,702,000 (2021: HK\$4,784,000).

As at 31 December 2022, the Group maintained a portfolio of financial assets at fair value through profit or loss ("FVTPL") and debt instruments at fair value through other comprehensive income ("FVTOCI") of HK\$802,000 (2021: HK\$5,484,000) and a portfolio of investments held for trading of HK\$12,089,000 (2021: HK\$14,791,000).

Investments held for trading:

As at 31 December 2022, the Group's investments held for trading consisted of securities listed in different geographic locations and their respective performance were as follows:

Geographic Location	Carrying value 2022 HK\$'000	Carrying value 2021 HK\$'000	Realised gain/(loss) 2022 HK\$'000	Fair value loss 2022 HK\$'000	Dividend received 2022 HK\$'000	% of carrying value to the Group's total assets 2022 %
Hong Kong	9,966	12,065	—	(2,099)	22	0.31%
Australia	1,369	1,658	—	(289)	—	0.04%
Philippines	754	1,068	—	(314)	—	0.02%
Total	<u>12,089</u>	<u>14,791</u>	<u>—</u>	<u>(2,702)</u>	<u>22</u>	

## CHAIRMAN'S STATEMENT

As at 31 December 2022, the Group's investments held for trading consisted of investments in different category of companies and their respective performance were as follows:

Principal Business	Carrying value	Carrying value	Realised gain/(loss)	Fair value loss	Dividend received	% of carrying value to the Group's total assets
	2022	2021	2022	2022	2022	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	%
Entertainment and media	1,210	1,551	—	(341)	—	0.04%
Financial services and investment	140	254	—	(114)	—	0.00%
Industrial materials	3,747	5,041	—	(1,294)	—	0.12%
Property and construction	6,992	7,945	—	(953)	22	0.22%
Total	<u>12,089</u>	<u>14,791</u>	<u>—</u>	<u>(2,702)</u>	<u>22</u>	

As at 31 December 2022, there was no investment held for trading which was significant to the Group (exceeded 5% the total assets of the Group).

The Group considers that the performance of the Group's investment portfolio in listed securities is generally affected by economic, political and financial market environments, globally and regionally, and is susceptible to the volatility of the financial markets.

### Money Lending:

For the year under review, the Group's money lending business recorded no interest income (2021: nil) and a loss of HK\$5,202,000 (2021: HK\$75,000,000) with no further impairment loss recognised on the loan receivable and other relevant receivables (2021: HK\$75,000,000). As at 31 December 2022, the carrying value of the loan receivable ("Loan"), after full impairment provision, is nil (2021: nil).

References are made to the Company's announcements dated 10 September 2018 and 26 September 2019 respectively, the paragraph headed "Money Lending" on pages 26 to 27 of the announcement of the final results for the eighteen months ended 31 December 2019 dated 30 March 2020, the announcements dated 28 April 2020, 6 May 2020 and 19 May 2020 respectively, the paragraph headed "Money Lending" on pages 21 to 24 of the announcement of the interim results for the six months ended 30 June 2020 dated 27 August 2020, the announcements dated 29 October 2020 and 10 November 2020 respectively, the paragraph headed "Money Lending" on pages 23 to 27 of the announcement of the annual results for the year ended 31 December 2020 dated 30 March 2021, the announcement dated 20 April 2021 and the paragraph headed "Money Lending" on pages 22 to 23 of the announcement of the interim results for the six months ended 30 June 2021 dated 26 August 2021, the paragraph headed "Money Lending" on pages 25 to 26 of the announcement of the annual results for the year ended 31 December 2021 dated 29 March 2022 and the paragraph headed "Money Lending" on page 23 of the announcement of the interim results for the six months ended 30 June 2022 dated 25 August 2022. Capitalised terms used herein shall have the same meanings as those defined in the aforesaid announcements unless the context requires otherwise.

During the year under review, the Group was aware that the Borrower has announced that the listing of the shares of the Borrower was cancelled in January 2022 since the Borrower failed to fulfill the resumption guidance set by The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

## CHAIRMAN'S STATEMENT

In view of the above-mentioned development and based on information available at the material time, the Group made a prudent full impairment loss allowance on the Loan in 2021. However, the Group and the Receivers will continue to maintain dialogue with the Borrower Group and the new JPLs, if possible, discuss and negotiate with potential investors, regularly monitor the progress of settlement, enforcement and/or realisation of security assets, reassess the value of securities, based on the information currently available to the Group from time to time and shall take all appropriate actions as and when appropriate.

Subsequent to the year end, the Group was also aware that the Borrower Subsidiary II has announced that the listing of the shares of the Borrower Subsidiary II was cancelled in February 2023 since the Borrower Subsidiary II failed to fulfill the resumption guidance set by the Stock Exchange.

### FINANCIAL RESOURCES, BORROWINGS, CAPITAL STRUCTURE, EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

As at 31 December 2022, the Group's non-current assets of HK\$2,199,101,000 (2021: HK\$2,507,443,000) consisted of investment properties of HK\$557,089,000 (2021: HK\$806,445,000), property, plant and equipment of HK\$1,480,940,000 (2021: HK\$1,541,800,000), right-of-use assets of HK\$130,156,000 (2021: HK\$152,309,000), financial assets at FVTPL of HK\$802,000 (2021: HK\$802,000) and deposits for acquisition of property, plant and equipment of HK\$30,114,000 (2021: HK\$6,087,000). These non-current assets are principally financed by the Group's shareholders' funds.

As at 31 December 2022, the total borrowings of the Group amounted to HK\$933,603,000 (2021: HK\$919,940,000) consisting of secured bank borrowings of HK\$134,782,000 (2021: HK\$210,140,000), unsecured bank borrowings of HK\$452,179,000 (2021: HK\$367,701,000), secured other borrowings of HK\$33,803,000 (2021: HK\$74,895,000) and unsecured term loans of HK\$312,839,000 (2021: HK\$267,204,000). Among the total borrowings of the Group, HK\$544,816,000 (2021: HK\$603,533,000) was with maturity of less than one year, HK\$369,604,000 (2021: HK\$267,358,000) was with maturity more than one year but not exceeding two years and HK\$19,183,000 (2021: HK\$49,049,000) was with maturity more than two years but not exceeding five years.

As at 31 December 2022, the Group's gearing ratio, calculated on the basis of the Group's net borrowings (after pledged bank deposits, restricted bank deposits and bank balances and cash) over total equity, was approximately 20.2% (2021: approximately 16.5%). The Group's gearing ratio would be adjusted to approximately 19.5% (2021: approximately 15.3%) with marketable securities inclusive of investments held for trading deducted from the net borrowings.

As at 31 December 2022, the Group recorded a net current liabilities amounted to HK\$97,285,000 (2021: HK\$356,380,000). As at 31 December 2022, the Group had undrawn, unsecured, standby credit facility with terms of more than one year amounting to HK\$415,000,000 ("Medium Term Standby Loan Facility").

Taking into account that (i) there exists the ongoing availability of finance to the Group, including the cash flows generated from its principal operations, the existing banking facilities, successful refinancing of certain bank borrowings of HK\$33,700,000 subsequent to the reporting period and the utilisation of the Medium Term Standby Loan Facility from a financial institution if necessary; (ii) the Medium Term Standby Loan Facility gives the Group more flexibility in refinancing the Group's current liabilities with non-current borrowings; (iii) given the Group's relatively low gearing level, it can raise additional finance, if necessary; and (iv) the Group generated positive cash flows from operations in the current and prior year, the directors are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next 12 months from the end of the reporting period.

During the year under review, the Company did not repurchase any shares (2021: nil) in the capital of the Company.

## CHAIRMAN'S STATEMENT

Subsequent to the year end, in January 2023 the Company announced the proposal of i) the share consolidation on the basis that every twenty (20) issued and unissued existing shares of HK\$0.0005 each be consolidated into one (1) consolidated share of HK\$0.01 each (the "Share Consolidation") and ii) the change in board lot size for trading on the Stock Exchange from 10,000 existing shares to 5,000 consolidated shares subject to and upon the Share Consolidation becoming effective (the "Change in Board Lot Size"). As at the date of that announcement, the authorised share capital of the Company is HK\$300,000,000 divided into 600,000,000,000 existing shares of par value of HK\$0.0005 each, of which 14,480,072,773 existing shares have been issued and were fully paid or credited as fully paid. Upon the completion of the Share Consolidation, the authorised share capital of the Company would become HK\$300,000,000 divided into 30,000,000,000 consolidated shares of par value of HK\$0.01 each, of which 724,003,638 consolidated shares will be in issue which are fully paid or credited as fully paid. The Share Consolidation was approved by shareholders at the special general meeting held on 22 February 2023. As such, the Share Consolidation and the change in board lot size have become effective on 24 February 2023.

During the year under review, the Group's assets, liabilities and transactions were mainly denominated in Hong Kong Dollar, Renminbi, Australian Dollar and United States Dollar. Because of the short term nature, the Group did not actively hedge risks arising from its Australian Dollar and United States Dollar denominated assets and transactions. As the substantial portion of the Group's assets and operations are located in the PRC and its transactions, related working capital and borrowings are primarily denominated in Renminbi and Hong Kong Dollars, the Group will closely monitor its foreign exchange exposure in this regard and will actively consider hedging the currency exposure should the need arise.

### CHARGE ON GROUP ASSETS

As at 31 December 2022, the Group's investments held for trading of HK\$12,089,000 (2021: HK\$14,791,000), buildings (included in property, plant and equipment) of HK\$242,520,000 (2021: HK\$220,352,000), investment properties of HK\$326,049,000 (2021: HK\$520,825,000), properties under development for sale of HK\$147,402,000 (2021: nil), properties held for sale of nil (2021: HK\$4,435,000), pledged bank deposits of HK\$24,319,000 (2021: HK\$46,678,000) and medical equipment of HK\$42,400,000 (2021: HK\$75,214,000) were pledged to banks, financial institution, securities brokers houses and finance lease provider to secure credit facilities granted to the Group.

### CAPITAL COMMITMENT

As at 31 December 2022, the Group had capital commitment contracted for but not provided relating to the acquisition of property, plant and equipment and investment properties of HK\$276,746,000 (2021: HK\$30,692,000) and nil (2021: HK\$2,853,000) respectively.

### CONTINGENT LIABILITIES

Save as disclosed in this report, as at 31 December 2022, the Group is not aware of any material contingent liabilities.

### MATERIAL ACQUISITIONS AND DISPOSAL, AND FUTURE PLANS

Save as disclosed in this report, during the year ended 31 December 2022, the Group did not hold any other significant investments nor have any material acquisitions or disposals of subsidiaries, associated companies and joint ventures.

Save as disclosed in this report, as at 31 December 2022, the Group did not have any plan for material investments or capital assets.

## CHAIRMAN'S STATEMENT

### EMPLOYEES

The Group had 2,577 employees as at 31 December 2022 (2021: 2,492). The Group ensures that its employees are remunerated in line with market conditions and individual performance and the remuneration policies are reviewed on a regular basis.

### PROSPECTS

#### Healthcare Division:

In 2023, the Division will cautiously carry out the construction of the KMH Phase II, and the Oncology and Nuclear Medicine Centre of NJH and continue the development of high-end out-patient clinics, NCCC, so as to achieve enhancement and upgrade in the midst of new opportunities and challenges.

While the Division will continue to improve the operational management in enhancing the revenue stream, service quality as well as cost control, the Division will put efforts on scientific research development and introduction of academic leaders, in order to strengthen the foundation of the hospitals and accelerate the development and business expansion of the Division. The Division will also leverage on its own medical advantages to drive consumer medical specialties, such as medical aesthetics and postnatal care centers to strengthen its internal capabilities and enhance its branding with advanced medical technology, diversified product portfolio and high-quality service experience.

#### Eldercare Division:

In 2023, the Division plans to improve the overall operating results by increasing the occupancy rate of its elderly homes, adjusting the operation model of its SAs and improving its service quality. The Division will maintain the customers in the community village and enhance service reputation by introducing free medical consultation and organising more community activities to improve the experience of the elders. Besides, the Division will overhaul its marketing process through community promotion and establishment of its own we-media to attract potential customers. The Division will also improve the quality and efficiency by strengthening internal management, optimising products and services and refining management of operating costs. Moreover, the Division will raise the remuneration of front-line staff to motivate them in keeping the service quality.

## CHAIRMAN'S STATEMENT

### Others:

The Group expects that volatility in the economic and business environment will remain due to factors such as seemingly accelerating geo-political conflicts and tensions, spiraling global inflation, continued interest rate hike and long term ill-effects of the pandemic. With the uncertainty in the economic and business outlooks amid the post-pandemic era, and the impact from increasingly stringent national healthcare policies and medical insurance policies, the operating condition of the Group will continue to be challenging. The Group will be cautious and continue to review and adjust its business and investment strategies, and investment portfolio to suit the prevailing challenging economic and investment environment and will seek investment and business opportunities in the PRC, Hong Kong and the Asia Pacific region to enhance value for its shareholders.

### APPRECIATION

On behalf of the Board, I would like to extend my whole-hearted thanks to our shareholders for their continued support and to our staff for their contribution to the Group during the year.

**Chong Sok Un**  
*Deputy Chairman*

Hong Kong, 28 March 2023

## BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

### EXECUTIVE DIRECTORS

**Ms. Chong Sok Un** (“Ms. Chong”), M.H. aged 68, was appointed as an executive director and the chairman of the Company on 23 August 2002 and has been re-designated as the deputy chairman of the Company since 16 December 2015. Ms. Chong was awarded the Medal of Honour (M.H.) by the Government of the Hong Kong Special Administrative Region on 1 July 2011. She is a member of the National Committee of the Chinese People’s Political Consultative Conference, Guangdong Province, the Honorary Director of the Chinese Red Cross Foundation, Permanent Honorary Chairman of the Hong Kong Federation of Fujian Associations, vice chairman of the Hong Kong Federation of Fujian Associations Ladies’ Committee and Honorary Chairman of All-China Women’s Federation Hong Kong Delegates Association. She is the namer and director of YOT Chong Sok Un Medical Fund (cancer aid) since 2007 and a member of Yan Oi Tong Advisory Board since 2011. Ms. Chong was the chairman of the 31st Term Board of Directors of Yan Oi Tong from 2010 to 2011 and a director of the 27th Term Board of Directors of Yan Oi Tong from 2006 to 2007. She was also a director of Po Leung Kuk from 2009 to 2010. She was an executive director and the chairman of APAC Resources Limited (a company listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), stock code: 1104) from 6 July 2007 to 1 March 2016 and a non-executive director of Alibaba Pictures Group Limited (formerly known as ChinaVision Media Group Limited, a company listed on the main board of the Stock Exchange, stock code: 1060) from 25 June 2007 to 23 April 2009.

**Mr. Kong Muk Yin** (“Mr. Kong”), aged 57, was appointed as an executive director of the Company on 27 October 2022 and also was an executive director of the Company from 13 May 2002 to 13 May 2021. Mr. Kong was a non-executive director and the company secretary of Pan Asia Data Holdings Inc. (formerly known as Manfield Chemical Holdings Limited, a company listed on the main board of the Stock Exchange, stock code: 1561) from 12 June 2014 to 10 January 2020 and from 12 June 2014 to 31 December 2018 respectively. From 4 July 2007 to 24 June 2014, he was also an executive director and a non-executive director of Alibaba Pictures Group Limited (formerly known as ChinaVision Media Group Limited, a company listed on the main board of the Stock Exchange, stock code: 1060). He was an executive director of Shin Hwa World Limited (formerly known as Landing International Development Limited, a company listed on the main board of the Stock Exchange, stock code: 582) from 13 October 2009 to 21 January 2010 and an executive director of APAC Resources Limited (a company listed on the main board of the Stock Exchange, stock code: 1104) from 4 November 2009 to 1 March 2016. From September 2010 to September 2015, he was also a director of Mabuhay Holdings Corporation (a company listed on The Philippine Stock Exchange, Inc. (the “Philippine Stock Exchange”), stock code: MHC) and Philippine Infradev Holdings, Inc. (formerly known as IRC Properties, Inc., a company listed on the Philippine Stock Exchange, stock code: INFRA).

Mr. Kong graduated from the City University of Hong Kong with a Bachelor’s Degree in Business Studies. He is a fellow member of The Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and a Chartered Financial Analyst and he has extensive experience in corporate finance, financial management, accounting and auditing.

**Mr. Guo Meibao** (“Mr. Guo”), aged 49, was appointed as an executive director of the Company on 22 September 2018. Mr. Guo graduated with a major in Financial Accounting in 1995 and obtained an Executive Master of Business Administration from Fudan University, a Master of Business Administration from the Open University of Macau and a Certified Public Accountant in the People’s Republic of China (the “PRC”). He has more than 20 years of financial, operational and investment management experience in the PRC’s medical, property and other industries. Mr. Guo was the chairman of 深圳市大馬化投資有限公司 from March 2017 to September 2018. He was a financial controller and the chief executive officer and chairman of 同仁醫療產業集團有限公司 (Tongren Healthcare Industry Group Co., Ltd., a wholly-owned subsidiary of the Company) from October 2010 to October 2013 and from October 2013 to March 2017 respectively. He was a financial controller and the general manager and chairman of 連雲港嘉泰建設工程有限公司 (Lianyungang Jiatai Construction Co., Ltd., a wholly-owned subsidiary of the Company) from June 2006 to October 2010 and from January 2014 to March 2017 respectively. He was also a financial controller of 長安高爾夫球鄉村俱樂部 (Long Island Golf & Country Club) from December 1998 to June 2006.



## BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

**Mr. Zhou Haiying** (“Mr. Zhou”), aged 52, was appointed as an executive director of the Company on 6 December 2018. Mr. Zhou graduated from Jiangxi University of Finance and Economics with a Bachelor’s Degree. He acts as the chief operating officer of Tsinghua Tongfang Co., Ltd. (“THTF”, a company listed on the Shanghai Stock Exchange, stock code: 600100) since April 2020 and is also a non-executive director of Neo-Neon Holdings Limited (a company listed on the main board of the Stock Exchange, stock code: 1868). From January 2018 to February 2020, he acted as a financial controller and the chief financial officer of THTF. From June 2003 to January 2018, he has served successively as a senior manager, the deputy director of the finance department, head of asset management department, the general manager of the capital finance department and an assistant to the president of Tsinghua Holdings Co., Ltd.. In addition, he also worked as a director of Liaoning Road & Bridge Construction Corporation (遼寧省路橋建設集團有限公司), a director of Beijing Huahuan Electronics Co., Ltd. (北京華環電子股份有限公司) and the supervisor of Unisplendour Corporation Limited (紫光股份有限公司).

### NON-EXECUTIVE DIRECTORS

**Mr. Lai Hin Wing Henry Stephen** (“Mr. Lai”), aged 66, was appointed as a non-executive director of the Company on 11 November 2020. Mr. Lai graduated from the University of Hong Kong with a bachelor of law degree and was admitted as a solicitor in Hong Kong, England and Wales and the State of Victoria, Australia. Mr. Lai is a partner and co-chairman of Messrs. P. C. Woo & Co., a firm of solicitors and notaries in Hong Kong, and has been practicing in the legal field for more than forty years. Mr. Lai is a Notary Public and a China Appointed Attesting Officer in Hong Kong. Mr. Lai is the immediate past chairman and currently acts as an honorary council member, fellow member and chairman of the Corporate Governance Policies Committee of The Hong Kong Institute of Directors since July 2019. Mr. Lai is a member of the Process Review Panel for Securities and Futures Commission since November 2018. Mr. Lai has been appointed as a member of the Resolution Compensation Tribunal since 2018 and appointed as a member of the Consultation Panel of the West Kowloon Cultural District Authority in March 2021 and a member of the Board of Governors of The Hang Seng University of Hong Kong in April 2022. He is also a member of the Consents Committee of the Law Society of Hong Kong and a member of the Association of China-Appointed Attesting Officers Limited Disciplinary Tribunal Panel.

Mr. Lai is currently the non-executive director of Winfull Group Holdings Limited (a company listed on the main board of the Stock Exchange, stock code: 183) and also an independent non-executive director of each of ANTA Sports Products Limited (a company listed on the main board of the Stock Exchange, stock code: 2020) and China Resources Beer (Holdings) Company Limited (a company listed on the main board of the Stock Exchange, stock code: 291).

**Mr. Gao Zhaoyuan** (“Mr. Gao”), aged 39, was appointed as a non-executive director of the Company on 27 October 2022. Mr. Gao graduated from the Shanghai University of Finance and Economics with a Bachelor’s Degree in Economics in 2005 and graduated from the Shanghai Jiao Tong University Shanghai Advanced Institute of Finance with a Master’s Degree in Business Administration in 2010. Mr. Gao joined CMIG Assets Management Corporation (Beijing) Co. Ltd. (北京中民資產管理有限公司, a wholly-owned subsidiary of China Minsheng Investment Group Co., Ltd., 中國民生投資股份有限公司) since April 2017. He serves as general manager of strategic investment department of CMIG Asset Management Co., Ltd. (中民投資資產管理有限公司).

Mr. Gao served as a vice president of the Institute Business Group II of DBS Bank (China) Co., Ltd. from October 2015 to April 2017. He also worked as the department head of corporate banking department of Shanghai Branch of The Bank of East Asia (China) Co., Ltd. from June 2010 to October 2015, the last position was senior trade finance manager of Ningbo Branch of HSBC Bank (China) Co., Ltd. from July 2007 to June 2010 and the relationship manager of credit department of Shanghai Xuhui Sub-branch of Bank of Communications from September 2005 to July 2007.

## BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Zhang Jian** (“Mr. Zhang”), aged 81, was appointed as an independent non-executive director of the Company on 16 October 2006. Mr. Zhang is a professional senior engineer in the People’s Republic of China. He was the chairman of Xian University of Architecture & Technology Peking Alumni Association until January 2022. He has been awarded National Outstanding Intellect in 1997 and National Top 10 Honest Persons of Outstanding Ability in 2004. Mr. Zhang has been awarded as Influential Person to China Nonferrous Metal Industry in 2005. From 1982 to 1998, he held various senior positions in China Nonferrous Metal Industry Company. From 1998 to 2003, he acted as the chairman and the general manager of China Nonferrous Metal Construction Group Company Ltd.. From 2003 to 2005, he acted as the general manager of China Nonferrous Metal Mining (Group) Co., Ltd.. From July 2016 to July 2020, he was an independent non-executive director of Go Higher Environment Co., Ltd..

**Dr. Xia Xiaoning** (“Dr. Xia”), aged 63, was appointed as an independent non-executive director of the Company on 8 December 2016. Dr. Xia is an independent supervisor of Central China Securities Co., Ltd. (a company listed on the main board of the Stock Exchange, stock code: 1375). He was a non-executive director of Mason Group Holdings Limited (a company listed on the main board of the Stock Exchange, stock code: 273) from August 2015 to September 2016. Dr. Xia graduated from the electric engineering department of Harbin Institute of Technology in 1982 with a Bachelor’s Degree in Electric Engineering. He earned a Doctorate Degree from University Paris Dauphine in 1989.

Dr. Xia has over 23 years private equity/investment experience in Asia. Dr. Xia was a senior consultant/responsible officer (Type 4 and Type 9 licences of the Securities and Futures Commission of Hong Kong) to Vision Finance Group Limited from October 2012 to February 2015. From 2008 to 2012, he was the chief executive officer of CIP Advisors (Hong Kong) Limited. Dr. Xia worked for AIF Capital Limited (“AIF”), a pan Asia private equity firm based in Hong Kong from 1995 to 2008 and his last position with AIF was senior partner/managing director. Dr. Xia also worked for Asian Development Bank in Manila from 1989 to 1995 with his last position as investment officer.

**Dr. Wong Wing Kuen, Albert** (“Dr. Wong”), aged 71, was appointed as an independent non-executive director of the Company on 6 December 2018. Dr. Wong holds a Doctor of Philosophy in Business Administration Degree from the Bulacan State University, Republic of the Philippines. He is a fellow member of The Chartered Governance Institute, The Hong Kong Chartered Governance Institute, The Taxation Institute of Hong Kong, Association of International Accountants and Society of Registered Financial Planners and also a member of Hong Kong Securities and Investment Institute, The Chartered Institute of Arbitrators and The Chartered Institute of Bankers in Scotland and a full member of Macau Society of Certified Practising Accountants.

Dr. Wong is the principal consultant of KND Associates CPA Limited since January 2018. He is an independent non-executive director of each of APAC Resources Limited (a company listed on the main board of the Stock Exchange, stock code: 1104), Solargiga Energy Holdings Limited (a company listed on the main board of the Stock Exchange, stock code: 757), China Merchants Land Limited (a company listed on the main board of the Stock Exchange, stock code: 978), Dexin China Holdings Company Limited (a company listed on the main board of the Stock Exchange, stock code: 2019), Dexin Services Group Limited (a company listed on the main board of the Stock Exchange, stock code: 2215) and China Wan Tong Yuan (Holdings) Limited (a company listed on the main board of the Stock Exchange, stock code: 6966 after transfer of listing from Growth Enterprise Market of the Stock Exchange (“GEM”), stock code: 8199 on 17 December 2019). Dr. Wong was an independent non-executive director of Capital Finance Holdings Limited (a company listed on GEM, stock code: 8239) from 1 January 2018 to 31 December 2021 and China VAST Industrial Urban Development Company Limited (a company was listed on the main board of the Stock Exchange, stock code: 6166) from 6 August 2014 to 6 December 2022 respectively.

## BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

**Ms. Yang Lai Sum, Lisa** (“Ms. Yang”), aged 56, was appointed as an independent non-executive director of the Company on 6 December 2018. Ms. Yang graduated from the University of Sydney with a Bachelor’s Degree in Law and Economics and is also qualified as a solicitor in Australia and England. She is a practicing solicitor in Hong Kong and currently a consultant of ONC Lawyers. Ms. Yang is also an independent non-executive director of each of Allied Group Limited (a company listed on the main board of the Stock Exchange, stock code: 373), Tian An China Investments Company Limited (a company listed on the main board of the Stock Exchange, stock code: 28) and Asiasec Properties Limited (a company listed on the main board of the Stock Exchange, stock code: 271).

## BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

### OTHER INFORMATION

#### Shanghai Stock Exchange Decision

References are made to the announcement of the Company dated 11 May 2020 and the annual report for the year ended 31 December 2021 in relation to Mr. Zhou Haiying that he received a decision (“Decision”) on disciplinary measure (紀律處分決定書2020 35號) issued by the Shanghai Stock Exchange. The Decision has come to an end and was not made against the Company or any of its subsidiaries.

#### Hong Kong Market Misconduct Tribunal Proceedings

Reference is made to the announcement of the Company dated 13 May 2021 (the “Announcement”) in relation to the proceedings instituted by the Securities and Futures Commission of Hong Kong (“SFC”) in the Market Misconduct Tribunal of Hong Kong (the “MMT”). Based on the facts, liability and sanctions agreed between the SFC and the parties, the MMT made the order as summarised in the Announcement (the “MMT Order”).

Pursuant to the MMT Order, the Company, Ms. Chong Sok Un, Mr. Kong Muk Yin (“Mr. Kong”), Mr. Zhang Jian and the three former directors of the Company have fully complied with the sanctions under the MMT Order and the respective directors have completed the training provided by The Hong Kong Institute of Directors following the MMT Order.

Further, in relation to the MMT Order, the Council of the Hong Kong Institute of Certified Public Accountants and the Consent Orders Chair of The Association of Chartered Certified Accountants concluded that Mr. Kong be reprimanded, and pay costs to the institutes on 23 March 2022 and 14 July 2022 respectively.

Further details of the above are disclosed in the Company’s announcements dated 19 May 2020, 13 May 2021 and 26 October 2022 and the annual report for the year ended 31 December 2021.

## DIRECTORS' REPORT

The directors of the Company (the "Director(s)") present the annual report and the audited consolidated financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2022 (the "Year").

### PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in Note 46 to the consolidated financial statements. Details and respective analysis of the main business segments of the Group during the Year are set out in Note 7 to the consolidated financial statements.

### BUSINESS REVIEW

Further discussion and review on the business activities of the Group as required by Schedule 5 to the Companies Ordinance (Cap. 622) of Hong Kong, including a description of the principal risks and uncertainties facing the Group, material events that have occurred since the year-end date and an indication of likely future development in the Group's business are contained in the Chairman's Statement set out on pages 3 to 13 of this Annual Report. Those relevant contents form part of this Directors' Report. Details of the Group's financial risk management are disclosed in Note 43 to the consolidated financial statements.

Discussions on the Group's compliance with the relevant laws and regulations that have a significant impact on the Group are set out in Corporate Governance Report on pages 26 to 40 and Environmental, Social and Governance Report on pages 41 to 71. The Directors were not aware of any non-compliance with the relevant laws and regulations that have a significant impact on the Group during the Year.

### COMPLIANCE WITH LAWS AND REGULATIONS

The Group is highly committed to comply with applicable laws and regulations that govern its businesses from time to time. Being a company listed in Hong Kong, the Company has to comply with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Group's money lending business segment is governed by the Money Lenders Ordinance and Anti-Money Laundering and Counter-Terrorist Financing Ordinance of Hong Kong.

### RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of profit or loss on page 78. The Directors do not recommend the payment of a final dividend (2021: nil) for the Year.

### ENVIRONMENTAL POLICIES AND PERFORMANCE

The Company's environment policies and performance are set out in Environmental, Social and Governance Report.

### SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in Note 35 to the consolidated financial statements.

### DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company did not have any distributable reserves (2021: nil).

## DIRECTORS' REPORT

### DIRECTORS AND SERVICE CONTRACTS

The Directors during the Year and up to the date of this report are:

#### Executive Directors:

Ms. Chong Sok Un (*Deputy Chairman*)  
Mr. Kong Muk Yin (*appointed on 27 October 2022*)  
Mr. Guo Meibao  
Mr. Zhou Haiying

#### Non-Executive Directors:

Mr. Zheng Zhen (*resigned on 27 October 2022*)  
Mr. Lai Hin Wing Henry Stephen  
Mr. Gao Zhaoyuan (*appointed on 27 October 2022*)

#### Independent Non-Executive Directors:

Mr. Zhang Jian  
Dr. Xia Xiaoning  
Dr. Wong Wing Kuen, Albert  
Ms. Yang Lai Sum, Lisa

In accordance with Clause 99 of the bye-laws of the Company (the "Bye-Laws"), Ms. Chong Sok Un, Mr. Zhang Jian and Dr. Xia Xiaoning shall retire from their office by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company (the "AGM"). Pursuant to Clause 102 of the Bye-Laws, Mr. Kong Muk Yin and Mr. Gao Zhaoyuan shall retire and being eligible, offer themselves for re-election at the AGM (the "Retiring Directors").

Details of the Retiring Directors proposed for re-election at the forthcoming AGM, required to be disclosed under Rule 13.51(2) of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") are set out in the Company's circular dated 28 April 2023.

### BIOGRAPHICAL DETAILS OF DIRECTORS

The biographical particulars of the current Directors are set out on pages 14 to 18 of this Annual Report. Directors' other particulars are contained elsewhere in this report and this Annual Report.

### DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

### DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

### MANAGEMENT CONTRACT

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

## DIRECTORS' REPORT

### INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 31 December 2022, the interests and short positions of the Directors, the chief executive of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) as recorded in the register maintained 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules on the Stock Exchange were as follows:

#### Long positions in the shares of the Company

Name of Director	Number of ordinary shares of HK\$0.0005 each					Approximate percentage of shareholding
	Personal interests	Family interests	Corporate interests	Other interests	Total interest	
Ms. Chong Sok Un ("Ms. Chong")	12,375,000	—	2,592,514,140 (Note i)	—	2,604,889,140	17.99%

Note:

The percentage of shareholding is calculated on the basis of the Company's issued share capital of 14,480,072,773 shares as at 31 December 2022.

- (i) Ms. Chong was beneficially interested in 12,375,000 ordinary shares of the Company. For the corporate interests, Vigor Online Offshore Limited ("Vigor"), a wholly-owned subsidiary of China Spirit Limited ("China Spirit"), owned 2,592,514,140 ordinary shares of the Company. Ms. Chong maintained 100% beneficial interests in China Spirit. Accordingly, Ms. Chong was deemed to be interested in 2,592,514,140 ordinary shares of the Company in which Vigor was interested.

Save as disclosed above, as at 31 December 2022, none of the Directors, the chief executive of the Company nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year was the Company or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares, underlying shares or debentures of the Company or any other body corporate.

### EQUITY-LINKED AGREEMENTS

Apart from the "Share Option Scheme" set out in Note 42 to the consolidated financial statements, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the Year or subsisted at the end of the Year.

## DIRECTORS' REPORT

### INTERESTS OF SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2022, the following parties had interests or short positions in the shares or underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

#### Long positions in the shares of the Company

Name of Shareholders	Capacity		Number of ordinary shares held	Approximate percentage of shareholding
Tsinghua Tongfang Co., Ltd. ("THTF")	Held by controlled corporation	(Note 1)	4,000,000,000	27.62%
Resuccess Investments Limited ("Resuccess")	Held by controlled corporation	(Note 1)	4,000,000,000	27.62%
Cool Clouds Limited ("Cool Clouds")	Beneficial owner	(Note 1)	4,000,000,000	27.62%
Ms. Chong Sok Un ("Ms. Chong")	Beneficial owner	(Note 2)	12,375,000	0.09%
	Held by controlled corporation	(Note 2)	2,592,514,140	17.90%
China Spirit Limited ("China Spirit")	Held by controlled corporation	(Note 2)	2,592,514,140	17.90%
Vigor Online Offshore Limited ("Vigor")	Beneficial owner	(Note 2)	2,592,514,140	17.90%
China Minsheng Investment Group Corp., Ltd. 中國民生投資股份有限公司 ("CMI")	Held by controlled corporation	(Note 3)	2,000,000,000	13.81%
CMIG Asia Asset Management Co., Ltd. 中民投亞洲資產管理有限公司 ("CMIG")	Held by controlled corporation	(Note 3)	2,000,000,000	13.81%
CMI Financial Holding Corporation ("CMIF")	Held by controlled corporation	(Note 3)	2,000,000,000	13.81%
CMIG International Capital Limited 中民投國際資本有限公司 ("中民投國際資本")	Held by controlled corporation	(Note 3)	2,000,000,000	13.81%
CM International Capital Limited ("CMIC")	Held by controlled corporation	(Note 3)	2,000,000,000	13.81%
Victor Beauty Investments Limited ("Victor Beauty")	Beneficial owner	(Note 3)	2,000,000,000	13.81%
Ms. Ding Moyan ("Ms. Ding")	Held by controlled corporation	(Note 4)	1,149,739,208	7.94%
Excellent Top Holdings Limited ("Excellent Top")	Held by controlled corporation	(Note 4)	1,149,739,208	7.94%
Greatime Management Corp. ("Greatime")	Beneficial owner	(Note 4)	1,149,739,208	7.94%
Mr. Lee Seng Hui	Held by controlled corporation	(Note 5)	3,142,468,833	21.70%
Ms. Lee Su Hwei	Held by controlled corporation	(Note 5)	3,142,468,833	21.70%
Mr. Lee Seng Huang	Held by controlled corporation	(Note 5)	3,142,468,833	21.70%
Allied Group Limited ("Allied Group")	Held by controlled corporation	(Note 5)	3,142,468,833	21.70%
Sun Hung Kai & Co. Limited ("SHK")	Held by controlled corporation	(Note 5)	1,284,939,208	8.87%
Shipshape Investments Limited ("Shipshape")	Held by controlled corporation	(Note 5)	1,284,939,208	8.87%
Itso Limited ("Itso")	Holder of security interest	(Note 5)	1,149,739,208	7.94%
Tian An China Investments Company Limited ("Tian An")	Held by controlled corporation	(Note 5)	1,857,529,625	12.82%

## DIRECTORS' REPORT

### Notes:

The percentage of shareholding is calculated on the basis of the Company's issued share capital of 14,480,072,773 shares as at 31 December 2022.

1. Cool Clouds, a wholly-owned subsidiary of Resuccess, owned 4,000,000,000 ordinary shares of the Company. THTF was the sole shareholder of Resuccess as at 31 December 2022. Accordingly, Resuccess and THTF were deemed to have interests in 4,000,000,000 ordinary shares of the Company in which Cool Clouds was interested.
2. Ms. Chong was beneficially interested in 12,375,000 ordinary shares of the Company. For the corporate interests, Vigor, a wholly-owned subsidiary of China Spirit, owned 2,592,514,140 ordinary shares of the Company. Ms. Chong maintained 100% beneficial interests in China Spirit. Accordingly, Ms. Chong was deemed to be interested in 2,592,514,140 ordinary shares of the Company in which Vigor was interested.
3. Victor Beauty, a wholly-owned subsidiary of CMIC, owned 2,000,000,000 ordinary shares of the Company. CMIC was a wholly-owned subsidiary of 中民投國際資本 which in turn was a wholly-owned subsidiary of CMI held directly as to 22.6% interests and indirectly as to 77.4% interests through CMIF and CMIG. CMIF was a wholly-owned subsidiary of CMIG, which in turn was a wholly-owned subsidiary of CMI. Accordingly, CMIC, 中民投國際資本, CMIF, CMIG and CMI were deemed to have interests in 2,000,000,000 ordinary shares of the Company.
4. Greatime, a wholly-owned subsidiary of Excellent Top, owned 1,149,739,208 ordinary shares of the Company. Ms. Ding maintained 100% beneficial interests in Excellent Top. Accordingly, Ms. Ding was deemed to have an interest in 1,149,739,208 ordinary shares of the Company.
5. Fareast Global Limited, a wholly-owned subsidiary of Tian An, owned 1,857,529,625 ordinary shares of the Company and Tian An was owned as to approximately 51.74% by China Elite Holdings Limited which was in turn wholly-owned by Allied Group via its subsidiaries.

Itso, a wholly-owned subsidiary of Shipshape, held 1,149,739,208 ordinary shares of the Company as holder of securities and Sun Hung Kai Structured Finance Limited, a wholly-owned subsidiary of Shipshape, held 135,200,000 ordinary shares of the Company as holder of securities. Shipshape was a wholly-owned subsidiary of SHK. SHK was owned as to approximately 73.30% by Allied Group via its subsidiaries.

Mr. Lee Seng Hui together with Ms. Lee Su Hwei and Mr. Lee Seng Huang are the trustees of Lee and Lee Trust, being a discretionary trust. The Lee and Lee Trust controlled approximately 74.99% of the total number of issued shares of Allied Group (inclusive of Mr. Lee Seng Hui's personal interests) and was therefore deemed to have an interest in the shares in which Allied Group was interested.

Save as disclosed above, as at 31 December 2022, there were no other parties who had interests or short positions in the shares or underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

### MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the Group had no major customers and suppliers due to the nature of principal activities of the Group.

## DIRECTORS' REPORT

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

### INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors of the Company ("INEDs"), an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the INEDs are independent.

### RELATED PARTY TRANSACTIONS

During the year ended 31 December 2022, the Group entered into transactions with related parties, details of which are set out in Note 41 to the consolidated financial statements. These related party transactions constitute a connected transaction or a continuing connected transaction of the Company as defined in and are fully exempt for the connected transaction requirements under Chapter 14A of the Listing Rules.

### EMOLUMENT POLICY

The emolument policy of the general staff of the Group is set up by the management of the Group on the basis of their merit, qualifications and competence.

The emoluments of the Directors and senior management of the Group are recommended by the remuneration committee of the Company (the "Remuneration Committee") and determined by the board of Directors (the "Board"), having regard to the Company's operating results, individual performance and comparable market statistics.

The Company adopted the model set out in code provision E.1.2(c)(ii) of Appendix 14 to the Listing Rules as its remuneration model for determining the emoluments of the Directors. This model stipulates that the Remuneration Committee shall make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. The Remuneration Committee would take into consideration, among other things, the duties and responsibilities of the Directors and senior management and prevailing market conditions when determining their remuneration.

### PRE-EMPTIVE RIGHTS

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

### PERMITTED INDEMNITY

The Bye-Laws provides that Directors and other officers shall be indemnified and secured harmless out of the assets of the Company from and against all losses or liabilities which they shall or may incur or sustain in or about the execution of their duty or supposed duty in their respective offices or trusts. Such provision was in force during the Year. In addition, the Company has maintained appropriate directors' and officers' liability insurance in respect of relevant legal actions against the Directors and officers.

### SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the Year.

## DIRECTORS' REPORT

### DONATIONS

During the Year, the Group made donations amounting to HK\$70,000.

### AUDITOR

Messrs Deloitte Touche Tohmatsu resigned as auditor of the Company and RSM Hong Kong ("RSM Hong Kong") was appointed as the auditor of the Company to fill the casual vacancy, both with effect from 29 November 2021.

The consolidated financial statements of the Group for the Year were audited by RSM Hong Kong.

A resolution will be submitted to the AGM to re-appoint RSM Hong Kong as auditor of the Company.

### EVENT AFTER THE REPORTING DATE

#### Share Consolidation

Subsequent to the Year end, in January 2023 the Company announced the proposal of i) the share consolidation on the basis that every twenty (20) issued and unissued existing shares of HK\$0.0005 each be consolidated into one (1) consolidated share of HK\$0.01 each (the "Share Consolidation"); and ii) the change in board lot size for trading on the Stock Exchange from 10,000 existing shares to 5,000 consolidated shares subject to and upon the Share Consolidation becoming effective (the "Change in Board Lot Size").

The Share Consolidation was approved by shareholders at the special general meeting of the Company held on 22 February 2023. As such, the Share Consolidation and the Change in Board Lot Size have become effective on 24 February 2023. Immediately after the Share Consolidation, the total number of issued share of the Company was adjusted from 14,480,072,773 to 724,003,638.

For further information in relation to the Share Consolidation, please refer to the announcements of the Company dated 16 January 2023 and 22 February 2023 and the circular of the Company dated 1 February 2023.

On behalf of the Board

**Chong Sok Un**  
*Deputy Chairman*

Hong Kong, 28 March 2023

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving and maintaining high standards of corporate governance, the board of directors of the Company (the “Board”) believes that corporate governance is essential to the success of the Company and the enhancement of Shareholders’ value. Accordingly, the Company has adopted various measures to ensure that a high standard of corporate governance is maintained.

Throughout the year ended 31 December 2022 (the “Year”), the Company has applied the principles and complied with the code provisions set out in the Corporate Governance Code (the “CG Code”) as listed out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The current practices will be reviewed and continuously updated.

## CORPORATE CULTURE AND STRATEGY

The Board sets the tone and defines the Company’s corporate culture which includes its core value to act lawfully and responsibly, and its relations with its stakeholders. The Board plays a leading role in defining the Company’s purpose, values and strategy which is forward looking, adaptable to a changing environment and ensuring transparency in order to achieve success in its endeavours. The Board monitors and evaluates the Company’s culture, from time to time, by reviewing the Company’s decisions and actions whether they are consistent with its desired culture; staff and stakeholders engagements; employee turnover and training; financial reporting functions; effective and accessible whistleblowing framework; legal and regulatory compliance and staff safety, wellbeing and support.

## BOARD OF DIRECTORS

During the Year and up to the date of this report, the Board currently comprises ten directors of the Company (the “Directors”) in total, with four executive directors (“Executive Directors”), two non-executive directors (“NEDs”) and four independent non-executive directors (“INEDs”). The composition of the Board is set out as follows:

### Executive Directors:

Ms. Chong Sok Un (*Deputy Chairman*)  
Mr. Kong Muk Yin (*appointed on 27 October 2022*)  
Mr. Guo Meibao  
Mr. Zhou Haiying

### Non-Executive Directors:

Mr. Zheng Zhen (*resigned on 27 October 2022*)  
Mr. Lai Hin Wing Henry Stephen  
Mr. Gao Zhaoyuan (*appointed on 27 October 2022*)

### Independent Non-Executive Directors:

Mr. Zhang Jian  
Dr. Xia Xiaoning  
Dr. Wong Wing Kuen, Albert  
Ms. Yang Lai Sum, Lisa

The biographical particulars of the current Directors are set out in the section headed “Biographical Details in respect of Directors” of this Annual Report on pages 14 to 18.

## CORPORATE GOVERNANCE REPORT

The Board members have no financial, business, family or other material/relevant relationships with one another. Such balanced Board composition is formed to ensure strong independence exists across the Board.

Throughout the Year, the Board has at least one-third in number of its members comprising INEDs under Rule 3.10A of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and at least one of the INEDs possessing appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10 of the Listing Rules.

The Board has received from each INED an annual confirmation of his/her independence and considers that all the INEDs are independent under the guidelines set out in Rule 3.13 of the Listing Rules.

During the Year, 7 Board meetings were held and the attendance of each Director at the Board meetings is set out as follows:

<b>Name of Directors</b>	<b>Number of Board meetings attended/held</b>
<b>Executive Directors</b>	
Ms. Chong Sok Un ( <i>Deputy Chairman</i> )	7/7
Mr. Kong Muk Yin ( <i>appointed on 27 October 2022</i> )	1/1
Mr. Guo Meibao	7/7
Mr. Zhou Haiying	7/7
<b>Non-Executive Directors</b>	
Mr. Zheng Zhen ( <i>resigned on 27 October 2022</i> )	2/6
Mr. Lai Hin Wing Henry Stephen	5/7
Mr. Gao Zhaoyuan ( <i>appointed on 27 October 2022</i> )	1/1
<b>Independent Non-Executive Directors</b>	
Mr. Zhang Jian	7/7
Dr. Xia Xiaoning	6/7
Dr. Wong Wing Kuen, Albert	7/7
Ms. Yang Lai Sum, Lisa	7/7

The schedule of Board meetings for a year is planned in the preceding year. At least 14 days notice of all Board meetings is given to all Directors and they can include matters for discussion in the agenda if the need arises. The company secretary of the Company (the “Company Secretary”) assists the deputy chairman of the Board (the “Deputy Chairman”) in preparing the agenda for meetings and ensures that all applicable rules and regulations are complied with. The agenda and the accompanying Board papers are sent to all Directors at least 3 days before the intended date of every Board meeting so that the Directors have the time to review the documents.

Every Board member is entitled to have access to Board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required. The Company Secretary continuously updates all Directors on the latest development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices.

## CORPORATE GOVERNANCE REPORT

The Board is responsible for formulating overall strategy, monitoring and controlling the performance of the Company and its subsidiaries (the “Group”). In addition to its overall supervisory role, the Board also retains specific responsibilities such as approving specific senior appointments, approving financial accounts, recommending dividend payments, approving policies relating to the Board’s compliance, etc. whilst managing the Group’s business is the responsibility of the management of the Group (the “Management”).

When the Board delegates aspects of its management and administration functions to the Management, it has given clear directions, to the powers of the Management, in particular, with respect to the circumstances where the Management shall report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company. The respective functions of the Board and management of the Company have been formalised and will be reviewed and updated by the Board from time to time.

The Deputy Chairman has met with the INEDs without the presence of the Executive Directors and the NEDs during the Year.

### Directors’ Continuous Professional Development

Each newly appointed Director receives comprehensive, formal and tailored induction on appointment so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities under the Listing Rules, legal and other regulatory requirements.

During the Year, the Company has arranged trainings for Directors to provide regular updates relating to the roles, functions and duties, corporate governance and change in regulatory requirements so as to enable the Directors to properly discharge their duties under the code provision C.1.4 of the CG Code.

Directors participated the following continuous professional development activities during the Year:

Name of Directors	Reading regulatory updates and other materials relating to Directors’ duties and responsibilities	Attending trainings/briefings/seminars/conferences relevant to Directors’ duties
<b>Executive Directors</b>		
Ms. Chong Sok Un ( <i>Deputy Chairman</i> )	✓	✓
Mr. Kong Muk Yin ( <i>appointed on 27 October 2022</i> )	✓	✓
Mr. Guo Meibao	✓	✓
Mr. Zhou Haiying	✓	✓
<b>Non-Executive Directors</b>		
Mr. Zheng Zhen ( <i>resigned on 27 October 2022</i> )	✓	✓
Mr. Lai Hin Wing Henry Stephen	✓	✓
Mr. Gao Zhaoyuan ( <i>appointed on 27 October 2022</i> )	✓	✓
<b>Independent Non-Executive Directors</b>		
Mr. Zhang Jian	✓	✓
Dr. Xia Xiaoning	✓	✓
Dr. Wong Wing Kuen, Albert	✓	✓
Ms. Yang Lai Sum, Lisa	✓	✓

### Directors’ and Officers’ Liabilities Insurance

The Company has arranged appropriate insurance cover for Directors’ and officers’ liabilities in respect of legal actions against the Directors and officers of the Company and its subsidiaries arising out of corporate activities of the Group under the code provision C.1.8 of the CG Code.

# CORPORATE GOVERNANCE REPORT

## Roles of Chairman and Chief Executive

The code provision C.2.1 of the CG Code requires that the roles of the chairman and the chief executive are segregated and should not be performed by the same individual, to strike a balance of power and authority so that the job responsibilities are not concentrated on any one individual.

The Deputy Chairman is responsible for the leadership and effective running of the Board. The functions of the chief executive are performed by the Executive Directors, Mr. Kong Muk Yin, who is in charge of finance and accounts aspect and Mr. Guo Meibao who is in charge of day-to-day operation of healthcare and eldercare business in PRC. The functions and responsibilities between the Deputy Chairman and the Executive Directors performing the functions of the chief executive are clearly segregated.

The list of Directors and their roles and functions are available on the Stock Exchange's website and the Company's website (<http://www.cmhg.com.hk>).

## Appointment and Re-election of Directors

Each of the NEDs (including INEDs) has entered into a letter of appointment with the Company and is appointed for a specific term, subject to retirement by rotation and re-election at least once every three years at the annual general meeting of the Company (the "AGM") in accordance with the Bye-Laws. Any new Director appointed by the Board to fill a casual vacancy shall be subject to re-election by the shareholders of the Company (the "Shareholders") at the next following AGM after appointment in accordance with the Bye-Laws.

## Board Diversity Policy

The Company has adopted a board diversity policy (the "Board Diversity Policy") on 30 August 2013 which sets out the approach to achieve diversity of the Board in order to maintain a sustainable and balanced development of the Company and enhance the quality of performance of the Board.

The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

During the Year, the Board consists of two female Directors and eight male Directors, which is not a single-gender Board. As at 31 December 2022, the ratio of male to female in the workforce of the Company (excluding Directors) was approximately 30:70. For details of gender distribution, please refer to the Environment, Social and Governance Report.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

## Board Independence

The Company has established mechanisms to ensure independent views and input are available to the Board and conducted review of such mechanisms on an annual basis, including the procedures and channels for directors to seek external professional advice and information, and the qualifications of independent non-executive Directors, the number of people and the time contributed, etc., to ensure that the Board can obtain independent views and opinions, and will review the implementation and effectiveness of the mechanism every year.

## CORPORATE GOVERNANCE REPORT

### Corporate Governance Function

The Board has adopted the written terms of reference on corporate governance function on 27 February 2012 so as to assist the Board in supervising the management of the business and office of the Group. During the Year, the Board has performed the corporate governance duties in accordance with its terms of reference.

The duties of the Board in respect of corporate governance function are summarized as follows:

- i) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- ii) to review and monitor the training and continuous professional development of Directors and senior management of the Group (the "Senior Management");
- iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- v) to review the Company's compliance with the code provisions as set out in the CG Code and its disclosure requirements in the Corporate Governance Report.

### BOARD COMMITTEES

The Board has established six committees, namely, the Executive Committee, Investment Committee, Environmental, Social and Governance ("ESG") Committee, Remuneration Committee, Nomination Committee and Audit Committee to assist it in carrying out its responsibilities and to oversee particular aspects of the Group's affairs. Each of the committees has defined terms of reference setting out its duties, powers and functions. The committees report regularly to the Board and, where appropriate, make recommendations on matters discussed.

The list of the chairman and members of each Board committee is set out in the Corporate Information section of this Annual Report.

#### Executive Committee

The Executive Committee was established on 23 May 1998 with its written terms of reference adopted on 21 July 2005. The committee is composed of three Executive Directors. The Executive Committee is responsible for approving and monitoring the daily operations of the Group. The Executive Committee held 36 meetings during the Year.

#### Investment Committee

The Investment Committee was established on 2 February 2000 with its written terms of reference adopted on 19 December 2005. The committee is composed of three Executive Directors and one NED. The Investment Committee is responsible for approving and monitoring the Group's investment related activities. One Investment Committee meeting was held during the Year.

#### Environmental, Social and Governance Committee

The ESG Committee was established on 1 June 2022 with its written terms of reference adopted on the same date. The ESG Committee is composed of two Executive Directors and one INED. The ESG Committee is responsible for approving and monitoring the ESG-related issue of the Group. One ESG Committee meeting was held during the Year.

## CORPORATE GOVERNANCE REPORT

### Remuneration Committee

The Remuneration Committee was established on 15 April 2005 with its written terms of reference adopted on the same date and updates last made on 1 February 2023. The terms of reference of the Remuneration Committee are available on the Stock Exchange's website and the Company's website (<http://www.cmhg.com.hk>).

The Remuneration Committee comprises two Executive Directors, one NED and four INEDs. The composition of the Remuneration Committee has complied with the requirements as set out in Rule 3.25 of the Listing Rules that the Remuneration Committee should be chaired by an INED and a majority of its members should be INEDs.

Pursuant to code provision E.1.5 of the CG Code, the remuneration of the members of the senior management (other than Executive Directors) by band for the year ended 31 December 2022 is set forth below:

Remuneration bands	Number of individuals
Nil to HK\$1,000,000	2
HK\$1,000,001 to HK\$1,500,000	2
HK\$1,500,001 to HK\$2,000,000	—

Further particulars regarding highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in Note 11 to the consolidated financial statements.

The meeting of the Remuneration Committee shall be held at least once a year. One meeting was held during the Year and the attendance of each member is set out as follows:

Name of members	Number of meetings attended/held
Dr. Xia Xiaoning ( <i>Chairman</i> )	1/1
Ms. Chong Sok Un	1/1
Mr. Kong Muk Yin ( <i>appointed on 27 October 2022</i> )	N/A
Mr. Zheng Zhen ( <i>resigned on 27 October 2022</i> )	1/1
Mr. Gao Zhaoyuan ( <i>appointed on 27 October 2022</i> )	N/A
Mr. Zhang Jian	1/1
Dr. Wong Wing Kuen, Albert	1/1
Ms. Yang Lai Sum, Lisa	1/1

The remuneration policy of the Group is to ensure all its employees are remunerated in line with market terms and individual performance.

At the meeting held during the Year, the overall pay trend in Hong Kong of 2022 was reviewed and noted.

The major roles and functions of the Remuneration Committee are as follows:

- i) to make recommendations on the establishment of procedures for developing the remuneration policy and structure for all Directors and the Senior Management, which policy and structure shall ensure, amongst other matters, that no Director or any of his/her associates (as defined in the Listing Rules) will participate in deciding his/her own remuneration;
- ii) to review and recommend remuneration proposals of the Management by reference to the Board's corporate goals and objectives;

## CORPORATE GOVERNANCE REPORT

- iii) to review and recommend to the Board the remuneration packages of all Directors and the Senior Management by reference to the salaries paid by comparable companies, their time commitment and responsibilities as well as the employment terms and conditions offered by other member companies within the Group; and
- iv) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct.

The Remuneration Committee has adopted the model that it will review the proposals made by the Management on the remuneration of Executive Directors and the Senior Management, and makes recommendations to the Board. The Board will have final authority to approve the recommendations made by the Remuneration Committee.

### Nomination Committee

The Nomination Committee was established on 27 February 2012 with its written terms of reference adopted on the same date and updates last made on 25 August 2022. The terms of reference of the Nomination Committee are available on the Stock Exchange's website and the Company's website (<http://www.cmhg.com.hk>).

The Nomination Committee comprises one Executive Director and four INEDs. The meeting of the Nomination Committee shall be held at least once a year. One meeting was held during the Year and the attendance of each member is set out as follows:

Name of members	Number of meetings attended/held
Ms. Chong Sok Un ( <i>Chairman</i> )	1/1
Mr. Zhang Jian	1/1
Dr. Xia Xiaoning	1/1
Dr. Wong Wing Kuen, Albert	1/1
Ms. Yang Lai Sum, Lisa	1/1

The Nomination Committee is responsible for formulating nomination policy for the Board's consideration and implementing the Board's approved nomination policy and making recommendations to the Board on the appointment or re-appointment of the Directors, and Board succession.

The Company has adopted a nomination policy on 1 January 2019 for formalising the current nomination practice of the Company. The policy sets out the criteria, process and procedures for the selection, appointment and re-election of the Directors so as to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business as set out in the Board Diversity Policy, the candidate's time and commitment and integrity, and the independence criteria under Rule 3.13 of the Listing Rules if the candidate is proposed to be appointed as an INED. The Nomination Committee will review the nomination policy, as appropriate, to ensure its effectiveness.

The Nomination Committee may identify potential candidates from any source as it may consider appropriate and review the curriculum vitae submitted by potential candidates to assess whether they are 'fit and proper' for the proposed appointment.

## CORPORATE GOVERNANCE REPORT

The Nomination Committee shall evaluate potential candidates by considering the relevant criteria as set out in the nomination policy including, without limitation, their business and financial experience, skills, expertise, varied backgrounds and qualifications and diversity to be brought to the Company through attendance and participation in the Board or committee meetings. The Nomination Committee shall also consider (i) the commitment of the potential candidates in devoting sufficient time and attention to the affairs of the Group; (ii) their potential contribution to Board diversity; (iii) any material conflict of interest or potential material conflict of interest with the Group; and (iv) their independence with reference to the independence guidelines set out in the Listing Rules if the potential candidates will be appointed as INEDs.

Upon recommendation by the Nomination Committee, the proposed appointment will be reviewed and, if thought fit, approved by the Board.

The major roles and functions of the Nomination Committee are as follows:

- i) to review the structure, size, composition and diversity of the Board (including but not limited to gender, age, cultural background, educational background, skills, knowledge, experience and diversity of perspectives) at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- ii) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- iii) to assess the independence of INEDs;
- iv) to make recommendations to the Board on the appointment or re-appointment of the Directors and succession planning for Directors, in particular the chairman, deputy chairman and the chief executive; and
- v) to review the Board Diversity Policy, and review the measurable objectives that the Board has set for implementing the Board Diversity Policy; and the progress on achieving the objectives.

### **Audit Committee**

The Audit Committee was established on 29 January 1999 with its written terms of reference adopted on the same date and updates last made on 25 August 2022. The Audit Committee is provided with sufficient resources to discharge its duties and has accessed to independent professional advices according to the Company's policy if considered necessary. The terms of reference of the Audit Committee are available on the Stock Exchange's website and the Company's website (<http://www.cmhg.com.hk>).

The Audit Committee comprises one NED and four INEDs. The composition of the Audit Committee has complied with the requirements as set out in Rule 3.21 of the Listing Rules that a majority of the members of the Audit Committee should be INEDs.

## CORPORATE GOVERNANCE REPORT

The Audit Committee shall meet at least twice a year. Four meetings were held during the Year. The minutes of the Audit Committee meetings were tabled to the Board for noting and for action by the Board where appropriate. The attendance of each member is set out as follows:

Name of members	Number of meetings attended/held
Dr. Wong Wing Kuen, Albert ( <i>Chairman</i> )	4/4
Mr. Zheng Zhen ( <i>resigned on 27 October 2022</i> )	2/4
Mr. Gao Zhaoyuan ( <i>appointed on 27 October 2022</i> )	N/A
Mr. Zhang Jian	3/4
Dr. Xia Xiaoning	4/4
Ms. Yang Lai Sum, Lisa	4/4

During the Year and up to the date of this report, the Audit Committee had performed the following work:

- i) reviewed the financial reports for the year ended 31 December 2021, for the six months ended 30 June 2022 and for the year ended 31 December 2022;
- ii) reviewed the statutory audit plan and engagement letter of the external auditor of the Group (the "External Auditor");
- iii) reviewed and recommended for the Board's approval the audit scope and fees for the six months ended 30 June 2022 and for the year ended 31 December 2022; and
- iv) reviewed and recommend for the Board's annual review of the whistle blowing policy, procedures for the identification and monitoring of connected transaction and notifiable transaction, related party transaction policies and procedures, policy on the disclosure of inside information and policy on risk management, compliance and internal control procedures.

The major roles and functions of the Audit Committee are as follows:

- i) to review the relationship with the External Auditors by reference to the work performed by the External Auditors, as well as their independence, fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of External Auditors;
- ii) to discuss the nature and scope of the audit with the External Auditor;
- iii) to review the interim and annual financial statements before submission to the Board and to discuss any problem and reservation arising therefrom;
- iv) to review the External Auditor's management letter and Management's response; and to ensure that the Board will provide a timely response to the issues raised in the External Auditor's management letter;
- v) to review the Group's financial controls, internal control and risk management systems to ensure that they are appropriate and functioning properly;
- vi) to consider any findings of major investigations of internal control and risk management matters and Management's response; and

## CORPORATE GOVERNANCE REPORT

- vii) to review arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Group, and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

### AUDITOR'S REMUNERATION

During the Year under review, the remuneration paid or payable to the External Auditor, RSM Hong Kong, is set out as follows:

<b>Services rendered</b>	<b>Fees paid/payable</b> <i>HK\$'000</i>
Audit services	2,120
Non-audit services	293
	2,413

### RISK MANAGEMENT AND INTERNAL CONTROL

The main features of the risk management and internal control systems are to provide a clear governance structure, policies and procedures, as well as reporting mechanism to facilitate the Group to manage its risks across business operations.

The Group has established a risk management framework, which consists of the Board, the Audit Committee and the risk management taskforce of the Group (the "Risk Management Taskforce"). The Board determines the nature and extent of risks that shall be taken in achieving the Group's strategic objectives, and has the overall responsibility for monitoring the design, implementation and the overall effectiveness of risk management and internal control systems.

The Group has formulated and adopted risk management policy in providing direction in identifying, evaluating and managing significant risks. At least on an annual basis, the Risk Management Taskforce identifies risks that would adversely affect the achievement of the Group's objectives, and assesses and prioritizes the identified risks according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks considered to be significant.

The internal control system of the Company comprises a well-established organizational structure and comprehensive polices and standards. The Board has clearly defined the authorities and key responsibilities of each business and operational unit to ensure adequate checks and balances.

The Management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and involving in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

In addition, the Group has established an internal audit function to assist the Board and the Audit Committee in ongoing monitoring of the risk management and internal control systems of the Group. Deficiencies in the design and implementation of internal controls are identified and recommendations are proposed for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board on a timely basis to ensure prompt remediation actions are taken.

## CORPORATE GOVERNANCE REPORT

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls include the following:

- a) The Executive Committee was established to ensure the effectiveness of the Group's daily operations and that the Group's operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved.
- b) The Audit Committee reviews internal control issues identified by internal control consultant, regulatory authorities and the Management, and evaluates the adequacy and effectiveness of the Group's risk management and internal control systems. To further enhance control awareness, the Group has also approved launching a whistleblowing policy for employees to raise any concerns about possible improprieties in any matter related to the Group.
- c) The Investment Committee was established to monitor the Group's investment related activities and respective operating and financial policies.
- d) The Remuneration Committee was established to ensure all the Directors and the Senior Management are remunerated in line with market terms and individual performance.
- e) The corporate reporting functions are delegated to the accounting department in terms of proper and regular reviews on the deployment of resources and financial reporting systems. The corporate governance practices and compliance with the Listing Rules, the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") and other applicable regulations are delegated to the company secretarial department. The Management reviews the system of internal controls and briefs the reporting systems with the Executive Directors regularly and the Audit Committee annually.
- f) Every newly appointed Director is provided with a comprehensive handout detailing the responsibilities and duties of being a director. In particular highlighting the respective applicable rules and regulations, including the Listing Rules, which a Director should aware and be informed on the first occasion of his/her appointment with the Company.
- g) The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct regarding Directors' and relevant employees' securities transactions. A copy of the Model Code was sent to each Director and the relevant employees of the Group who are required to be provided under the Model Code. Enquiries have been made with Directors and all the Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the Year. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company.

Risk management report and internal control report are submitted to the Audit Committee and the Board at least once a year.

The Board is of the view that the systems of risk management and internal control in place for the Year under review and up to the date of issuance of the Annual Report and financial statements are effective and sufficient to safeguard the interests of the Shareholders, employees, and the Group's assets.

The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

## CORPORATE GOVERNANCE REPORT

### Procedures and internal controls for the handling and dissemination of inside information

The Group has established policies and procedures on inside information and complies with requirements of SFO and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

### ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the accounts for the Year, the Directors have selected suitable accounting policies and have applied them consistently, adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards which are pertinent to its operations and relevant to the financial statements, made judgments and estimates that are prudent and reasonable, and have prepared the accounts on a going concern basis.

### SHAREHOLDERS' COMMUNICATION

A shareholder's communication policy was established on 27 February 2012. The Company has maintained different communication channels with the Shareholders through the publication of annual and interim reports, circulars and announcements.

During the Year, an AGM was held and the attendance of each Director at the AGM is set out as follows:

Name of Directors	Number of AGM attended/held
Ms. Chong Sok Un ( <i>Deputy Chairman</i> )	1/1
Mr. Kong Muk Yin ( <i>appointed on 27 October 2022</i> )	N/A
Mr. Guo Meibao	1/1
Mr. Zhou Haiying	1/1
Mr. Zheng Zhen ( <i>resigned on 27 October 2022</i> )	0/1
Mr. Lai Hin Wing Henry Stephen	1/1
Mr. Gao Zhaoyuan ( <i>appointed on 27 October 2022</i> )	N/A
Mr. Zhang Jian	1/1
Dr. Xia Xiaoning	1/1
Dr. Wong Wing Kuen, Albert	1/1
Ms. Yang Lai Sum, Lisa	1/1

The AGM provides a useful forum for the Shareholders to exchange views with the Board. At the Company's last AGM, the Deputy Chairman as well as Chairmen of the Audit Committee, Nomination Committee and Remuneration Committee were present to answer the Shareholders' questions.

Separate resolutions are proposed at the general meetings for each substantial issue, including the re-election of the retiring Directors.

## CORPORATE GOVERNANCE REPORT

The Company's last AGM was held on 1 June 2022 and the Securities Repurchase Circular was sent to the Shareholders at least 20 clear business days prior to the meeting, setting out details of each proposed resolution, voting procedures (including the procedures for conducting a poll) and other relevant information. The Deputy Chairman explained the procedures for conducting a poll again at the beginning of the meeting and revealed the level of proxies voted in respect of each resolution. All Shareholders are encouraged to attend the general meetings or to appoint proxies to attend and vote at the meetings on their behalf if they are unable to attend the meetings.

The next AGM will be held on 1 June 2023, the notice of which will be sent to the Shareholders at least 20 days before the meeting. An explanation of the detailed procedures for conducting a poll will be provided to the Shareholders at the commencement of the meeting. The Chairman will answer any questions from the Shareholders regarding voting by way of a poll. The poll results will be published in accordance with the requirements of the Listing Rules.

### SHAREHOLDERS' RIGHTS

#### Right to put enquiries to the Board

The Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong. Other Shareholders' enquiries can be directed to the head office and principal place of business of the Company in Hong Kong as set out in the Corporate Information section of this Annual Report for the attention of the Company Secretary.

#### Right to convene special general meeting

Pursuant to Section 74(1) of the Bermuda Companies Act and Clause 62 of the Bye-Laws, the Shareholder(s) holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company may request the Board to convene a special general meeting of the Company.

The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda for the attention of the Company Secretary and may consist of several documents in like form each signed by one or more requisitionists.

If the Directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of 3 months from the said date.

## CORPORATE GOVERNANCE REPORT

### Right to put forward proposals at general meetings

On the requisition in writing of either (i) any number of the Shareholders representing not less than one-twentieth of the total voting rights of all the Shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or (ii) not less than 100 Shareholders, the Company shall, at the expense of the requisitionists:

- a) give to the Shareholders entitled to receive notice of the next AGM notice of any resolution which may properly be moved and is intended to be moved at that meeting; and
- b) circulate to the Shareholders entitled to have notice of any general meeting sent to them any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition must be signed by the requisitionists and deposited at the head office of the Company in Hong Kong at 47th Floor, United Asia Finance Centre, 333 Lockhart Road, Wanchai, Hong Kong for the attention of the Company Secretary.

### INVESTOR RELATIONS

The Company maintains a website at (<http://www.cmhg.com.hk>) where information and updates on the list of Directors and their roles and functions, constitutional documents, terms of reference of the Board committees, procedures for nomination of Directors for election, announcements, circulars and reports released to the Stock Exchange and other information are posted. Information on the Company's website will be updated from time to time.

### CONSTITUTIONAL DOCUMENTS

There was no significant change in the Company's constitutional documents during the Year.

### DIVIDEND POLICY

The Board has adopted the dividend policy effective on 1 January 2019. The Company's dividend policy aims at providing reasonable and sustainable returns to the Shareholders whilst maintaining a position of financial stability which allows the Company to take advantage of any investment and expansion opportunities that may arise from time to time.

The Company in general meeting may from time to time declare dividends in any currency to be paid to the Shareholders but no dividend shall be declared in excess of the amount recommended by the Board. Dividends may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which the Directors determine is no longer needed.

Under the Bye-Laws, the Directors have the power to pay interim dividends but only if they are justified by the profits of the Company. Proposal or declaration of dividends by the Board is subject to consideration of the financial performance of the Group's operations; financial condition and position of the Group; capital expenditure and development requirement of the Group; and accumulated earnings of the Company, gearing level and liquidity position of the Group, general economic and investment conditions and outlook which may have an impact on the financial performance and position of the Group, and such other factors the Board may deem relevant.

## **CORPORATE GOVERNANCE REPORT**

### **COMPANY SECRETARY**

All Directors have access to the advice and services of the Company Secretary. The Company Secretary reports to the Deputy Chairman on board governance matters, and is responsible for ensuring that Board procedures are followed and for facilitating communications among Directors as well as with the Shareholders and the Management.

Ms. Leung Yuk Yi (“Ms. Leung”) is a fellow member of each of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. During the Year, Ms. Leung undertook over 15 hours of relevant professional training to update her skills and knowledge.

On behalf of the Board  
**China Medical & HealthCare Group Limited**

**Chong Sok Un**  
*Deputy Chairman*

Hong Kong, 28 March 2023

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The board of directors of the Company (the “Board”) presents the report (the “Report”) of Environmental, Social and Governance (“ESG”) of the Company (together with its subsidiaries, the “Group”) for the year ended 31 December 2022 (the “Year”). The content of this Report focuses on the Group’s commitment, practice and performance in regards to ESG for the Year.

### SCOPE OF REPORTING

This Report summarized the ESG-related policies, initiatives and performances of the Group’s principal business segments of investment in and management and operations of healthcare hospital businesses, eldercare businesses, trading of medical equipment and related supplies and property investment and development in the People’s Republic of China (“PRC”) for the Year.

### REPORTING STANDARDS

This Report is prepared in accordance with the ESG Reporting Guide as set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

### REPORTING PRINCIPLES

The Group prepared this Report in line with four principles of materiality, quantitative, balance and consistency according to the ESG Reporting Guide, and disclosed the risk and control measures adopted by the Group in ESG aspects.

#### Materiality

In determining the environmental, social and governance issues to be reported, the Group has taken into account on how they are being affected by or their impact to the operations of the Group.

#### Quantitative

The Group measured key performance indicators with reference to the ESG Reporting Guide as set out in Appendix 27 of the Listing Rules, including collecting environmental and social data from various departments, checking files, and calculating and disclosing data. For all standards, methods and assumptions adopted for calculating performance data (if applicable), please refer to the relevant sections in this Report.

#### Balance

The Group described and disclosed its relevant data and content in an objective and fair manner and without biasing the content of this Report due to any factors.

#### Consistency

The Group adopted the consistent data statistics and conversion methods as the previous year. The relevant data of the previous year have been disclosed in this Report, enabling stakeholders to clearly understand and compare the ESG performance of the Group.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## STATEMENT OF THE BOARD

In 2022, China and other parts of the world were still operating under the challenges of COVID-19. At the same time, in accordance with the Group's development strategy, the Group has been transitioning into a leading investor and operator of integrated healthcare and eldercare services. This draws more responsibility and attention for us to contribute to society in both environmental and social development.

Adhering to the mission of "To be the regional leader in China and Asia providing fully-integrated healthcare and eldercare services that are safe, comfortable, convenient, and affordable", the Group has firmly fulfilled its corporate social responsibility, put social and public welfare at the first place, continued to improve its sustainable development strategy, and moved forward boldly in the dimensions of service quality, community contribution, caring for employees and caring for the environment. All these actions helped us step into a new milestone of sustainable development and fulfill the core values of:

<b>SAFETY</b>	for our customers, our community, and our colleagues
<b>QUALITY</b>	in our medical services, equipment, medications, and environment
<b>RESPECT</b>	for our customers, our colleagues, and our community
<b>ETHICAL</b>	standards with no tolerance for unethical behavior and corruption
<b>SERVICE</b>	for our customers, and also for our community and our colleagues
<b>FINANCE</b>	that achieves good financial results to continue to provide the above
<b>STRATEGY</b>	that is aligned with the Company's vision and mission
<b>GROWTH</b>	that aims to provide the above to an ever-increasing customer base

The Group believes that talents are the core competitive edge of the business and services. The Group emphasizes the training on the doctors, nurses and technical staff in both healthcare and eldercare segments and regularly reviews the incentive and performance evaluation mechanism to strengthen a platform that encourages the staff to show their talents and strengthens their sense of belonging to the Group. The Group is committed to building a corruption-free culture while promoting a positive, professional and healthy work style.

The Group has also launched various public welfare projects to share the economic results with those in need. With the strong expertise in medical and healthcare, the Group carried out multiple public welfare health checks and community services to popularize basic medical and health knowledge. Realizing that children with congenital heart disease, pneumoconiosis, or spine malformation were facing with poverty problems, the Group resolutely launched public welfare assistance together with several foundations by proactively implementing free surgeries and fund raising.

The Group has faith that it will achieve sustainable and quality development with high quality and become a sustainable and lasting enterprise. The Group will continue to work with all staff, patients, customers, and citizens by encouraging each other to reach new heights and get involved in the cities and the world.

## ESG GOVERNANCE

The Group has established a concrete governance structure for sustainable development, which consists of a tripartite combination of the Board, departmental management and the ESG working group. The Board, as the chief decision maker, sets the direction for sustainable development and takes full responsibility for the Group's ESG matters. The Board gains knowledge about ESG-related risks and opportunities faced by the Group through the annual risk assessment and internal controls assessment. The Group takes every challenge as an opportunity to review and improve its current management system. In addition to this, the Group regularly evaluates the effectiveness of its evaluation mechanism and reviews the sustainability of the Group's performance to ensure that the evaluation mechanism will be carried out effectively.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As a management role, the senior management formulates relevant ESG policies and procedures in line with the development direction, objectives and priorities set by the Board, and promotes and implements control measures. This Report and related performance data have been reviewed by the senior management and approved by the Board.

The Group has engaged the management and employees across all functions to understand the Group's stakeholders' concerns and identify relevant ESG issues for the Group's businesses. The Group's management personnel have been closely in touch with different key stakeholders including regulators, patients, customers, suppliers, etc. in daily operations, so that the Group is well aware of its stakeholders' views and concerns. Based on the understanding from the communications, the Group has conducted internal assessments and concluded the material ESG aspects of the Group to be covered in this Report, together with the aspects on the ESG Reporting Guide to which they relate, are summarized in the table below:

<i>ESG aspects as set out in ESG Reporting Guide</i>		<i>Material ESG issues for the Group</i>
<b>A. Environmental</b>	A1. Emissions	<ul style="list-style-type: none"> <li>• Sewage Treatment</li> <li>• Medical Wastes Treatment</li> <li>• General Wastes Management</li> <li>• Greenhouse Gas Emissions</li> </ul>
	A2. Use of Resources	<ul style="list-style-type: none"> <li>• Energy Consumption</li> <li>• Water Consumption</li> </ul>
	A3. The Environment and Natural Resources	<ul style="list-style-type: none"> <li>• Renovation Work Management</li> </ul>
	A4. Climate Change	<ul style="list-style-type: none"> <li>• Climate Change</li> </ul>
<b>B. Social</b>	B1. Employment	<ul style="list-style-type: none"> <li>• Employment Practices and Relations</li> </ul>
	B2. Health and Safety	<ul style="list-style-type: none"> <li>• Workplace Health and Safety</li> <li>• Workplace Health and Safety Implementation and Monitoring</li> </ul>
	B3. Development and Training	<ul style="list-style-type: none"> <li>• Professional Training</li> </ul>
	B4. Labor Standards	<ul style="list-style-type: none"> <li>• Anti-Child and Forced Labor</li> </ul>
	B5. Supply Chain Management	<ul style="list-style-type: none"> <li>• Supplier Identification, Evaluation and Selection</li> <li>• Supplier Monitoring and Improvement</li> <li>• Supplier Relationship Management</li> </ul>
	B6. Product Responsibility	<ul style="list-style-type: none"> <li>• Products Safety</li> <li>• Medical Device Management</li> <li>• Services Quality</li> <li>• Eldercare Services</li> <li>• Data Privacy</li> </ul>
	B7. Anti-corruption	<ul style="list-style-type: none"> <li>• Anti-Bribery and Corruption and Anti-Money Laundering</li> <li>• Anti-Corruption Training</li> </ul>
	B8. Community Investment	<ul style="list-style-type: none"> <li>• Corporate Responsibility</li> </ul>

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## A. ENVIRONMENTAL

### A1 Emissions

The Group adheres to minimizing the negative impact of its business operations on the natural environment. The Group recognizes the importance of integrating green concepts into its daily business activities, aiming at conducting its businesses in an environmentally-friendly manner and helping the community to achieve sustainable development.

To facilitate a better environmental management, the Group continues to dedicate its best effort to comply with relevant environmental laws, regulations, and standards, including but not limited to the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes 《中華人民共和國固體廢物污染環境防治法》, Measures for Medical Wastes Management of Medical and Health Institutions 《醫療廢物管理條例》 and Administrative Measures for the Licensing of Discharge of Urban Sewage into the Drainage Network 《城鎮污水排入排水管網許可管理辦法》. The Group also supports newly launched environmental initiatives by local government, such as the Work Plan for Sorting and Collection of Household Waste 《生活垃圾強制分類實施工作方案》. The Group did not note any material non-compliance against environmental laws and regulations during the Year.

#### ***Sewage Treatment***

During the Year, medical sewage generated by the hospitals of the Group was about 255,721 m<sup>3</sup> (2021: 252,559 m<sup>3</sup>). Owing to the increase in the total number of customers as well as the challenges of COVID-19 in 2022, the amount of medical sewage generated has also increased.

The hospitals follow three major principles in sewage treatment:

- Onsite treatment: Onsite treatment of sewage to prevent pollution during transportation process;
- Integration of compliance and risk management: Compliance with hospital sewage discharge standards, while enhancing risk management awareness through monitoring systems to improve crisis management ability; and
- Ecological safety: Effective filtering of harmful substances from sewage, reduction of hazardous substances from sterilization and control of residual chlorine to protect the environment.

#### ***Nanjing Hospital of the Healthcare Division ("NJH")***

According to the above principles, the hospital has been equipped with highly efficient sewage treatment systems. All of the medical sewage and patients' excrements have been properly treated according to the Level 3 Standard of the Integrated Wastewater Discharge Standard (GB8978-1996) of the PRC (中華人民共和國污水綜合排放標準(GB8978-1996三級標準)) and discharged into designated municipal drainage systems, thereby reducing health risk in the community from sewage discharge.

In 2020, the hospital had upgraded the system by adding an additional biochemical treatment process in order to achieve an even higher environmental standard for sewage discharge and protect the surrounding ecological systems. Furthermore, a real-time monitoring equipment had been installed to oversee the operating effectiveness of the sewage system, and it is linked to the local environmental authorities in accordance with the regulatory requirement. Regular testing and maintenance works have been performed to ensure proper functioning of such systems. In addition, the sewage treatment equipment in the hospitals have been tested and accredited by relevant government authorities before deployment.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

With the increase in the number of patients, the hospital sewage treatment station was expanded and reconstructed in 2021 to ensure that the increased sewage volume can meet the disinfection requirement by the Water Pollutant Discharge Standard for Medical Institutions (GB18466–2005).

### ***Kunming Hospital of the Healthcare Division (“KMH”)***

The hospital strictly controls the whole process of sewage treatment. A professional sewage treatment company has been engaged to operate and maintain the sewage station. Specialized personnel are responsible for sewage treatment. For this purpose, a sewage treatment station is specially designed and built with a high-efficiency sewage disinfection and filtration treatment system to ensure that the medical sewage and domestic sewage is treated in accordance with regulatory standards, and then discharged to the urban drainage network to reduce the health risks caused by the sewage. Starting from 2021, the data of the sewage discharge and the PH value has been uploaded to the key pollution source monitoring center in Yunnan Province in real time. The sewage samples are sent to the sewage institution weekly and monthly to ensure the discharge is following the sewage discharge requirements. Transport and disposal is done properly by the qualified vendor.

### ***Shanghai Tide Health Campus of the Eldercare Division (“STHC”)***

As for eldercare segment, a sewage treatment plant has been established in the eldercare nursing hospital. In addition to primary sedimentation treatment, secondary biochemical sterilization on sewage has been performed for meeting the national standards, including the Discharge Standard of Water Pollutants for Medical Organization (醫療機構水污染物排放標準) (GB18466–2005) and Water Quality Standards on Sewage Discharged into Urban Sewers (污水排入城市下水道水質標準). Furthermore, a monthly sewage inspection is performed by professional consultants in order to ensure the sewage meets the relevant standards.

### ***Medical Wastes Treatment***

The hospitals of the Group generate certain biological and chemical wastes which are regarded as hazardous and require special handling to reduce risks to the public health and the environment.

The total amount of medical wastes, hazardous waste (sewage sludge)<sup>2</sup> and biological waste generated within 2022 is listed below:

<b>Medical wastes generated</b>	<b>Unit</b>	<b>2022 Amount</b>	<b>2022 Intensity (kg per patient<sup>1</sup>)</b>	<b>2021 Amount</b>
Amount of medical wastes, hazardous waste (sewage sludge) and biological waste generated during the Year	Tonnes	<b>5,377.57</b>	0.001	314.21

Notes:

- For intensity calculation of 2022, the Group recorded a total of 3,449,098 patient visits during the Year.*
- STHC started collecting data on hazardous waste (sewage sludge) in 2022. The data for 2022 was 5,006.00 tonnes of hazardous waste (sewage sludge).*

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As a result of the increase in the total number of customers as well as the challenges of COVID-19 in 2022, the amount of medical wastes generated has also increased. The Group adopts a three-tier approach with designated staff to manage medical wastes. Firstly, staff who generate the wastes will perform simple treatment such as sterilization using disinfectant. Secondly, professional staff categorize medical wastes in accordance with relevant laws and regulations and store the wastes at designated isolated locations with properly labelled packaging and containers. Lastly, the Group has engaged qualified contractors to collect the waste on a regular basis.

After the collection of medical wastes, cleaning and disinfection works are performed at the storage locations timely. Records are maintained to keep track of the whole process. In addition, the Group has provided trainings to relevant staff responsible to enhance the awareness and knowledge of hazardous waste management. Clear instructions and procedures regarding classification and collection of medical wastes have also been communicated through posters and written policies.

In January 2021, the hospital medical waste collection system was launched. According to the requirements of the health authorities, the system has achieved traceability of medical waste. The clinical wastes were placed in special packaging bags or containers that comply with relevant laws and regulations, and the packaging bags or containers of medical waste are standardized and tied as required. After the wastes have been collected, they are temporarily stored at designated locations with proper labelling, and then collected by qualified vendors for processing and recycling. In order to meet the requirements for temporary storage and classification of medical waste, a new temporary storage facility for medical waste was set up in 2021.

In 2022, no health accident caused by medical wastes was noted by the Group.

### **General Wastes Management**

Besides medical waste, another major type of waste generated by the Group was paper. The amount of waste paper generated and the intensity are listed in the table below:

<b>Non-hazardous wastes generated</b>	<b>Unit</b>	<b>2022 Amount</b>	<b>2022 Intensity (kg per patient<sup>1</sup>)</b>	<b>2021 Amount</b>
Amount of waste paper	Tonnes	<b>8.16</b>	0.002	5.53
Amount of other general wastes <sup>3</sup>	Tonnes	<b>103,457</b>	30.00	96.58

Owing to the increase in the total number of customers as well as the challenges of COVID-19 in 2022, the amount of non-hazardous wastes generated has also increased. The Group strives to minimize the usage of office consumables by leveraging information technology to reduce waste paper and encourage recycling in the daily operations. The Group has implemented electronic filing systems to replace traditional paper records as appropriate, and increased the use of e-communication channels to reduce paper correspondences.

*Note:*

<sup>3</sup> *As the data relating to general wastes were not aggregated in 2021, it will be added from 2022 onwards.*

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Meanwhile, certain packaging materials were used to store and protect drugs. During the Year, the consumption amounts were as follows:

Type	Unit	2022 Amount	2021 Amount
Plastic bag	Tonnes	<b>8.00</b>	9.62
Plastic bottle	Tonnes	<b>24.53</b>	19.27
Paper box	Tonnes	<b>37.26</b>	17.24

Total packaging materials used was 69.80 tonnes during the Year (2021: 46.13 tonnes).

The Group promotes waste classification to facilitate recycling, especially used papers and packaging boxes. About 4.00 tonnes of paper was recycled through qualified contractors during the Year (2021: 3.87 tonnes).

### Greenhouse Gas Emissions

Owing to the business nature of the Group, no significant air emissions were identified during the Year besides carbon emissions generated from the consumption of electricity, petrol and natural gas.

The total energy-related carbon dioxide equivalent (CO<sub>2</sub>e) generated as well as scope 1 and scope 2 emissions are listed in the table below<sup>4</sup>:

Type	Unit	2022 Amount	2022 Intensity (kg per patient <sup>1</sup> )	2021 Amount
Total carbon dioxide equivalent (CO <sub>2</sub> e) generated	Tonnes	<b>62,651</b>	18.16	11,906
Total CO <sub>2</sub> e generated (scope 1)	Tonnes	<b>427</b>	0.12	437
Total CO <sub>2</sub> e generated (scope 2)	Tonnes	<b>11,218</b>	3.25	11,128

The Group has a series of initiatives in place to help reduce the carbon footprint. Please refer to the A2 Use of Resources section below.

Note:

<sup>4</sup> The calculation method of greenhouse gas emissions is determined with reference to Reporting Guidance on Environmental key performance indicators released by The Stock Exchange of Hong Kong Limited, The 2021 UK Government Conversion Factors for greenhouse gas (GHG) reporting published by the Department of Business, Energy & Industrial Strategy, China Regional Power Grid Baseline Emission Factors by Ministry of Ecology and Environment of China and Guidelines to Account for and Reports on Greenhouse Gas Emissions for Public Building Enterprises (Trial) by the Department of Climate Change under the National Development and Reform Commission of China.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### A2 Use of Resources

The Group continues to improve efficiency of resource usage in the business operations by adopting different measures and technologies. In 2020, an advanced environmental management system had been introduced in order to reduce the use of energy and water. Regular evaluation has been performed to assess the effectiveness of the resources management mechanism and remedial actions have been performed timely as needed.

#### **Energy Consumption**

The following table summarized the major types of energy directly consumed and controlled by the Group during the Year:

Type of Energy	Unit	2022 Intensity		2021 Amount
		2022 Amount	(unit per patient <sup>1</sup> )	
Electricity	kWh	<b>19,705,328</b>	5.713	19,497,488
Petrol	Litre	<b>6,545</b>	0.002	28,305
Natural Gas	m <sup>3</sup>	<b>199,682</b>	0.058	152,749
Diesel	Litre	<b>1,000</b>	0.0003	17,994

In 2022, the increase in the use of electricity and natural gas as compared to 2021 is within reasonable limits owing to the increase in business turnover, while there is a relatively significant decrease in petrol and diesel consumption as compared to 2021. During the Year, the Group implemented the following measures to help reduce the energy consumption, after the implementation of measures to reduce emissions and consumption, the hospital used LED energy-saving lamps and installed solar-powered street lamps on the roads within the hospital area, saving 10% of electricity and energy consumption as compared to the pre-implementation period.

#### *Healthcare and Eldercare Divisions*

- Installation of energy efficient lighting systems which use LED lights and voice controlled switches. In the meanwhile, some of the traditional viewing lights were converted to energy efficient LED viewing lights. For example, the traditional surgical lights in the operating theatres were phased out and replaced with energy-efficient LED lights
- Use of notices and signs to advocate energy saving and reduce idle consumption by unused electrical appliances
- Setting air-conditioners to 26 degree Celsius
- Green design to utilize natural light and facilitate air ventilation
- Turning off non-essential lights during lunch breaks
- Replacement of light bulbs with LED lights and utilize natural sunlight as feasible

#### *Healthcare Division*

- Replacement of old medical equipment with high energy efficiency ones
- Installation of solar powered water heater for hot water supply
- Deployment of smart water heating and air-conditioning systems which can adjust its output corresponding to the environment to reduce energy wastage

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### *Eldercare Division*

- Lighting, telecommunication, water and electricity systems are installed in public pipelines for repair and maintenance's convenience, which in turn reduce energy use
- Special design of grounding network which reduces electricity loss
- Use of heat insulating materials and designs on roof tops and walls to reduce energy usage for air-conditioning
- Use of smart lighting system at car park which can adjust lights operation based on car distribution
- Installation of light sensor switches for street lights which can adjust operating time and intensity automatically based on actual light intensity

### **Water Consumption**

During the Year, 326,417 m<sup>3</sup> (2021: 290,687 m<sup>3</sup>) of water was consumed for business operations in the healthcare and eldercare segments, with intensity of 0.09 m<sup>3</sup> per patient<sup>2</sup> (2021: 0.18m<sup>3</sup>). Owing to the increase in the total number of customers as well as the total amount of revenue in 2022, the amount of water consumption has also increased.

The Group has formulated various water conservation initiatives to reduce the use of water across the operations. These initiatives are summarized as follows:

### *Healthcare and Eldercare Divisions*

- Regular check for leakage of water pipes
- Use of notices and signs to advocate water saving and reduce idle running by unused water faucets

### *Healthcare Division*

- Use of electronic water valves to improve water efficiency
- Installation of electronic water taps to prevent excessive water use
- Reuse condensed water from steam

### *Eldercare Division*

- Use of water efficient faucets
- Implementation of high-efficiency sprinkler irrigation
- Use of river water for irrigation and cleaning instead of municipal water

Based on all the achievements above mentioned, the Group is confident to move forward towards the goals of 2030. The Group targets to maintain the intensity of sewage emission, hazardous and non-hazardous wastes generated, GHG emissions, energy and water usage within the range of increase or decrease by 10% at 2030 with the base year of 2021. The Group will actively use creative thinking and innovative measures to realize these targets:

### Sewage Treatment:

- Strict control and separation of domestic wastewater and wastewater from the wards shall be carried out at the source of sewage emission
- Effectively remove toxic and harmful substances in sewage and reduce the generation of disinfection by-products in the treatment process

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Wastes Treatment:

- Formulate strict usage quota of office supplies for employees and apply on demands
- Set recycling boxes in the office, promote employees to use paper on both sides, and encourage employees to put used paper in the recycling boxes for secondary utilization
- Recycle and apply harmless treatment to the waste drugs to avoid environmental pollution

### Energy Management:

- Patrol the office area and turn off unnecessary power equipment timely to reduce waste of electricity
- Convert all meeting rooms into video conference rooms to promote online meetings and reduce unnecessary travel
- Encourage low-carbon travel and provide shuttle bus services for employees
- Cooperate with the high-voltage testing and maintenance unit to overhaul and commission the high-voltage equipment in the substation of the hospitals and the substation of the elderly residence to improve the quality of power supply

### Water Management:

- Advocate water conservation and reduce waste of water through awareness publicity and slogan tips
- After the cleaning towels and mops were washed centrally and the wastewater recycled, water consumption dropped by approximately 10% compared to before the measures were implemented

### A3 The Environment and Natural Resources

The Group takes an active role in managing the impact of its businesses on the environment and natural resources. Apart from the measures described above, the Group incorporates the concept of environmental protection into its daily operations to raise the awareness of the staff and encourage them to go green at work and in their daily lives. The Group also assesses the potential impacts on the environment regularly and formulates corresponding mitigating measures promptly.

#### ***Renovation Work Management***

The Group understands that the renovation work conducted by the residents in the retirement village project will create certain impacts on the neighbourhood, such as noise, odour and dust. As such, the property management department has set up the renovation management policy to regulate renovation activities in the project. The policy stipulates the requirements and guidelines of conducting renovation work, which includes requiring contractors to use proper barriers to prevent dust from spreading, deploy adequate number of fire equipment on site, use of protective tools to prevent facilities in public area from damages, reduce the use of pesticides and fertilizers for greening to maintain clean environment and fresh air quality, etc..

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## A4 Climate Change

In order to carry out timely and efficiently emergency treatment measures in case of extreme weathers, such as heatwave, rainstorm, fire and heavy snow, and ensure the safety of patients and staff as well as normal medical treatment order within the hospitals, the Group has established an extreme weather emergency treatment leading team to be fully responsible for the organization and leadership of various emergency treatment work caused by extreme weather in the hospitals. The leading team consisted of three sub-teams, which are responsible for different aspects of emergency handling:

- **Communication support team:**  
After receiving the extreme weather emergency alert, the communication support team would immediately notify each sub-team leader to enter the extreme weather emergency plan procedure, as well as dispatch and coordinate each group at any time according to the site situations.
- **Material supply team:**  
Responsible for the procurement, storage and recycling of all materials used for emergencies, and immediately distribute the rescue materials to the rescue team.
- **Rescue team:**  
Immediately summon the cleaning company and logistics personnel to enter the extreme weather emergency plan procedure, clean up every primary area in the hospitals, and ensure the smoothness and safety of the main passages of the hospitals.

While carrying out the emergency process, the Group also needs to ensure that various safeguard measures are carried out:

- **Personnel guarantee:**  
All team members and employees should strengthen their vigilance in the disaster prone seasons. Once signs of extreme weather are noticed, every member should provide early alerts in time and make emergency preparations in advance.
- **Material support:**  
The drug and equipment procurement and supply department as well as the logistics service center should continuously ensure enough storage of emergency treatment materials for any short-time notices and needs.
- **Policy guarantee:**  
In case of any omission in the emergency preparation and dealing procedures, the leaders of the extreme weather emergency treatment team shall conduct regular inspections and correct any pitfalls immediately.

## B. SOCIAL

### B1 Employment

#### *Employment Practices and Relations*

The Group believes the employees play vital roles in its business growth and customer experience. The Group aims to offer competitive salary and other benefits in order to retain and motivate its talents. The remuneration scheme is reviewed annually with reference to the market practices as well as experience and performance of the staff. The working hours, leaves and other statutory requirements such as social insurance are all in compliance with the applicable laws and regulations.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

To facilitate a better working environment, the Group continues to dedicate its best effort to comply with relevant employment laws, regulations, and standards, including but not limited to The Labor Law of the People's Republic of China《中華人民共和國勞動法》, The Law of the People's Republic of China on the Protection of Women's Rights and Interests《中華人民共和國婦女權益保障法》, and The Trade Union Law of the People's Republic of China《中華人民共和國工會法》.

The Group did not note any material non-compliance cases against labor laws and regulations during the Year.

The Group is committed to providing a discrimination-free working environment to staff. Such principle covers all human resources aspects including recruitment, transfer, promotion, training, salary and welfare, to ensure all staff or job applicants are treated equally. The Group does not depend on race, class, nationality, origin, religion, age, disability, gender, marital status, pregnancy, sexual orientation, or community orientation in recruitment, subsidies, training, promotion, and termination of contract, retirement or other employment-related aspects.

When recruiting employees, the human resources department only uses information related to work ability, such as the qualifications, work experience, and work skills, as the employment criteria. The human resources department treats job descriptions carefully and avoids discriminatory content. When determining employee job promotion, salary, benefits, contract renewal and retirement, only work-related information such as work ability and performance, and the value created for the hospitals are used as determining factors, while other personal information of employees is not used as a reference.

The Group does not allow managers to violate the basic human rights and dignity of employees under any circumstances, and does not allow coercive, threatening, abusive or exploitative sexual assaults (such as sexual harassment), including gestures, language, and physical contact.

Moreover, the Group encourages open communication and value feedbacks from employees. The Group conducts employee surveys regularly and make improvement continuously based on the results and employees' suggestions. To maintain a harmonious culture, the Group organizes various types of social activities, such as monthly birthday gatherings, health seminars, sports day and annual dinner. The Group also supports the staff in forming recreational clubs on various hobbies, in order to help them to achieve work-life balance.

In addition, KMH employees' salaries were paid on time and in full every month in 2022, and never defaulted or delayed payment. The hospital has not dismissed any employees in 2022, and all employees who proposed to terminate their employment contracts for justifiable personal reasons have gone through the corresponding termination of employment contracts and separation procedures in accordance with national laws and regulations.

In terms of recruitment, the hospital's existing recruitment channels are mainly offline, supplemented by online recruitment, using Ding Xiang Yuan (丁香園) and other tertiary headhunting companies. Analysis of the recruitment data shows that as compared to 2021, the number of applicants for nursing staff increased, and the number of interviewees for doctors with high qualifications has increased significantly, with 284 masters, 15 PhDs and 7 post-doctorates during the Year. The Group has set up a title promotion examination system. 108 people declared for the junior and intermediate title examinations in 2022 (fewer than 36 in 2021) and 43 people for the senior title examination (24 more than in 2021). 8 people passed the deputy senior title and 1 person passed the full senior title in 2021; 23 people passed the intermediate title and 26 people passed the junior division in 2022.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Owing to COVID-19, the Group did not participate in job fairs outside the province during the Year, but the quality of recruitment has been improved. The fresh-recruiters are undergraduates who have completed regular training, and professional postgraduates.

### Employment Type and Amount

Type	Category	FY2022 Employment Amount	FY2022 By Ratio	FY2021 Employment Amount
Gender	Male	672	28%	645
	Female	1,766	72%	1,712
Type of employment	Full time	2,427	99%	2,236
	Part time	11	1%	121
Age	51 or above	244	10%	211
	41–50	368	15%	292
	31–40	909	37%	879
	30 or below	917	38%	975
Region	Local	1,250	51%	1,211
	Non-local	1,188	49%	1,146

### Types of Turnover Rate<sup>5</sup>

Type	Category	FY2022 Turnover Rate	FY2021 Turnover Rate
Gender	Male	11.9%	13.0%
	Female	10.5%	13.5%
Age	51 or above	8.6%	17.5%
	41–50	8.4%	7.5%
	31–40	9.8%	11.6%
	30 or below	13.6%	15.8%
Region	Local	10.8%	14.1%
	Non-local	11.0%	12.6%

Note:

<sup>5</sup> Employee turnover rate (percentage) = Number of employees departure of the category/Total employees of the category at the end of the current Reporting Period x 100%

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### B2 Health and Safety

#### *Workplace Health and Safety*

The Group considers health and safety to be of the utmost importance, especially for the frontline staff who serves the patients and residents. Thus, the management has performed regular occupational safety and health risk assessments for all departments to identify high risk areas, and developed operation manuals to provide guidelines for staff to follow to ensure the activities are conducted properly to reduce the risks. Notices, posters and memos have been displayed at the offices and the properties to remind staff of safety issues. Also, various safety measures have been implemented to protect the staff and patients. For example, nursing staff have been required to wear protective coat and non-penetrable doors have been installed at CT-scanning rooms and MRI scanning rooms. For a better monitoring purpose, safety audits are performed regularly at hospitals to assess whether frontline staff are working in compliance with the Group's requirements.

The Group requires new employees to provide a health report when they join the company, and organizes health talks and annual medical check-ups every year, while setting up rest areas for employees to rest and adjust to ensure their physical and mental health. In the event of adverse events, the Group requires that they are to be reported in accordance with the internal policy requirements. When injuries or material damage occur at work, the Group requires that they are to be reported at each level and dealt with in a timely manner.

Safety policies have been established based on relevant laws and regulations for specific positions (such as radiotherapists), and the Group requires all the frontline nursing staff to be equipped with sufficient knowledge and qualifications. Annual training (including trainees) on radiation safety and protection for personnel working in radiology is provided. On-boarding training and regular courses have been provided to raise their safety awareness. Through various kinds of training, the Group emphasizes the significance of the safety of employees. New joiners are mandatory to work alongside with experienced employees. The Group covers the industrial injury insurance and purchases accidental injury insurance for the employees who signed the labor contract.

#### *labor*

During the Year, the Group did not note any cases of material non-compliance against occupational safety and health related laws and regulations.

The number of work-related fatality for the last 3 years was all nil; and the number of day loss due to work-related injury was 48 for 2022 (2021: 28).

#### *Workplace Health and Safety Implementation and Monitoring*

The Group regularly organizes occupational health examinations for radiation workers (before, during, and when leaving the job) and radiation protection training, and do quarterly personal dose testing for radiation workers.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### *Healthcare Division*

Occupational exposure of medical staff may occur at any time. The hospitals are concerned about the occupational health of employees, and has emergency treatment measures after occupational exposure occurs:

- Local treatment measures:  
Immediately rinse the wound with soapy water and running water, squeeze gently from the side of the wound, squeeze out the blood from the injury as much as possible, and then rinse with soapy liquid and running water. Local squeezing of the wound is prohibited, and then disinfect the wound with iodine and alcohol.
- Pharmacological prophylaxis at high risk exposures:
  - o If the staff are injured by sharps contaminated by blood and body fluids of HIV-positive patients, the staff needs to inject hepatitis B immune high-valent globulin in the shortest time (1 hour), and conduct blood hepatitis B marker tests at the same time, and those who are negative are injected subcutaneously with a full set of hepatitis B vaccine; and
  - o If the staff are exposed to HIV-contaminated when using needles, the hospitals have to report the exposure time to the infection control department in a timely manner, and immediately take preventive drugs and follow up after expert evaluation.
- KMH arranges the occupational health examination for all radiation workers every 2 years, collects and submits the personal radiation dose clips they wear every quarter, and reports the test results in time.

### *Eldercare Division*

The Group requires new employees to provide health reports when they onboard. The Group also organizes health lectures and annual physical examinations every year. At the same time, a tea break area is set up for employees to rest, thus improves the physical and mental health of employees.

If adverse events occur, employees are required to follow the reporting process and requirements. For example, when personal injury or material damage occurs during work, employees are required to report it level by level and address it in a timely manner.

## **B3 Development and Training**

### ***Professional Training***

The Group is committed to providing training and development opportunities for its employees in order to enhance the staff's competencies and help strengthen customer confidence.

Internally, the Group has established comprehensive training mechanisms with a designated department responsible for the development of medical and pharmaceutical staff. The Group has established training department which is designated to plan and organize various types of trainings, and to require all clinical and medical departments to carry out departmental trainings based at least once a month. The human resources department also organizes orientation programmes to assist the new hires to adapt to culture and environment.

During the Year, trainings have been provided to staff covering areas such as medical, nursing, occupational safety, management effectiveness, crisis management, etc. Departmental workshops such as business intelligence ("BI"), standard operating procedure ("SOP") and other knowledge learning courses have also been arranged.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

For every internal training and workshop organized, the Group maintains training records properly and conducts evaluation for identifying improvement opportunities. Furthermore, the Group also supports the staff to participate in external trainings, workshops or conferences by providing subsidies.

### Healthcare Division

Department	Events
<b>Science and Education Department</b>	<p data-bbox="683 579 959 612"><b>Training for new staff</b></p> <p data-bbox="683 644 1447 836">In 2022, 82 new employees participated in the training, with a participation rate of 100%. In addition to nursing, administrative and departing staff, 41 people should be assessed, 41 people were actually assessed, 31 people passed the initial assessment with the passing rate of 75.6%, and after the second intensive training, the assessment passing rate was 100%.</p> <p data-bbox="683 868 1447 931"><b>Active organization of continuing medical education programmes at all levels</b></p> <p data-bbox="683 963 1447 1220">In 2022, under the leadership of the KMH and with the active cooperation of all departments, the medical staff, especially the discipline leaders and the technical backbone of the discipline, were further encouraged to declare and hold various academic conferences at all levels, so as to grasp the latest academic developments and research directions at home and abroad through academic exchanges and promote the academic development of the hospital.</p> <p data-bbox="683 1252 1447 1476">By the end of December 2022, 12 academic activities had been successfully held (the remaining 2 had been extended), with a completion rate of 85.7%. At the same time, the online live broadcast was conducted through the Weiyihui (微醫匯), with good feedback from students and experts, further expanding the academic influence of the hospital and enhancing the brand publicity effect of the hospital.</p> <p data-bbox="683 1509 1283 1541"><b>Management of academic activities and papers</b></p> <ul data-bbox="683 1573 1447 1888" style="list-style-type: none"> <li data-bbox="683 1573 1447 1733"> <p data-bbox="743 1573 1166 1606"><b>College-level theoretical training:</b></p> <p data-bbox="743 1606 1447 1733">As of the end of December 2022, 33 academic lectures have been successfully held with a 100% completion rate, and are carried out simultaneously online through the “Doctor Classroom” (掌醫課堂) platform.</p> </li> <li data-bbox="683 1765 1447 1888"> <p data-bbox="743 1765 1098 1798"><b>College-level skills training:</b></p> <p data-bbox="743 1798 1447 1888">In 2022, three “three basic” (三基) skills training programmes (CPR, physical examination and use of AED) were planned, with a completion rate of 100%.</p> </li> </ul>

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Department	Events
	<ul style="list-style-type: none"> <li> <p><b>Teacher training:</b> In 2022, 7 teacher training sessions were organized around the annual plan, with a completion rate of 100%.</p> <p>The Science and Education Department formulated and issued the 2022 “Three Basics and Three Stricts” (三基三严) training program and training schedule in March 2022 in accordance with the requirements of the National Health Commission for the three basic training, and organized the entire hospital for training according to the plan. At the department level, the daily training is included in the monthly assessment, so that the training is recorded and supervised. And make the department-level training coverage rate of 100%, the pass rate of 95%.</p> </li> <li> <p><b>Paper publication:</b> As of December 2022, a total of 17 papers have been published in the Academy after the papers were published in the Ministry of Science and Education.</p> </li> </ul> <p><b>Conferences and further education</b></p> <ul style="list-style-type: none"> <li> <p><b>Participation in conferences and advanced studies:</b> In 2022, based on the actual situation of the hospitals, applicants for outgoing participation in conferences or training will be reported to the leaders of all levels of hospitals for approval after strict review and inspection in accordance with the regulations, so as to ensure that the review is well-documented and the records are regulated. As of December 2022, a total of 46 people from the whole school have gone out to participate in various academic conferences at all levels.</p> </li> <li> <p><b>External trainees:</b> A total of 8 external trainees were received throughout the year, from the Department of Stomatology, Department of Anaesthesia, Department of Rehabilitation Medicine, Department of Emergency Medicine, Sensory Control Office and Department of Pharmacy, with a period of 1–6 months.</p> </li> </ul>

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Department	Events
Nursing Department	<p data-bbox="683 381 1445 439"><b>The Nursing Department is responsible for the stratified training of nurses</b></p> <p data-bbox="683 476 1445 664">Pre-job training for newly recruited nurses and interns are held every year. Theory, knowledge and skills training assessments for nurses and core teams were carried out. The trainings and assessments broaden the vision of the nurses, and continuously improve the management skills of head nurses and the theoretical knowledge and skills of nurses.</p> <p data-bbox="683 700 1445 1302">In 2022, KMH successfully held various of training sessions, including “Head Nurse and Core Team Training Course”(護士長和護理骨幹培訓班), “In-hospital Critical Care Specialist Nurse Training Course”(院內危重症專科護士培訓班), “In-hospital Sedation Nurse Training Course”(院內靜療護士培訓班), “Interns Pre-job Training Class”(實習生崗前培訓班), the “Motor pool nurse training course”(機動庫護士培訓班), the “Special training for Lead Teachers” (帶教組長專題培訓) etc.. In October, 2022, we hosted the national “Clinical Informatization and Management Training Course” (臨床資訊化與管理培訓班) and the municipal-level follow-up course “The First Training Course on Advances in Cardiovascular Disease Nursing” (首屆心血管疾病護理進展培訓班). 2022 nursing training was conducted in a combination of online and offline methods, with a total of 52 online training sessions and 5,104 online participants; 29 offline training sessions. The number of offline participants reached more than 4,000, with a participation rate of more than 90%, and the training process combined generalist training with specialist training to improve the effectiveness of the training.</p> <p data-bbox="683 1338 1445 1496">The hospital also participated in the “National Super Angel Competition in Kunming” (全國超能天使大賽昆明市選拔賽) and won the third prize. The grading of nurses in the hospital was completed, with 64 nurses graded N0, 74 nurses graded N1, and 154 nurses graded N2 and 73 nurses promoted to N3.</p>

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Department	Events
<b>Medical Department</b>	<p>A total of 18 core systems have been promulgated in KMH, and made them into palm doctor classroom lectures to facilitate regular study and understanding by physicians throughout the hospital. To enable the real implementation of the top three departments, quarterly training and work summary and analysis meetings were held for the whole hospital's quality control physicians and creation secretaries so that they could keep pace with the hospital, actively cooperate and carry out their work and improve quality.</p> <p>Monthly feedback on medical quality was given at the hospital's weekly meetings and quarterly quality control work briefs were produced and distributed to the whole hospital so that all staff in the department were aware of the quality status of the department, compared with other departments, looking for gaps, continuous improvement, quality enhancement and quality management and departmental construction in accordance with the standards of a Triple A hospital. One training session on medical dispute handling and one training session on physician law were conducted.</p> <p>Due to the continuous outbreak of the epidemic, KMH organized 4 online trainings on epidemic prevention and control knowledge for all staff in the hospital, totaling 84 participants. The Xinglin sensor control real-time detection system (杏林感控即時檢測系統) was launched, and all the relevant staff in the hospital were trained. There were 4 offline trainings with 1,238 people participated, and online training on epidemic prevention and control for all hospital staff were organised four times throughout the year, with a total of 1,256 attendances.</p>
<i>Eldercare Division</i>	<p>The ability and quality of medical staff, health management consultants and managers are particularly important to the service quality. Therefore, help organizations and individuals demonstrate their long-term advantages in training and development, and enhance customers' confidence in us by improving employees' professional knowledge and service skills.</p> <p>The eldercare segment advocated a learning organization, established a complete training system, and formulated company-level and department-level training plans for various departments.</p> <p><b>The company-level training plan</b> is mainly for new employee trainings and various cross-departmental training projects, such as vocational qualification certificates, occupational health and safety, management improvement, emergency rescue drills and other important projects.</p> <p><b>The department-level training plan</b> is mainly for new employees' pre-job practice trainings, various service improvement internal trainings and other projects trainings.</p>

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group also strengthens process management and results filing for all trainings, requiring that all internal training and outbound training have filed information, and evaluate the effect of external training. Due to the impact of the epidemic this year, delivery training has not been implemented. Nevertheless, through surveys on engagement and satisfaction, the Group allows employees and the management to have a more objective understanding to their own weaknesses for further improvement and flourish to the whole company.

Below are the details of trained employees and training hours in the Year:

### Trained Employees

Type	Unit	Category	FY2022		FY2021	
			Trained Employee	Percentage of Employee Trained	Trained Employee	Percentage of Employee Trained
Gender	person	Male	639	95%	546	85%
	person	Female	1,725	98%	1,504	88%
Manager Grade	person	Senior Management	15	97%	15	94%
	person	Middle Management	219	94%	183	80%
	person	Staff	2,130	79%	1,852	88%

### Training Hours

Type	Unit	Category	FY2022 Average Training Hours per person	FY2021 Average Training Hours per person
Gender	Hours/person	Male	60	53
	Hours/person	Female	68	66
Manager Grade	Hours/person	Senior Management	38	40
	Hours/person	Middle Management	54	54
	Hours/person	Staff	66	64

#### B4 Labor Standards

##### *Anti-Child and Forced Labor*

Employment of child labor is strictly prohibited by the Group in accordance with the national labor laws. Proper internal controls, such as reference check and background search, are in place to ensure that only legitimate employees who possess valid identity documents are employed. Labor contract must be signed by both employees and the Group to guarantee no forced labor are employed.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

To facilitate a better labor practice, the Group continues to dedicate its best effort to comply with relevant labor laws, regulations, and standards, including but not limited to The Labor Law of the People's Republic of China《中華人民共和國勞動法》, The Provisions on Special Protection of Juvenile Workers《未成年工特殊保護規定》and The Provisions on Prohibition of Child Labor《禁止使用童工規定》.

Employees are required to provide their original ID card during the interview to avoid the use of child labor. The Group also applies for approval of comprehensive working hours and irregular working hours other than standard working hours in accordance with government regulations, making an agreement in advance in the labor contract, and checking whether there is overtime in the daily work.

The Group strictly follows the procedures stipulated by laws and the government, and has internal punishment procedures and measures, including oral warning, written warning, demerit recording and dismissal, as well as written notice and public announcement in accordance with government regulations.

During the Year, the Group did not note any non-compliance cases against child and forced labor related laws and regulations.

### **B5 Supply Chain Management**

Supply chain management directly affects the reliability and smoothness of the operations as well as the quality of the products and services. A comprehensive procurement management policy has been established to govern the procurement processes and maintain long term partnering relationship with strategic suppliers, thus enhancing the competitive edges. In 2022, all the suppliers of the Group were from China with a total number of 287.

#### ***Supplier Identification, Evaluation and Selection***

Pre-qualification processes, including questionnaire, site visit and products or services verification, are in place as first screening for new suppliers before they can be added to the authorized supplier list. For substantial procurement, a separate procurement team or committee is set up to handle the procurement, tendering and selection processes. In compliance with medical industry-related laws and regulations, the hospitals have conducted strict review on the qualifications, such as good manufacturing practices and good storage practice ("GMP/GSP") certification, of the suppliers and specifications of medical equipment and drugs.

The Group upholds the principles of fairness, equality and quality-first in its supplier selection and procurement activities. Factors to be considered in procurement decisions include price, quality, location (logistic and storage costs), delivery reliability, supplier's reputation and capabilities, anti-corruption and so on with defined selection standards. These processes help to identify the most suitable supplier and maximize the economic benefit. Also, NJH promoted the Supply Process and Distribution ("SPD") project in the hospital, implemented in the process of high-value consumables, promptly addressed the SPD logistics and distribution requirements of clinical departments, and assisted the SPD depot to deployed emergency quality to ensure supply. NJH sorted out the management authority and functions of the SPD software and put forward functional improvement requirements for the software. NJH monitors the storage of supplies in the epidemic prevention supplies store in real time and keeps them in stock to ensure clinical use and emergency needs. Moreover, NJH counts the amount of epidemic prevention materials issued daily, estimates the demand for epidemic prevention materials in each department weekly, and reports the stock of epidemic prevention materials to the District Health Committee on the 20th of each month.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### *Supplier Monitoring and Improvement*

Annual supplier evaluation has been performed to assess the performance of the authorized suppliers. For strategic suppliers, a detailed performance evaluation has been conducted to assess its price, quality of work, project management, personnel qualification and environmental performance. Suppliers which are unable to pass the evaluation will be removed from the authorized supplier list. Meanwhile, in case of significant quality incidents in relation to products and services, cooperation relationship with the concerned suppliers will be terminated immediately and the suppliers will be removed from the authorized supplier list as well. An incident classification mechanism has been established so as to ensure prompt reaction to mitigate the crisis.

### *Healthcare Division*

Suppliers should have written sales authorization from the manufacturer of the hospital-designated products and all of the suppliers are subject to this practice. Procurement contract must be in place to confirm the qualification and compliance of manufacturers, products, distributors, authorizations, etc. Manufacturers should have valid production licenses and all products should have valid registration and quality evaluation. Distributors should also have valid business licenses and complete authorization chains and important materials should have supply guarantee agreements.

Several criteria on compliance during supplier selection are as follows:

1. The scale and level of suppliers are comparable to those of hospitals, with stable structure, good internal organization and management, and corresponding qualifications.
2. The suppliers should establish strategic cooperation with key up-stream suppliers.
3. Suppliers are expected to have high market share and affordable prices.
4. The supplier's delivery time, quality, price, service, etc., should be continuously evaluated and those who fail to pass will be eliminated.
5. There should be no more than 3 brands for the same type of consumables.

Several criteria on risk management during supplier selection are as follows:

1. The hospitals should select multiple suppliers to reduce risks, and have certain reserve supplier resources.
2. The hospitals and suppliers should sign supply contracts to ensure legal protection, clarify rights, medical treatment and liability for breach of contract.
3. The hospitals should negotiate with the suppliers to formulate an emergency plan, and the suppliers have a certain inventory dedicated to the hospital.
4. The hospitals should reserve a certain inventory of important materials.
5. The hospitals should negotiate with the demand departments to formulate emergency alternative product plans.
6. The hospitals should conduct real-time supervision of each department under the overall arrangement of hospital emergency management.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Reusable materials are preferred for the suppliers if the hospital conditions permit. The hospitals' supervision departments periodically review the expiration date and the recycling of single-use materials. Several criteria on environmental protection during supplier selection are as follows:

1. The suppliers' products must have corresponding qualifications, and the standards meet the relevant regulations of the country and region for the products.
2. The suppliers should provide product inspection report or certificate of conformity.
3. The suppliers should provide environmental monitoring reports for related products.
4. The hospital should choose products with a larger market share.
5. The hospitals' supervision departments should conduct real-time monitor and adjustments according to the situation timely.

### *Eldercare Division*

There are currently 9 suppliers of medicines and consumables for nursing homes. They have all signed the contracts according to the "Sunshine Platform" (陽光平台) and have been strictly following the requirements to purchase medicines with trackable quantity. The purchase quantity, price and use of more than 300 kinds of medicines and consumables are monitored in real time by the "Sunshine Platform" and Shanghai Municipal Medical Insurance Bureau (上海市醫療保障局).

### **Supplier Relationship Management**

To establish stable and reliable supplies of products and services, the Group cooperates with multiple suppliers to avoid over reliance on a single source. Regarding strategic contractors, the Group adopts a long term cooperation approach such that procurement agreement can be automatically renewed annually if the result of the contractor evaluation is satisfactory. With such renewal mechanism in place, contractors would consider us as their long term partner and it provides incentive for better services and products.

In addition, in order to ensure the stability and safety of the supply of medicines, according to the regulations of the Shanghai Municipal Health Commission (上海市衛生健康委員會), the procurement of western medicines, traditional Chinese medicines, medical equipment must be uniformly conducted through the "Sunshine Platform" designated by the Shanghai Government, and strictly follow the policy to purchase medicines with trackable quantity. Otherwise the medicine procurement cannot be incorporated into the Shanghai medical insurance system. At the current stage, the eldercare segment has signed a medical insurance supplier contract with Shanghai Sunshine Platform and has been successfully incorporated into the Shanghai medical insurance system for compliant medicine procurement.

On top of that, the Group gradually carries out the integration of consumable brands and suppliers, and strives to reduce the cost of consumables. Similar to the supply of medicines, the Group also increases the supply varieties of the group medical device company and optimize and integrates resources. Also, the Group has established a quality management system for medical devices in hospitals and departments, and standardizes the management.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### B6 Product Responsibility

#### *Products Safety*

The Shanghai Municipal Medical Insurance Bureau monitors the use of drugs on-site through the internet information platform. The quantity purchased and the quantity used must be the same, and the purchased medicines and consumables must be used up within the specified time. If the medicines and consumables are not used up within the specified time, they cannot be sold and used even within the warranty period, and patients cannot be charged through the medical insurance system.

The Group has a well-established quality control system to identify, assess and manage the quality issues of the medical products it use. The Group only procure medical products which are in compliance with the related regulations and standards, such as the Drug Administration Law of the PRC《藥品管理法》, Regulations for the Implementation of the Drug Administration Law of the PRC《藥品管理法實施管理條例》, Standards for Quality Control of Pharmaceutical Production (GMP 2010)《藥品生產和質量管理規範》(GMP 2010版) and Pharmacopoeia of the PRC (2015)《中國藥典》(2015版) to ensure the quality of medical products. In order to ensure traceability, the Group has assigned staff to keep track of daily inventory flows as well as maintained all relevant documents to be able to identify the products and patients involved in case of any medical incident. The Group has also designated staff with pharmaceutical knowledge to perform quality checks upon receiving medical products, manage storage condition and report to government authorities in accordance with laws and regulations.

#### *Medical Device Management*

The Group has established a medical device management committee to regularly supervise the quality and safety of various medical devices and equipment in the hospitals. The KMH Medical Device Management Measures《昆明同仁醫院醫療器械管理辦法》has been formulated to implement the relevant laws, regulations and rules on the management of medical devices, review and formulate the rules and regulations for the management of medical devices in the institution, and supervise the implementation. The committee is responsible for the supply planning, procurement management, equipment maintenance, and system establishment and improvement of medical equipment and medical consumables in the hospital, ensuring the smooth progress of medical treatment, teaching, and scientific research, and providing clinical service guarantees. The Critical Value Reporting Policy《危急值報告制度》was revised and the process was optimized to ensure the safety of patients. In 2022, KMH has formulated the Regulations on the Management of Medical Complaints and Disputes《醫療投訴及糾紛管理規定》, Medical Technology Risk Warning System《醫療技術風險預警制度》and Emergency Disposal Plan for Medical Disputes《醫療糾紛應急處置預案》, with a dedicated person responsible for implementing the first complaint responsibility system, requiring the recording of patients' complaints and opinions, analysis, timely feedback and in-hospital rectification according to the nature, etc. For disputes, an expert committee is convened to discuss and reach a treatment opinion.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### *Services Quality*

The Group offers medical services in accordance with the National Medical and Health Industry Policy 《國家醫療衛生行業政策》, International Standards issued by Joint Commission on Accreditation of Healthcare Organizations 《國際醫療認證聯合委員會國際標準》 and other local medical laws and regulations. The Group has established a monitoring and reporting mechanism to facilitate the frontline staff to report timely any cases of adverse reaction of patients and provide prompt response. Meanwhile, regular quality checks have been performed to proactively prevent incidents from occurring. A comprehensive complaint management mechanism is in place with designated staff to record and follow-up the reported cases, who will also conduct timely inspection and analysis to resolve the issues. In 2022, 18 core systems within the hospitals were developed and revised to ensure patient safety, including perioperative safety management, pre-operative assessment and surgical safety verification systems for surgical patients, and regular supervision and inspection visits to operating theatres and departments. The Regulations on the Management of Medical Safety (Adverse) Event Reporting 《醫療安全(不良)事件報告管理規定》 were revised to clarify the reporting process and events, which are summarized and reported by the Medical Department every month; to reward the reporting of adverse reactions to drugs and devices; and to eliminate serious incidents that affect patient safety. In addition, the hospitals have conducted periodic customer satisfaction surveys to identify potential improvement areas based on customers' feedbacks. All of the selling and advertising materials have been prepared in accordance with the Advertising Law of the PRC 《中華人民共和國廣告法》 and the Measures for the Administration of Medical Advertisements 《醫療廣告管理辦法》. No misleading advertising statements are tolerated.

In 2022, the Group received 1,302 complaints (2021: 384) while had zero case noted that the products sold or shipped are returned due to safety and health reasons. To deal with these complaints:

- **NJH:** In 2021, only 179 cases of valid complaints (conflicts between doctors and patients that needed to be followed up or resolved by the hospital) were reported, and in 2022, in order to improve the data reporting, a total of 1,229 cases of work orders received by the hospital from the urban platform were reported, including enquiries and requests for assistance, suggestions and suggestions for hospital development, valid complaints and invalid complaints. Compared to 179 cases in 2021, the number of valid complaints in 2022 was 372, an increase of 50% year-on-year. The increase was caused by the frequency of nucleic acid testing due to the epidemic and the introduction of the "New Article 10" (新十條) throughout the year, especially in November and December 2022, when there was an unusual increase in complaints about the long queues and slow delivery of reports at the nucleic acid testing sites (a problem shared by all medical institutions in the city). Furthermore, there was an increase in complaints about the diagnosis of new coronary intensive care admissions.

In 2022, the Group established a hospital service promotion group, organized regular promotion group activities, listened to the opinions of group members, and cultivate "upward management" (向上管理) to promote the overall development of hospital services.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- **KMH:** During the year, KMH received 277 visits from patients, 59 valid complaints, and the implementation rate of the first complaint responsibility system was 100%. The complaint closure rate was 100%. Patients can reflect the quality of the medical services through the hospital service hotline, WeChat QR code and on-site channels. The outpatient department has set up a reception post to receive and handle all kinds of patients' opinions, strictly standardized the reception and handling process of patients' visits, and strengthened the communication with the departments involved in the visits through written feedback in order to achieve detailed investigation and timely resolution. In order to continuously improve service capacity, regular training is organized for visiting reception staff and training on complaint case analysis for clinical departments section.
- **STHC:** member center would classify the complaints and transmit them to the corresponding business offices within 24 hours once received the reported complaints. Telephone calls or face-to-face visit would be conducted depending on the level of severity and emergency.

### ***Eldercare Services***

To demonstrate our respect for the unique characteristics and lifestyle of the residents, the Group provides tailor-made services to fulfil their needs and expectations. The Group organizes regular social activities as well as encourage them to develop hobbies and maintains social contact within the community for their psychological well-being.

The retirement village project has deployed latest technologies in its operations. For example, emergency alarms have been installed in each apartment. The Group has also set up GPS and CCTVs in the elderly residential area so if any emergency happens, the medical team is able to locate the residents in need in a timely manner. Also, the elderly residential properties have been equipped with smart living systems which enable the residents to control most of the electronic appliances through a single user-friendly panel.

In an effort to uphold high service standards, a detailed set of Operational Management Manual 《營運管理手冊》 has been established to convey the management's expectation and standardize the services procedures. The Group values customer feedbacks for its continuous improvement. Detailed procedures regarding customer services and relationship management have been documented in the Customer Management and Follow-up Mechanism 《客戶管理及跟蹤機制》. Moreover, customer relation management system has been implemented to collect comments and complaints from customers and facilitate follow-up actions. A customer satisfaction survey has also been conducted in searching for improvement opportunities.

### ***Data Privacy***

Protecting data privacy of customers is one of the Group's priorities. The Group strictly complies with applicable standards, laws and regulations as well as internal policies relating to data privacy.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The hospitals have implemented a number of measures in regards to data privacy. Firstly, each consultation room only allows one patient a time in order to protect the patient's privacy. Secondly, a designated area has been set up exclusively for female patients. Thirdly, signs reminding patients and staff not to discuss private health conditions publicly have been displayed at corridors and in elevators. In 2022, patient names are partially concealed in the outpatient call system, and the "One Doctor, One Patient" (一醫一患) policy is strictly enforced during outpatient consultations or examinations. The implementation of "One Doctor, One Patient" is monitored from time to time by internal and external supervisors appointed to monitor the practice. As for the retirement village project, the Membership Information Confidentiality Policy 《會員中心信息保密制度》 has been established to govern the management of membership data. No disclosure or transfer of customers' personal information is allowed without consent or authorization by the information owner. The Shanghai Municipal Medical Insurance Bureau also requires nursing homes to sign information security agreements with internet companies that provide Hospital Information System (HIS) support services to protect personal privacy.

In addition, in respect of the protection and safeguarding of intellectual property rights, the Group strictly follows the policies and regulations of the State and regulatory authorities. It also establishes System for the Transfer of Results and Application of Technology Promotion 《成果转化和技術推廣應用制度》, System for the Management of Patent Applications 《專利申請管理制度》, System for the Management of Paper Publication 《論文發表管理制度》, according to which the work related to the protection of intellectual property rights is carried out and managed.

During the Year, the Group did not note any material non-compliance against products, services, advertising and data-privacy related laws and regulations.

### **B7 Anti-corruption**

#### ***Anti-Bribery and Corruption and Anti-Money Laundering***

The Group upholds the culture of openness, accountability and integrity and requires all staff to strictly comply with personal and professional code of conduct. The Group has required suppliers and their staff to sign-off anti-corruption agreement and strictly prohibits acceptance of bribes and rebates. Furthermore, anti-bribery and corruption policies have been included in the staff handbook to stipulate the ethical expectations. The Group has established internal and external whistleblowing channels and performed regular review on internal management effectiveness. Also, the Group has established comprehensive authorization structure, approval process and management system.

Terms regarding anti-bribery and corruption and anti-money laundering have been added to the employment contract and relevant policies.

In regards to property development project, the Group advocates third party monitoring and consulting, such as engaging independent project monitoring contractors and independent project settlement consultants. Meanwhile, the Group has offered anti-corruption training to staff and encouraged staff to report any fraudulent activities, thereby raising their awareness of anti-corruption and anti-money laundering.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### *Anti-Corruption Training*

NJH strictly follows the organizational ethics practice development headed by the president and the secretary of the party committee to implement the ethics practice in the hospital properly. To achieve the consciousness of anti-corruption, NJH:

- Established a system of regular inspection, feedback and notification, with social ethics supervisors (14 members) formally employed by the unit from various sectors of society and internal ethics supervisors (20 members) from various sections to carry out occasional ethics inspections.
- Set up a supervision telephone (86-02566988202) facing the whole society and all staff; public complaint email: the office reporting email: hfb@njtrh.org.
- Conducted anti-corruption training around the “List of Responsibilities for the Construction of Practice in Nanjing Health and Health System in 2022” 《2022年南京市衛生健康系統行風建設責任清單》 and organized the signing of the “Letter of Responsibilities for the Construction of Practice” 《執業建設責任書》 for 2022 by all department heads and the signing of the “Letter of Commitment for the Construction of Practice by Medical Staff” 《醫務人員行風建設承諾書》 by all medical staff of the hospitals.
- Conducted monthly joint inspections of the style of practice of functional departments, focusing on work discipline, service flow, hospital environment, quality service, medical norms, clean practice of medicine (nine guidelines), four rows and one control, hospital affairs openness and other aspects of supervision and inspection of the style of practice, 10 joint inspections of the style of practice have been completed in 2022. Carry out various forms of professional ethics and medical ethics education activities, a total of five sessions of medical ethics and medical ethics education in 2022, 24 December 2022 for all hospital party members, reserve party members, party activists to carry out training on the Nine Guidelines for Integrity in the Practice of Medicine 《醫療機構工作人員廉潔從業九項準則》 for staff of medical institutions.
- On 23 February 2022, training on “Communication skills between doctors and patients” 《醫患溝通技巧》 was organised for all hospital staff; on 1 July 2022, training on “How to handle customer service complaints” 《如何處理客服投訴》 was organised for complaint handling staff of all departments; and training on “Protection of minors law and mandatory reporting system” 《未成年人保護法及強制報告制度》 was organised for all hospital staff, etc., with a view to improving the treatment and service level of medical staff.
- On 1 August 2022, the Group organized a training session for new employees on “the first lesson of induction: practicing medicine according to the law and practicing medicine with integrity” to guide new employees to know how to respect and speak the rules, to be fearful and keep the bottom line, and to build the first line of defense for practicing medicine according to the law and practicing medicine with integrity from an ideological perspective.

In 2021, KMH formulated the “Kunming Tongren Hospital Medical Ethics Evaluation Plan” (昆明同仁醫院德醫評價方案), which is assessed at the end of each year. The plan is to ensure the integrity and self-discipline of the entire hospital and the construction of a “clean” hospital. In 2022, KMH required the medical department, nursing department, medical engineering department, pharmacy department, marketing management department, medical insurance office and operations management department to conduct regular self-inspection and submit self-inspection and self-correction reports on time.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Year, there was no concluded legal case or non-compliance with applicable laws and regulations noted within the Group.

### B8 Community Investment

#### **Corporate Responsibility**

The Group is committed to giving back to the community while expanding its businesses. On one hand, the Group helps developing the healthcare industry by cultivating more medical professionals for the succession of invaluable medical knowledge, skills and experience. On the other hand, the Group supports charitable activities and engage in a wide range of social events such as caring for the disabled or elderly, providing medical supports to the underserved, and organizing health talks and blood donations to fulfil the corporate social responsibility.

#### **Healthcare Division**

The public welfare projects that KMH organized and participated in during the Year are listed below:

- Over the years, KMH has insisted on carrying out public welfare assistance and practicing medical social responsibility. Since 2014, the hospital has joined hands with four public welfare foundations, namely Aiyou (愛佑), Chenglong (成龍), Sohu (搜狐) and Siboen (視博恩), to carry out screening and free treatment programs for children with congenital heart disease from poor families in the province with the strong support of governments across Yunnan Province. The hospital's congenital heart disease screening team has covered 146 townships in 12 cities and 29 counties, screening a total of 910,000 school-age and preschool-age children by 2022, diagnosing 5,200 children with congenital heart disease and providing free surgery for 1,600 children with congenital heart disease from poor families who are eligible for surgery, with the total amount of aid reaching RMB20,800,000 at present.
- **Implement Love without boundary, Welfare for the public**  
KMH has continued to recommend the Love without boundary, Welfare for the public Project (大愛無疆·造福大眾) to provide medical aid, oxygen machines and scholarships for children with pneumoconiosis in Yunnan. Up to now, 566 people have been treated for pneumoconiosis, and the amount of aid has reached RMB5,060,000. Since 2021, the Group has joined hands with Chi Shan Charity Foundation (智善公益基金) to carry out the China Dream — Spine Project (中國夢·脊柱工程) to help patients with spinal deformities in Yunnan, and up to now, the Group has rescued 12 cases of patients with spinal deformities.
- **Implement Medical Responsibility, and provide convenient healthcare service**  
In 2022, with caring for the elderly as the core, the Group effectively promoted the combination of medical and elderly care services, and fully devoted to the social responsibility and humanistic care of the hospital. Experts mainly from the Department of Internal Medicine regularly visited 13 eldercare institutions such as Hongqi (紅旗), Shulin (書林), and Urban Baishou (柏壽) for 71 times and conducted health guidance every week, providing health services for nearly 1,000 elderly people.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

At the same time, the Group has strengthened linkages with communities, construction sites, and enterprises, and implemented free health clinics, public health examinations, and health education around the hospital. In terms of public health check-ups, more than 300 community residents were given health check-ups and more than 500 copies of hospital brochures and popular science manuals were distributed; at the same time, a total of 83 times of various kinds of health consultations and health advice activities were held regularly, with the active participation of experts from various departments such as Chinese medicine, stomatology, cardiovascular medicine, neurology and respiratory medicine, providing free check-ups, health advice, popular science knowledge and other voluntary services for the general public. In addition, the Group provided health consultation services to more than 3,000 people in the surrounding communities and construction sites to enhance the reputation and influence of the hospital.

In addition, the hospital actively cooperated with the atrial fibrillation center, stroke center, and heart failure center in the hospital, and invited 5 community network hospitals, including Fuhai (福海), Qianwei Community (前衛), and Jinhe Community (金河), to participate in the training and inspection of the hospital and to build a bridge of communication for strengthening regional treatment and promoting the construction of hospital centers.

- **Strengthen cross region linkage, and promote hospital branding**

In 2022, KMH successfully carried out a public welfare activity of medical check-ups with the theme of “Healthy Tongren Walk and Warmth Again” (健康同仁行温暖再出發), providing free medical check-ups for more than 10,000 taxi drivers throughout Kunming, and conducting health lectures and first aid training for them to help the majority of drivers understand their health conditions in a timely manner. So far, more than 5,000 drivers have signed up for this activity, and the hospital has completed free medical check-ups for hundreds of drivers. In the future, KMH will actively take up its social responsibility and adhere to the bottom of public welfare.

The hospital also provided technical assistance to local hospitals, and effectively promoted the brand of Tongren Hospital and its popularity. At the same time, under the opportunity of spinal deformity and congenital heart disease, the screening was jointly carried out with Shilin County Disabled Persons’ Federation (石林縣殘疾人聯合會), Shilin County Maternal and Child Health Hospital (石林縣婦幼保健院), and the Second People’s Hospital of Honghe Prefecture (紅河州第二人民醫院), in order to promote the public welfare projects of spinal deformity relief and congenital heart disease relief. The hospital actively searched for the source of the disease, benefited more patients with spinal deformities and congenital heart disease in Yunnan, and expanded the influence of the hospital in prefectures.

NJH also encourages medical staff to use their spare time to join the community and enterprises as hospital volunteers to carry out public welfare activities. Among them, the Cochlear Implant Charity Relief Project is funded by district-level charities, and the hospital is equipped with superior technology to carry out diagnosis and treatment activities.

To popularize basic health knowledge, improve the health awareness and medical treatment awareness of surrounding citizens, NJH carried out the following special public welfare projects, including Cochlear Implant Charity Relief Project, Scoliosis screening in children, Adolescent Vision Prevention and Control, etc..

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

NJH reached out to communities and enterprises to carry out health talks on 8 March 2022 Women's Day, charity clinics, first aid training, etc. Through public welfare activities, the hospital further strengthened its communication with the surrounding communities, enterprises and other units, and established its public welfare image. 19 various public welfare activities were completed in 2022.

To disseminate basic health knowledge and raise the health awareness and medical awareness of the surrounding citizens, the following special public welfare projects are carried out: Cochlear implant charity aid project; Scoliosis screening for children; Youth vision prevention and control; The Disabled Persons' Federation Rehabilitation Programme for Children with Cerebral Palsy; CPR First Aid Training Programme and Health of Women Workers in Enterprises.

Also, in 2022, 3,954 hours of voluntary service were spent. Social workers and volunteers carried out caring activities for the elderly: visiting the "Huixiangfu" (慧享福) nursing home to carry out voluntary medical consultations and room inspections. Organised a series of activities for the Chung Yeung Festival and a group birthday party for the elderly residents.

During the Year, KMH focused on community health clinic, public health check-ups, nursing home check-ups, construction site volunteer first aid drills, local and state expert consultations; in the area of public welfare project contributions: public welfare assistance for children with congenital heart disease, pneumoconiosis patients, spinal deformity patients and humanistic care in various states of Yunnan Province.

### *Eldercare Division*

At the beginning of 2020, STHC (天地健康城社區) applied to join the Yangtze River Delta Remote Elderly Community Alliance (長三角異地養老共同體聯盟) to exchange information with various pension institutions in the Yangtze River Delta to better promote its own brand, and also provided visits and data support for relevant national pension scientific research units and pension policy research units. In 2021, STHC continued to play the role of presenting suggestions at conferences in the alliance, and welcomed more than 10 visits by the government and enterprises. In 2022, the hospital conducted regular community consultations, nursing home check-ups, site medical examinations and consultations with experts from the local and state medical associations. All departments of the hospital also actively participate in hospital check-ups, voluntary clinics and other health promotion, involving a total of 60 medical and nursing staff, involving more than 20 departments throughout the hospital, including gynaecology, ultrasound, stomatology, cardiovascular medicine, cardiothoracic surgery, spinal cord, emergency medicine, urology, renal endocrinology and traditional Chinese medicine. The 2022 Outreach screening team of eight people spent 111 days of the year screening and volunteering.

The Group also takes advantage of its medical advantages and convenience, adhere to the principle of sharing and dedication, and actively serves the society. As an employment internship base, the Group actively cooperates with the government to provide enterprise training opportunities for teachers and students, and makes due contributions to the employment of college students. The Group also provides community party members with venues and services for party members' homes, and carries out social public welfare services through Party branches.

# INDEPENDENT AUDITOR'S REPORT



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**TO THE SHAREHOLDERS OF CHINA MEDICAL & HEALTHCARE GROUP LIMITED**

中國醫療網絡有限公司

*(Incorporated in Bermuda with limited liability)*

## OPINION

We have audited the consolidated financial statements of China Medical & HealthCare Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 78 to 173, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

## BASIS FOR OPINION

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

## KEY AUDIT MATTERS

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

1. Valuation of investment properties
2. Valuation of leasehold land and buildings

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<p><i>Valuation of investment properties</i></p> <p>Refer to Note 16 to the consolidated financial statements.</p> <p>The Group's investment property portfolio comprises industrial, commercial and residential properties located in Hong Kong and the People's Republic of China, except Hong Kong (the "PRC") and was stated at fair value of approximately HK\$557,089,000 as at 31 December 2022 with a fair value loss of approximately HK\$23,946,000 recognised in the profit or loss for the year ended 31 December 2022.</p> <p>The fair values of the Group's investment properties were measured using an investment approach, or wherever appropriate, direct comparison approach based on valuations carried out by an independent qualified professional valuer (the "Valuer").</p> <p>The inherent risk in relation to the valuation of investment properties is considered significant as the valuations are dependent on certain key assumptions and inputs, including prevailing monthly market rents, market unit rates and capitalisation rates, that require significant judgement and estimation which were subjective. Therefore, we identified the valuation of investment properties as a key audit matter.</p>	<p>Our procedures in relation to the valuation of investment properties included:</p> <ul style="list-style-type: none"> <li>• Assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors including subjectivity;</li> <li>• Understanding and evaluating key internal controls over the Group's valuation of investment properties;</li> <li>• Evaluating the outcome of prior period valuation of investment properties to assess the effectiveness of management's estimation process;</li> <li>• Evaluating the competence, capabilities, independence and objectivity of the Valuer and obtaining an understanding of the Valuer's scope of work and their terms of engagement;</li> <li>• Evaluating the appropriateness and consistency of the Valuer's valuation approaches to assess if they meet the requirements of HKFRSs and industry norms with the assistance of our valuation specialists;</li> <li>• Challenging the reasonableness of the key estimates and assumptions adopted based on available market data and our knowledge of the property industry in Hong Kong and the PRC with the assistance of our valuation specialists; and</li> <li>• Obtaining the detailed work of the Valuer on investment properties to evaluate the accuracy and relevance of key data inputs underpinning the valuations on a sample basis, including rental income, term of existing leases by comparing them to the existing leases summary of the Group or reversionary income potential by comparing fair market rents estimated by the Valuer against recent lease renewals and evaluating whether capitalisation rates adopted are comparable to the market.</li> </ul>

## INDEPENDENT AUDITOR'S REPORT

### KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<p><i>Valuation of leasehold land and buildings</i></p> <p>Refer to Note 17 to the consolidated financial statements.</p> <p>The Group's leasehold land and buildings (including leasehold land and buildings in Hong Kong, hospital buildings and other buildings in the PRC) as included in property, plant and equipment amounting to approximately HK\$1,085,312,000 were carried at fair value as at 31 December 2022 with a revaluation increase of approximately HK\$80,148,000 recognised in the other comprehensive income for the year ended 31 December 2022.</p> <p>The fair values of the Group's leasehold land and buildings were measured using a depreciated replacement cost approach, or wherever appropriate, direct comparison approach based on valuations carried out by the Valuer.</p> <p>The inherent risk in relation to the valuation of leasehold land and buildings is considered significant as the valuations are dependent on certain key assumptions and inputs, including market unit rates and depreciated replacement cost per square meter, that require significant judgement and estimation which were subjective. Therefore, we identified the valuation of leasehold land and buildings as a key audit matter.</p>	<p>Our procedures in relation to the valuation of leasehold land and buildings included:</p> <ul style="list-style-type: none"> <li>• Assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors including subjectivity;</li> <li>• Understanding and evaluating key internal controls over the Group's valuation of leasehold land and buildings;</li> <li>• Evaluating the outcome of prior period valuation of leasehold land and buildings to assess the effectiveness of management's estimation process;</li> <li>• Evaluating the competence, capabilities, independence and objectivity of the Valuer and obtaining an understanding of the Valuer's scope of work and their terms of engagement;</li> <li>• Evaluating the appropriateness and consistency of the Valuer's valuation approaches to assess if they meet the requirements of HKFRSs and industry norms with the assistance of our valuation specialists;</li> <li>• Challenging the reasonableness of the key estimates and assumptions adopted based on available market data and our knowledge of the property industry in Hong Kong and the PRC with the assistance of our valuation specialists; and</li> <li>• Obtaining the detailed work of the Valuer on leasehold land and buildings to evaluate the accuracy and relevance of key data inputs underpinning the valuations on a sample basis, including depreciated replacement cost schedules and gross floor area information and the year of completion.</li> </ul>

# INDEPENDENT AUDITOR'S REPORT

## OTHER INFORMATION

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

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

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

## RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

## INDEPENDENT AUDITOR'S REPORT

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

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.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

## INDEPENDENT AUDITOR'S REPORT

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

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

The engagement partner on the audit resulting in this independent auditor's report is Wong Tak Man, Stephen.

*Certified Public Accountants*

28 March 2023

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Revenue	6	<b>1,437,863</b>	1,463,495
Gross proceeds from sales of investments held for trading		—	2,184
<b>Total</b>		<b>1,437,863</b>	<b>1,465,679</b>
<b>Revenue</b>	6		
Goods and services from contracts with customers		<b>1,430,289</b>	1,457,285
Rental		<b>7,552</b>	6,195
Others		<b>22</b>	15
		<b>1,437,863</b>	1,463,495
Cost of goods and services		<b>(1,172,307)</b>	(1,196,037)
<b>Gross profit</b>		<b>265,556</b>	267,458
Other gains and losses, and other income	8	<b>(64,460)</b>	(60,204)
Selling and distribution costs		<b>(4,036)</b>	(2,667)
Administrative expenses		<b>(255,214)</b>	(222,764)
Impairment loss of goodwill	22	—	(34,043)
<b>Loss from operations</b>		<b>(58,154)</b>	(52,220)
Finance costs	9	<b>(59,015)</b>	(58,248)
<b>Loss before taxation</b>		<b>(117,169)</b>	(110,468)
Income tax expense	12	<b>(1,976)</b>	(16,802)
<b>Loss for the year</b>	13	<b>(119,145)</b>	(127,270)
<b>Attributable to:</b>	15		
Owners of the Company		<b>(123,574)</b>	(137,296)
Non-controlling interests		<b>4,429</b>	10,026
		<b>(119,145)</b>	(127,270)
<b>Loss per share</b>	15		(Restated)
Basic		<b>HK(17.07) cents</b>	HK(18.96) cents
Diluted		<b>N/A</b>	N/A



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 HK\$'000	2021 HK\$'000
<b>Loss for the year</b>	<b>(119,145)</b>	<b>(127,270)</b>
<b>Other comprehensive income:</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Net change on debt instruments at fair value through other comprehensive income ("FVTOCI")	(2)	80
Revaluation reserve of financial assets at FVTOCI reclassified to profit or loss upon redemption	(1,098)	—
Exchange differences on translating foreign operations	(78,255)	28,041
	<b>(79,355)</b>	<b>28,121</b>
<i>Items that will not be reclassified to profit or loss:</i>		
Gain on revaluation of leasehold land and buildings included in property, plant and equipment	80,148	20,811
Deferred tax arising from revaluation of leasehold land and buildings included in property, plant and equipment	(20,045)	(5,040)
	<b>60,103</b>	<b>15,771</b>
<b>Other comprehensive income for the year, net of tax</b>	<b>(19,252)</b>	<b>43,892</b>
<b>Total comprehensive income for the year</b>	<b>(138,397)</b>	<b>(83,378)</b>
<b>Attributable to:</b>		
Owners of the Company	(145,655)	(84,477)
Non-controlling interests	7,258	1,099
	<b>(138,397)</b>	<b>(83,378)</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Notes	2022 HK\$'000	2021 HK\$'000
<b>Non-current assets</b>			
Investment properties	16	557,089	806,445
Property, plant and equipment	17	1,480,940	1,541,800
Right-of-use assets	18	130,156	152,309
Loan receivable	27	—	—
Interests in associates	19	—	—
Financial assets at fair value through profit or loss	20	802	802
Goodwill	22	—	—
Deposits for acquisition of property, plant and equipment		30,114	6,087
		<b>2,199,101</b>	<b>2,507,443</b>
<b>Current assets</b>			
Inventories	23	35,313	26,675
Properties under development for sale	24	185,606	6,488
Properties held for sale	24	91,688	114,207
Debt instruments at FVTOCI	21	—	4,682
Investments held for trading	25	12,089	14,791
Debtors, deposits and prepayments	26	94,654	178,090
Pledged bank deposits	28	24,319	46,678
Restricted bank deposits	28	714	13,994
Bank balances and cash	28	589,050	576,490
		<b>1,033,433</b>	<b>982,095</b>
<b>Current liabilities</b>			
Creditors, deposits, receipts in advance and accrued charges	29	419,705	562,145
Deposits received on sales of properties		1,757	1,910
Contract liabilities	31	40,744	40,777
Amount due to an associate	32	6,178	6,726
Borrowings	33	544,816	603,533
Lease liabilities	30	5,979	2,780
Current tax liabilities		111,539	120,604
		<b>1,130,718</b>	<b>1,338,475</b>
<b>Net current liabilities</b>		<b>(97,285)</b>	<b>(356,380)</b>
<b>Total assets less current liabilities</b>		<b>2,101,816</b>	<b>2,151,063</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Notes	2022 HK\$'000	2021 HK\$'000
<b>Non-current liabilities</b>			
Other payables		12,689	—
Contract liabilities	31	10,276	14,375
Borrowings	33	388,787	316,407
Lease liabilities	30	39,439	49,236
Deferred tax liabilities	34	71,766	53,789
		<u>522,957</u>	<u>433,807</u>
<b>Net assets</b>		<u>1,578,859</u>	<u>1,717,256</u>
<b>Capital and reserves</b>			
Equity attributable to owners of the Company			
Share capital	35	7,240	7,240
Reserves	36	1,547,702	1,693,357
		<u>1,554,942</u>	<u>1,700,597</u>
Non-controlling interests	37	23,917	16,659
<b>Total equity</b>		<u>1,578,859</u>	<u>1,717,256</u>

The consolidated financial statements on pages 78 to 173 were approved and authorised for issue by the Board of Directors on 28 March 2023 and are signed on its behalf by:

\_\_\_\_\_  
**Ms. Chong Sok Un**  
 Director

\_\_\_\_\_  
**Mr. Guo Meibao**  
 Director

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Attributable to owners of the Company								Sub-total	Non-controlling interests	Total equity
	Share capital	Share premium	Properties revaluation reserve	Investment revaluation reserve	Capital redemption reserve	Other reserve	Translation reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000 (Note 36(b)(i))	HK\$'000 (Note 36(b)(ii))	HK\$'000 (Note 36(b)(iii))	HK\$'000 (Note 36(b)(iv))	HK\$'000 (Note 36(b)(v))	HK\$'000	HK\$'000	HK\$'000 (Note 37)	HK\$'000
As at 1 January 2021	7,240	2,621,374	79,707	1,020	2,496	(796,531)	50,158	(180,390)	1,785,074	15,560	1,800,634
(Loss)/profit for the year	—	—	—	—	—	—	—	(137,296)	(137,296)	10,026	(127,270)
Other comprehensive income for the year	—	—	25,091	80	—	—	27,648	—	52,819	(8,927)	43,892
Total comprehensive income for the year	—	—	25,091	80	—	—	27,648	(137,296)	(84,477)	1,099	(83,378)
As at 31 December 2021 and 1 January 2022	7,240	2,621,374	104,798	1,100	2,496	(796,531)	77,806	(317,686)	1,700,597	16,659	1,717,256
(Loss)/profit for the year	—	—	—	—	—	—	—	(123,574)	(123,574)	4,429	(119,145)
Other comprehensive income for the year	—	—	55,469	(1,100)	—	—	(76,450)	—	(22,081)	2,829	(19,252)
Total comprehensive income for the year	—	—	55,469	(1,100)	—	—	(76,450)	(123,574)	(145,655)	7,258	(138,397)
<b>As at 31 December 2022</b>	<b>7,240</b>	<b>2,621,374</b>	<b>160,267</b>	<b>—</b>	<b>2,496</b>	<b>(796,531)</b>	<b>1,356</b>	<b>(441,260)</b>	<b>1,554,942</b>	<b>23,917</b>	<b>1,578,859</b>



# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 HK\$'000	2021 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(117,169)	(110,468)
Adjustments for:		
Interest income	(3,958)	(1,423)
Depreciation of property, plant and equipment	94,290	98,422
Depreciation of right-of-use assets	10,403	6,107
Impairment loss under expected credit loss model	34,711	68,905
Impairment loss of goodwill	—	34,043
Provision for properties under development for sale	5,000	—
Provision for properties held for sale	6,856	7,228
Written off of property, plant and equipment	12,124	—
Loss/(gain) on disposal of property, plant and equipment	470	(19)
Finance costs	59,015	58,248
Net unrealised loss on fair value of investments held for trading	2,702	5,681
Fair value changes on investment properties	23,946	(2,290)
Operating profit before working capital changes	128,390	164,434
Increase in inventories	(11,183)	(4,917)
Increase in properties under development for sale	(3,745)	—
Decrease in properties held for sale	6,816	22,850
Decrease in investments held for trading	—	1,287
Decrease/(increase) in debtors, deposits and prepayments	43,119	(16,269)
(Decrease)/increase in creditors, bills payable and accrued charges	(94,517)	143,371
Increase/(decrease) in deposits received on sales of properties	1	(4,211)
Decrease in customers' deposits and receipts in advance	(6,316)	(18,701)
Increase in contract liabilities	372	678
Increase in other payables	13,126	—
Cash generated from operations	76,063	288,522
Interest paid	(55,298)	(57,877)
Interest on lease liabilities	(3,717)	(371)
Income taxes paid, net	(5,622)	(10,855)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>11,426</b>	<b>219,419</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 HK\$'000	2021 HK\$'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Redemption of debt instruments at FVTOCI	3,582	—
Placement of pledged bank deposits/restricted bank deposits	(127,544)	(129,504)
Withdrawal of pledged bank deposits/restricted bank deposits	159,300	103,186
Interest received	3,958	1,423
Additions of investment properties	—	(6,714)
Additions of property, plant and equipment	(106,814)	(148,462)
Deposits paid for acquisition of property, plant and equipment	(31,153)	(6,006)
Proceeds from disposal of property, plant and equipment	47	1,012
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(98,624)</b>	<b>(185,065)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
New borrowings raised	622,178	475,182
Repayment of borrowings	(530,494)	(550,130)
Principal element of lease payments	(2,765)	(4,201)
<b>NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES</b>	<b>88,919</b>	<b>(79,149)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,721</b>	<b>(44,795)</b>
Effect of foreign exchange rate changes	10,839	4,811
<b>CASH AND CASH EQUIVALENTS AS AT 1 JANUARY</b>	<b>576,490</b>	<b>616,474</b>
<b>CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER</b>	<b>589,050</b>	<b>576,490</b>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Bank balances and cash	589,050	576,490

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 1. GENERAL INFORMATION

China Medical & HealthCare Group Limited (the “Company”) was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are disclosed on page 2 of the annual report.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company.

The Company is an investment holding company. The activities of its principal subsidiaries are set out in Note 46 to the consolidated financial statements.

## 2. BASIS OF PREPARATION

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

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

The Group incurred a net loss of HK\$119,145,000 during the year ended 31 December 2022 and, as of 31 December 2022, the Group’s current liabilities exceeded its current assets by HK\$97,285,000. The directors have reviewed the Group’s cash flow projections in which the level of the demand of the Group’s services and products and the potential implications of COVID-19 have been considered. The projection covers a period of 12 months from 31 December 2022. Taking into account that (i) there exists the ongoing availability of finance to the Group, including the cash flows generated from its principal operations, the existing banking facilities, successful refinancing of certain bank borrowings of HK\$33,700,000 subsequent to the reporting period and the utilisation of the medium term standby loan facility (“Medium Term Standby Loan Facility”) of HK\$415,000,000 from a financial institution if necessary; (ii) the Medium Term Standby Loan Facility gives the Group more flexibility in refinancing the Group’s current liabilities with non-current borrowings; (iii) given the Group’s relatively low gearing level, it can raise additional finance, if necessary; and (iv) the Group generated positive cash flows from operations in the current and prior year, the directors are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next 12 months from the end of the reporting period. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 3. ADOPTION OF NEW AND REVISED HKFRSs

### (a) Application of new and revised HKFRSs

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

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Annual Improvements Project	Annual Improvements to HKFRS Standards 2018–2020

The Group did not change its accounting policies or make retrospective adjustments as a result of adopting the abovementioned amended standards or annual improvements.

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

### (a) Consolidation

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

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Consolidation (Continued)

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

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

### (b) Separate financial statements

In the Company's statement of financial position, investments in subsidiaries are stated at cost less accumulated impairment losses. Cost includes direct attributable costs of investments. The results of subsidiaries are accounted for by the Company on the basis of dividend received or receivable.

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

### (c) Business combination and goodwill

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Business combination and goodwill (Continued)

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

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

### (d) Associates

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Associates (Continued)

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

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

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

### (e) Foreign currency translation

#### (i) *Transactions and balances in each entity's financial statements*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Foreign currency translation (Continued)

#### (ii) Translation on consolidation

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

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in the translation reserve.

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

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

### (f) Property, plant and equipment

Property, plant and equipment are held for use in the supply of goods or services, or for administrative purposes (other than construction in progress as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Property, plant and equipment (Continued)

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as “right-of-use assets” in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Leasehold land and buildings held for use in the supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation of revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to accumulated losses.

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

Leasehold land and buildings	Over the shorter of the lease terms, and 30–50 years
Computer, medical and electronic equipment	10–20%
Furniture and fixtures	20%
Office equipment	20%
Motor vehicles	20%–50%

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

Construction in progress represents buildings under construction and plant and equipment pending installation, and is stated at cost less accumulated impairment losses. Depreciation begins when the relevant assets are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Property, plant and equipment (Continued)

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

### (g) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rentals and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time.

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

An investment property is derecognised upon disposal or when the investment property is withdrawn from use. Any gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss. Rental income from investment properties is accounted for as described in Note 4(t) to the consolidated financial statements.

### (h) Leases

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

#### (i) The Group as a lessee

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

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) Leases (Continued)

#### (i) *The Group as a lessee (Continued)*

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

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the subsidiaries of the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

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

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

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments (“HKFRS 9”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) Leases (Continued)

#### (i) *The Group as a lessee (Continued)*

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

#### (ii) *The Group as a lessor*

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

#### (iii) *Sale and leaseback transactions*

The Group applies the requirements of HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") to assess whether sale and leaseback transaction constitutes a sale by the Group.

For a transfer that does not satisfy the requirement as a sale, the Group as a seller-lessee accounts for the transfer proceeds as borrowings within the scope of HKFRS 9.

### (i) Inventories

Inventories, which comprise medicines, other medical and general consumable for hospital operations, are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

### (j) Properties under development for sale and held for sale

Properties under development for sale and held for sale are stated at the lower of cost and net realisable value. Costs include the acquisition cost of interest in leasehold land, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. When development is completed, borrowing costs and other holding charges are expensed as incurred. Net realisable value is the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

On completion, the properties under development for sale are reclassified to properties held for sale at the then carrying amount.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Contract liabilities

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

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

### (l) Recognition and derecognition of financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (“FVTPL”)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### (m) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (m) Financial assets (Continued)

#### *Debt instruments*

Debt instruments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the instrument is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the instrument is calculated using the effective interest method. Typically trade receivables, other receivables, bank and cash balances are classified in this category.
- Fair value through other comprehensive income (“FVTOCI”) — recycling, if the contractual cash flows of the instrument comprise solely payments of principal and interest and the instrument is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses (“ECL”), interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the instrument is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss. Typically debt instruments at FVTOCI is classified in this category.
- FVTPL if the instrument does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the instrument (including interest) are recognised in profit or loss.

#### *Equity instruments*

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

### (n) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL.

### (p) Financial liabilities and equity instruments

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

### (q) Borrowings

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

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

### (r) Trade and other payables

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

### (s) Equity instruments

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (t) Revenue and other income

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

Revenue is recognised over time when the Group transfers control of the services over time, based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and consumes the benefits simultaneously.

For revenue from healthcare services, except for the revenue from the provision of beds for inpatient admissions, the revenue of healthcare services is recognised at a point in time, i.e. when the services are provided. For the revenue from the provision of beds for inpatient admissions, for which the control of the services is transferred when the Group had provided the related services over time, revenue is recognised when the patients simultaneously receive and consume the benefits provided by services over time.

For revenue from certain eldercare related services, for which the control of the services is transferred when the Group had provided the related services over the time, revenue is recognised when the customers simultaneously receive and consume the benefits provided by the eldercare related services over time. For revenue from remaining eldercare related services is recognised at a point in time, i.e. when the services are provided.

Revenue from sales of pharmaceutical and nutritions is recognised at the point when the control of the products has transferred, being at the point the customer receives the pharmaceutical and nutritions. Payment of the transaction price is due immediately at the point the customer receives the pharmaceutical and nutritions.

Revenue from sales of completed properties is recognised at a point in time when the underlying property is transferred to the customer. Deposits and instalments received on properties sold prior to the date of revenue recognition are contract liabilities and included in the consolidated statement of financial position as "Deposits received on sales of properties".

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVTOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

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

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (u) Employee benefits

#### (i) Retirement benefits scheme

The Group operates a number of defined contribution retirement schemes in Hong Kong. Contributions are made based on certain percentages of the employee's basic salaries.

The employees of the Group's subsidiaries established in the People's Republic of China, except Hong Kong (the "PRC") are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

#### (ii) Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of reporting period.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

### (v) Borrowing costs

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

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (w) Government subsidies

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

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

### (x) Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries 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.

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (x) Taxation (Continued)

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

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 right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

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

### (y) PRC land appreciation tax ("LAT")

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation amount of land value, being the proceeds from sales of properties less deductible expenditures. LAT is recognised as an income tax expense. LAT paid is a deductible expense for the PRC corporate income tax ("CIT") purposes.

### (z) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (z) Impairment of non-financial assets (Continued)

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### (aa) Impairment of financial assets

The Group recognises a loss allowance for ECL on investments in debt instruments that are measured at amortised cost or at FVTOCI, debtors, deposits, loan receivable, pledged/restricted bank deposits and bank balances. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated by applying simplified approach using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represent the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

### ***Significant increase in credit risk***

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (aa) Impairment of financial assets (Continued)

#### *Significant increase in credit risk (Continued)*

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (i) The financial instrument has a low risk of default,
- (ii) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- (iii) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "low risk". Low risk means that the counterparty has a low risk of default and does not have any past due amounts.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (aa) Impairment of financial assets (Continued)

#### *Significant increase in credit risk (Continued)*

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

#### *Definition of default*

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

#### *Credit-impaired financial assets*

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (aa) Impairment of financial assets (Continued)

#### *Write-off policy*

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

#### *Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL are estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. 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.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

### (ab) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (ab) Provisions and contingent liabilities (Continued)

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

### (ac) Events after the reporting period

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

## 5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

In applying the Group's accounting policies, which are described in Note 4 to the consolidated financial statements, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

### Critical judgements in applying accounting policies

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

#### (a) *Deferred tax for investment properties*

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in the opinion of directors, all of the Group's investment properties which are depreciable are held within this business model. Accordingly, deferred taxation in relation to the Group's investment properties has been measured based on the tax consequences of recovering the carrying amounts entirely through use.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

### Critical judgements in applying accounting policies (Continued)

#### **(b) Significant increase in credit risk**

As explained in Note 4(aa) to the consolidated financial statements, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

#### **Key sources of estimation uncertainty**

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

#### **(a) Income taxes**

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year, HK\$1,976,000 (2021: HK\$16,802,000) of income tax was charged to profit or loss based on the estimated profit from operations.

#### **(b) Fair values of investment properties and leasehold land and buildings**

The Group appointed an independent qualified professional valuer to assess the fair values of the investment properties and leasehold land and buildings (including leasehold land and buildings in Hong Kong, hospital buildings and other buildings in the PRC). In determining the fair values, the independent qualified professional valuer has utilised valuation approaches which involve certain estimates. The management of the Group has exercised its judgement and is satisfied that the valuation approaches and inputs used are reflective of the current market conditions.

Whilst the Group considers valuations of the Group's investment properties and leasehold land and buildings are the best estimates, the ongoing COVID-19 pandemic has resulted in greater market volatility depending on how the COVID-19 pandemic may progress and evolve, which have led to high degree of uncertainties in respect of the valuations in the current year.

As at 31 December 2022, the carrying amounts of investment properties and leasehold land and buildings were HK\$557,089,000 (2021: HK\$806,445,000) and HK\$1,085,312,000 (2021: HK\$1,193,509,000) respectively.

Notes 16 and 17 to the consolidated financial statements provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair values of the investment properties and leasehold land and buildings respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

### Key sources of estimation uncertainty (Continued)

#### (c) *Impairment assessment of loan receivable*

The Group performs impairment assessment under ECL model on the loan receivable. The Group has a policy for assessing the impairment on loan receivable on an individual basis. The assessment includes evaluation of collectability and aging analysis of the loan receivable and on management's judgement on creditworthiness, collaterals and past collection history of each borrower. In determining the recoverability of the loan receivable, the Group will consider the change in the credit quality of the loan receivable, if any, from the date the loan was initially granted up to the reporting date. This includes assessing the credit history of the borrower, such as past experience of financial difficulties or default in payments, and current market conditions. The provision of ECL is sensitive to changes in estimates, the management of the Group has exercised judgement and made such estimation and is satisfied that the estimations are reflective of the current market and the loan receivable's specific conditions.

As at 31 December 2022, the carrying amount of loan receivable was HK\$Nil (net of allowance for loan receivable of HK\$95,215,000) (2021: HK\$Nil (net of allowance for loan receivable of HK\$95,215,000)). Details of the Group's loan receivable and its provision of ECL are disclosed in Notes 27 and 43(c) to the consolidated financial statements respectively.

#### (d) *Impairment assessment of property, plant and equipment and right-of-use assets*

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (i) whether an event has occurred or any indicators that may affect the asset value; (ii) 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 (iii) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

As at 31 December 2022, the carrying amounts of property, plant and equipment and right-of-use assets were HK\$1,480,940,000 (2021: HK\$1,541,800,000) and HK\$130,156,000 (2021: HK\$152,309,000) respectively.

#### (e) *Impairment assessment of trade receivables*

The management of the Group estimates the amount of impairment loss for ECL on trade receivables based on the credit risk of trade receivables. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 December 2022, the carrying amount of trade receivables is HK\$72,136,000 (net of allowance for credit losses of HK\$5,867,000) (2021: HK\$148,403,000 (net of allowance for credit losses of HK\$2,519,000)).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

### Key sources of estimation uncertainty (Continued)

#### (f) Provision for properties under development for sale and properties held for sale

The Group performs regular reviews on the estimated net realisable values of the properties under development for sale and properties held for sale in order to assess if, when the estimated net realisable values declining below the corresponding carrying amounts, any provision for properties under development for sale and properties held for sale is required. The management of the Group has taken into account of the prevailing market conditions and internally available information and exercised considerable judgements in making these estimates.

Provision for properties under development for sale of HK\$5,000,000 (2021: HK\$Nil) and properties held for sale of HK\$6,856,000 (2021: HK\$7,228,000) were made for the year ended 31 December 2022 and their accumulated provisions were HK\$5,000,000 (2021: HK\$Nil) and HK\$6,627,000 (2021: HK\$7,325,000) as at 31 December 2022 respectively.

## 6. REVENUE

	2022 HK\$'000	2021 HK\$'000
<b>Revenue from contracts with customers</b>		
Hospital fees and charges	1,382,134	1,372,032
Eldercare related services and sales of nutritions	36,194	39,011
Sales of properties	11,961	46,242
	<u>1,430,289</u>	<u>1,457,285</u>
<b>Revenue from other sources</b>		
Rental income	7,552	6,195
Dividend income from listed investments	22	15
	<u>7,574</u>	<u>6,210</u>
	<u>1,437,863</u>	<u>1,463,495</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 6. REVENUE (CONTINUED)

### (a) Disaggregation of revenue from contracts with customers

For the year ended 31 December 2022

Segments	Healthcare HK\$'000	Eldercare HK\$'000	Property development HK\$'000	Total HK\$'000
<b>Types of goods or services</b>				
Hospital fees and charges				
— Inpatient healthcare services	491,787	—	—	491,787
— Outpatient healthcare services	439,932	—	—	439,932
— Other healthcare services	17,904	—	—	17,904
— Physical examination services	114,163	—	—	114,163
— Sales of pharmaceutical	318,348	—	—	318,348
Eldercare related services	—	28,311	—	28,311
Sales of nutritions	—	7,883	—	7,883
Sales of properties	—	11,229	732	11,961
Total	1,382,134	47,423	732	1,430,289
<b>Timing of revenue recognition</b>				
At a point in time	1,354,334	29,701	732	1,384,767
Over time	27,800	17,722	—	45,522
Total	1,382,134	47,423	732	1,430,289

For the year ended 31 December 2021

Segments	Healthcare HK\$'000	Eldercare HK\$'000	Property development HK\$'000	Total HK\$'000
<b>Types of goods or services</b>				
Hospital fees and charges				
— Inpatient healthcare services	517,019	—	—	517,019
— Outpatient healthcare services	411,262	—	—	411,262
— Other healthcare services	12,483	—	—	12,483
— Physical examination services	112,071	—	—	112,071
— Sales of pharmaceutical	319,197	—	—	319,197
Eldercare related services	—	31,801	—	31,801
Sales of nutritions	—	7,210	—	7,210
Sales of properties	—	39,439	6,803	46,242
Total	1,372,032	78,450	6,803	1,457,285
<b>Timing of revenue recognition</b>				
At a point in time	1,340,994	59,081	6,803	1,406,878
Over time	31,038	19,369	—	50,407
Total	1,372,032	78,450	6,803	1,457,285

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 6. REVENUE (CONTINUED)

#### (a) Disaggregation of revenue from contracts with customers (Continued)

All the revenue from contracts with customers are derived from the PRC.

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

*For the year ended 31 December 2022*

	Healthcare HK\$'000	Eldercare HK\$'000	Property development HK\$'000
Revenue disclosed in segment information	1,382,134	49,787	732
Less: Rental income	—	(2,364)	—
Revenue from contracts with customers	<u>1,382,134</u>	<u>47,423</u>	<u>732</u>

*For the year ended 31 December 2021*

	Healthcare HK\$'000	Eldercare HK\$'000	Property development HK\$'000
Revenue disclosed in segment information	1,372,032	79,889	6,803
Less: Rental income	—	(1,439)	—
Revenue from contracts with customers	<u>1,372,032</u>	<u>78,450</u>	<u>6,803</u>

#### (b) Transaction price allocated to the remaining performance obligation for contracts with customers

All the Group's contracts with customers in relation to healthcare services, eldercare related services, sales of pharmaceutical and nutritions and property development had an original expected duration of one year or less. The Group has applied the practical expedient in paragraph 121 of HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 7. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports according to the types of goods or services delivered and provided, and are regularly reviewed by the chief operating decision-maker (the “CODM”) to allocate resources to the segments and to assess their performance.

The CODM which is responsible for allocating resources and assessing performance of the operating segments has been defined as the executive directors of the Company.

During the year ended 31 December 2022, the CODM has identified the following six operating and reportable segments under HKFRS 8 Operating Segments. No operating segments have been aggregated to form the following reportable segments.

Healthcare — operations of hospitals in the PRC.

Eldercare — property development of independent living units and project management of health campus in the PRC with focus on eldercare and retirement community, which consist of an elderly nursing home, service apartments, independent living units and a commercial area comprising a shopping mall, retail shops and club hall facilities.

Property development — developing and selling of properties and land in the PRC.

Property investment — leasing of residential and office properties.

Financial services — provision of loan financial services.

Securities trading and investments — trading of securities in Hong Kong and overseas markets.

The accounting policies of the operating and reportable segments are the same as the Group’s accounting policies described in Note 4 to the consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 7. SEGMENT INFORMATION (CONTINUED)

#### Segment revenue and results

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

*For the year ended 31 December 2022*

	Healthcare HK\$'000	Eldercare HK\$'000	Property development HK\$'000	Property investment HK\$'000	Financial services HK\$'000	Securities trading and investments HK\$'000	Consolidated HK\$'000
Gross proceeds from sales of investments held for trading	—	—	—	—	—	—	—
Revenue	1,382,134	49,787	732	5,188	—	22	1,437,863
Segment profit/(loss)	12,828	(51,169)	(24,329)	(9,397)	(5,202)	(2,594)	(79,863)
Unallocated:							
Other gains and losses, and other income							3,100
Net foreign exchange loss							(15,653)
Central corporate expenses							(24,638)
Finance costs							(115)
Loss before taxation							(117,169)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 7. SEGMENT INFORMATION (CONTINUED)

### Segment revenue and results (Continued)

The following is an analysis of the Group's revenue and results by operating and reportable segments: (Continued)

For the year ended 31 December 2021

	Healthcare HK\$'000	Eldercare HK\$'000	Property development HK\$'000	Property investment HK\$'000	Financial services HK\$'000	Securities trading and investments HK\$'000	Consolidated HK\$'000
Gross proceeds from sales of investments held for trading	—	—	—	—	—	2,184	2,184
Revenue	1,372,032	79,889	6,803	4,756	—	15	1,463,495
Segment profit/(loss)	59,573	(72,135)	439	6,296	(75,000)	(4,506)	(85,333)
Unallocated:							
Other gains and losses, and other income							8,693
Net foreign exchange loss							(8,030)
Central corporate expenses							(25,745)
Finance costs							(53)
Loss before taxation							(110,468)

All of the segment revenue reported above is generated from external customers.

Segment profit/(loss) represents the profit earned/losses incurred by each segment without allocation of certain other gains and losses, and other income, certain net foreign exchange loss, central corporate expenses and certain finance costs.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 7. SEGMENT INFORMATION (CONTINUED)

#### Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segments:

#### As at 31 December 2022

	Healthcare HK\$'000	Eldercare HK\$'000	Property development HK\$'000	Property investment HK\$'000	Financial services HK\$'000	Securities trading and investments HK\$'000	Consolidated HK\$'000
Segment assets	1,701,908	824,081	61,679	229,372	—	12,442	2,829,482
Corporate assets							403,052
Consolidated assets							3,232,534
Segment liabilities	1,066,176	539,350	35,513	2,142	2,477	—	1,645,658
Corporate liabilities							8,017
Consolidated liabilities							1,653,675

#### As at 31 December 2021

	Healthcare HK\$'000	Eldercare HK\$'000	Property development HK\$'000	Property investment HK\$'000	Financial services HK\$'000	Securities trading and investments HK\$'000	Consolidated HK\$'000
Segment assets	1,787,288	938,257	32,798	280,758	—	19,994	3,059,095
Corporate assets							430,443
Consolidated assets							3,489,538
Segment liabilities	1,162,168	546,003	45,590	6,563	—	—	1,760,324
Corporate liabilities							11,958
Consolidated liabilities							1,772,282

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 7. SEGMENT INFORMATION (CONTINUED)

### Segment assets and liabilities (Continued)

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

- all assets are allocated to operating and reportable segments other than certain property, plant and equipment, certain right-of-use assets, financial assets at FVTPL, certain debtors, deposits and prepayments and certain bank balances and cash.
- all liabilities are allocated to operating and reportable segments other than certain creditors, deposits, receipts in advance and accrued charges and certain lease liabilities.

### Other segment information

For the year ended 31 December 2022

	Healthcare HK\$'000	Eldercare HK\$'000	Property development HK\$'000	Property investment HK\$'000	Financial services HK\$'000	Securities trading and investments HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts (credited)/charged included in the measure of segment results or segment assets								
Interest income	(1,074)	(41)	(14)	—	—	(153)	(2,676)	(3,958)
Finance costs	39,722	19,173	—	5	—	—	115	59,015
Income tax expense	1,369	607	—	—	—	—	—	1,976
Depreciation of property, plant and equipment	83,332	10,059	—	887	—	—	12	94,290
Depreciation of right-of-use assets	7,892	—	—	—	—	—	2,511	10,403
Additions to deposits for acquisition of property, plant and equipment	31,153	—	—	—	—	—	—	31,153
Additions to property, plant and equipment	102,226	4,585	—	—	—	—	3	106,814
Fair value changes on investment properties	—	11,318	—	12,628	—	—	—	23,946
Loss on fair value of investments held for trading	—	—	—	—	—	2,702	—	2,702
Impairment loss under ECL model	34,493	218	—	—	—	—	—	34,711
Provision for properties under development for sale	—	—	5,000	—	—	—	—	5,000
Provision for properties held for sale	—	5,694	1,162	—	—	—	—	6,856
Written off of property, plant and equipment	1,821	7	10,296	—	—	—	—	12,124
Net foreign exchange (gain)/loss	—	—	—	—	—	(1)	15,653	15,652
Net loss on disposal of property, plant and equipment	470	—	—	—	—	—	—	470

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 7. SEGMENT INFORMATION (CONTINUED)

### Other segment information (Continued)

For the year ended 31 December 2021

	Healthcare HK\$'000	Eldercare HK\$'000	Property development HK\$'000	Property investment HK\$'000	Financial services HK\$'000	Securities trading and investments HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts (credited)/charged included in the measure of segment results or segment assets								
Interest income	(763)	(112)	—	—	—	(217)	(331)	(1,423)
Finance costs	42,476	15,715	—	4	—	—	53	58,248
Income tax expense/(credit)	12,451	4,736	—	(385)	—	—	—	16,802
Depreciation of property, plant and equipment	90,117	7,534	—	671	—	—	100	98,422
Depreciation of right-of-use assets	3,403	—	—	—	—	—	2,704	6,107
Additions to deposits for acquisition of property, plant and equipment	6,006	—	—	—	—	—	—	6,006
Additions to property, plant and equipment	141,681	6,781	—	—	—	—	—	148,462
Additions to investment properties	—	6,714	—	—	—	—	—	6,714
Fair value changes on investment properties	—	1,404	—	(3,694)	—	—	—	(2,290)
Loss on fair value of investments held for trading	—	—	—	—	—	4,784	—	4,784
Impairment loss under ECL model	(9,182)	(313)	—	—	75,000	—	3,400	68,905
Impairment loss of goodwill	—	34,043	—	—	—	—	—	34,043
Provision for properties held for sale	—	7,228	—	—	—	—	—	7,228
Net foreign exchange (gain)/loss	—	—	—	—	—	(2,020)	8,030	6,010
Net gain on disposal of property, plant and equipment	(19)	—	—	—	—	—	—	(19)

### Information about major customers

None of the customers has individually contributed to 10% or more of the total revenue of the Group for the years ended 31 December 2022 and 2021.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 7. SEGMENT INFORMATION (CONTINUED)

### Geographical information

The Group's securities trading and investments and financial services are mainly carried out in Hong Kong. The Group's operation in property investment is carried out in Hong Kong and the PRC. The Group's operations in property development, healthcare and eldercare are located in the PRC.

The Group's revenue from external customers and information about its non-current assets by geographical location of the customers and assets (where the investment properties, property, plant and equipment, right-of-use assets and deposits for acquisition for property, plant and equipment are located) respectively are detailed below:

	Revenue from external customers For the year ended		Non-current assets (Note) As at 31 December	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Hong Kong	5,210	4,773	226,115	239,899
The PRC	1,432,653	1,458,722	1,972,184	2,266,742
	<b>1,437,863</b>	<b>1,463,495</b>	<b>2,198,299</b>	<b>2,506,641</b>

Note: Non-current assets excluded financial instruments.

### Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	2022 HK\$'000	2021 HK\$'000
Revenue from medical and consultation services (Note)	1,267,971	1,259,961
Revenue from health screening services	114,163	112,071
Revenue from eldercare related services	36,194	39,011
Revenue from rental services from property investment segment	5,188	4,756
Revenue from rental services from eldercare segment	2,364	1,439
Sales of properties related to property development segment	732	6,803
Sales of properties related to eldercare segment	11,229	39,439
Dividend income from listed investments from securities trading and investments segment	22	15
	<b>1,437,863</b>	<b>1,463,495</b>

Note: Revenue from medical and consultation services includes sales of medicine and inpatient, outpatient and consultation services income from hospital operation. In the opinion of the directors, it is time consuming and involves excessive costs to provide further analysis in respect of sales of medicines and different kind of service income of the hospital operation. Accordingly, no such information is included in the segment information.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 8. OTHER GAINS AND LOSSES, AND OTHER INCOME

	2022 HK\$'000	2021 HK\$'000
Loss on fair value of investments held for trading	(2,702)	(4,784)
Fair value changes on investment properties	(23,946)	2,290
Net foreign exchange loss	(15,652)	(6,010)
Impairment loss under ECL model	(34,711)	(68,905)
Net (loss)/gain on disposal of property, plant and equipment	(470)	19
Provision for properties under development for sale	(5,000)	—
Provision for properties held for sale	(6,856)	(7,228)
Government subsidies (Note)	5,521	575
Interest income from:		
— Debt instruments at FVTOCI	152	217
— Bank deposits	3,806	1,206
Sale of vision-aid products	5,326	2,747
Clinical training services	4,058	3,544
Subcontracting income from car parking spaces and canteen	653	820
Rental income from shopping and other areas of the hospitals	1,413	657
Forfeiture of customers' deposits and claims from suppliers	22	7,698
Other sundry income	3,926	6,950
	<b>(64,460)</b>	<b>(60,204)</b>

Note: The government subsidies mainly represent the government grants in respect of COVID-19 related subsidies for the operation of Hong Kong office and subsidies on costs incurred for operation of hospitals in the PRC with no special and unfulfilled conditions attached.

### 9. FINANCE COSTS

The finance costs represent interest as follows:

	2022 HK\$'000	2021 HK\$'000
Interest on:		
Bank and other borrowings	55,298	57,877
Lease liabilities	3,717	371
	<b>59,015</b>	<b>58,248</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 10. BENEFITS AND INTERESTS OF DIRECTORS

### (a) Directors' emoluments

The emoluments paid to or received by each of the directors and the chief executive whether of the Company or its subsidiary undertaking are as follows:

Name of directors	For the year ended 31 December 2022			
	Directors' fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefits scheme contributions HK\$'000	Total emoluments HK\$'000
<b>Executive directors (Note (a))</b>				
Ms. Chong Sok Un	—	455	18	473
Mr. Kong Muk Yin (Note (d))	—	355	3	358
Mr. Guo Meibao	—	1,465	150	1,615
Mr. Zhou Haiying (Note (e))	—	—	—	—
<b>Non-executive directors (Note (b))</b>				
Mr. Zheng Zhen (Note (f))	37	—	—	37
Mr. Lai Hin Wing Henry Stephen	150	—	—	150
Mr. Gao Zhaoyuan (Note (g))	27	—	—	27
<b>Independent non-executive directors (Note (c))</b>				
Mr. Zhang Jian	150	—	—	150
Dr. Xia Xiaoning	150	—	—	150
Dr. Wong Wing Kuen, Albert	180	—	—	180
Ms. Yang Lai Sum, Lisa	150	—	—	150
	<b>844</b>	<b>2,275</b>	<b>171</b>	<b>3,290</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 10. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

### (a) Directors' emoluments (continued)

Name of directors	For the year ended 31 December 2021			
	Directors' fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefits scheme contributions HK\$'000	Total emoluments HK\$'000
<b>Executive directors (Note (a))</b>				
Ms. Chong Sok Un	—	455	18	473
Mr. Kong Muk Yin (Note (d))	—	1,038	7	1,045
Mr. Guo Meibao	—	1,553	132	1,685
Mr. Zhou Haiying (Note (e))	—	—	—	—
<b>Non-executive directors (Note (b))</b>				
Mr. Zhou Liye (Note (e) & (h))	—	—	—	—
Dato' Wong Peng Chong (Note (i))	55	—	—	55
Mr. Zheng Zhen	150	—	—	150
Mr. Lai Hin Wing Henry Stephen	150	—	—	150
<b>Independent non-executive directors (Note (c))</b>				
Mr. Zhang Jian	150	—	—	150
Dr. Xia Xiaoning	150	—	—	150
Dr. Wong Wing Kuen, Albert	180	—	—	180
Ms. Yang Lai Sum, Lisa	150	—	—	150
	985	3,046	157	4,188

Notes:

- (a) The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.
- (b) The non-executive directors' emoluments shown above were mainly for the service as directors of the Company.
- (c) The independent non-executive directors' emoluments shown above were mainly for their service as directors of the Company.
- (d) Mr. Kong Muk Yin ceased as executive director on 13 May 2021 and has been re-appointed on 27 October 2022.
- (e) Under the service agreements for Mr. Zhou Haiying and Mr. Zhou Liye, they will not receive the director's remuneration.
- (f) Mr. Zheng Zhen resigned as non-executive director on 27 October 2022.
- (g) Mr. Gao Zhaoyuan has been appointed as non-executive director on 27 October 2022.
- (h) Mr. Zhou Liye resigned as non-executive director and ceased as Chairman of the Company on 15 April 2021.
- (i) Dato' Wong Peng Chong ceased as non-executive director on 13 May 2021.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 10. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

### (a) Directors' emoluments (continued)

Ms. Chong Sok Un, Mr. Guo Meibao and Mr. Kong Muk Yin are also the chief executive of the Company and their emoluments disclosed above include those for services rendered by them as the chief executive during the years/period.

Neither the chief executive nor any of the directors waived any emoluments during the years ended 31 December 2022 and 2021.

### (b) Directors' material interests in transactions, arrangements or contracts

Except as disclosed in Note 41 to the consolidated financial statements, no other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## 11. FIVE HIGHEST PAID INDIVIDUALS

During the year, the five highest paid individuals in the Group included one (2021: one) director of the Company, details of whose emoluments are set out in Note 10 to the consolidated financial statements. The emoluments for the remaining four (2021: four) highest paid individuals are as follows:

	2022 HK\$'000	2021 HK\$'000
Salaries and other benefits	4,656	4,439
Discretionary bonus	518	950
Retirement benefits scheme contributions	560	505
	<u>5,734</u>	<u>5,894</u>

The emoluments fell within the following bands:

	Number of individuals	
	2022	2021
Nil to HK\$1,000,000	2	—
HK\$1,000,001 to HK\$1,500,000	2	2
HK\$1,500,001 to HK\$2,000,000	—	2

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 12. INCOME TAX EXPENSE

Income tax has been recognised in profit or loss as follows:

	2022 HK\$'000	2021 HK\$'000
Current tax		
CIT in the PRC	916	9,064
LAT in the PRC	547	4,401
Under-provision in prior years	—	1,159
	<u>1,463</u>	<u>14,624</u>
Deferred tax (Note 34)		
Origination and reversal of temporary differences	513	2,178
	<u>1,976</u>	<u>16,802</u>

Under the Two-tiered Profits Tax Rates Regime, the first HK\$2,000,000 of profits of the qualifying group entity established in Hong Kong will be taxed at 8.25%, and profits above that amount will be subject to the tax rate of 16.5%. The profits of the group entities not qualifying for the Two-tiered Profits Tax Rates Regime will continue to be taxed at a rate of 16.5%.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements since the group entities have either sufficient tax losses brought forward to set off against current year's assessable profits or no assessable profits arising in Hong Kong.

The tax charge in respect of the current year represents CIT in the PRC which is calculated at the prevailing tax rate on the taxable income of the subsidiaries in the PRC.

The Company's subsidiaries in the PRC are subject to CIT rate at 25%.

According to the PRC CIT law, withholding income tax at a rate of 10% would be imposed on dividends relating to profits earned from year 2008 onwards to foreign investors for the companies established in the PRC. Such dividend tax rate may be further reduced by applicable tax treaties or arrangement. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, the withholding tax rate on dividends paid by a PRC resident enterprise to a Hong Kong resident enterprise is further reduced to 5% if the Hong Kong resident enterprise holds at least 25% equity interests in the PRC resident enterprise.

Under the Provisional Regulations on LAT implemented upon the issuance of the Provisional Regulations of the PRC on 27 January 1995, all gains arising from transfer of real estate property in the PRC effective from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including borrowings costs and all property development expenditures.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 12. INCOME TAX EXPENSE (CONTINUED)

The taxation for the year can be reconciled to the loss before taxation per the consolidated statement of profit or loss as follows:

	2022 HK\$'000	2021 HK\$'000
Loss before taxation	<u>(117,169)</u>	<u>(110,468)</u>
Tax at the domestic income tax rate of 16.5%	<b>(19,333)</b>	(18,227)
Tax effect of expenses that are not deductible	<b>32,092</b>	28,442
Tax effect of income that is not taxable	<b>(24,915)</b>	(10,474)
Tax effect of utilisation of tax losses not previously recognised	<b>(1,933)</b>	(3,372)
Tax effect of tax losses not recognised	<b>20,415</b>	19,042
LAT	<b>547</b>	4,401
Tax effect of LAT	<b>(137)</b>	(1,100)
Under-provision in prior years	—	1,159
Effect of different tax rates of subsidiaries	<b>(4,760)</b>	<u>(3,069)</u>
Income tax expense	<u><b>1,976</b></u>	<u>16,802</u>

## 13. LOSS FOR THE YEAR

Loss for the year is stated after charging the following:

	2022 HK\$'000	2021 HK\$'000
Auditor's remuneration		
Current	<b>2,413</b>	2,544
Over-provision in prior years	—	(788)
	<b>2,413</b>	1,756
Depreciation of property, plant and equipment	<b>94,290</b>	98,422
Depreciation of right-of-use assets	<b>10,403</b>	6,107
Employee benefits expense, inclusive of directors' emoluments	<b>518,443</b>	502,302
Direct operating expenses of investment properties that generated rental income	<b>823</b>	502
Direct operating expenses of investment properties that did not generate rental income	<b>305</b>	545
Cost of inventories sold and properties held for sale recognised as an expense (included in cost of goods and services)	<b>547,542</b>	<u>591,037</u>

## 14. DIVIDENDS

The Board of Directors of the Company does not recommend any dividend in respect of the years ended 31 December 2022 and 2021.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 15. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year:

	2022 HK\$'000	2021 HK\$'000
<b>Loss</b>		
Loss for the purpose of calculating basic loss per share for the year attributable to owners of the Company	<u>(123,574)</u>	<u>(137,296)</u>
	2022	2021 (Restated)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of calculating basic loss per share	<u>724,003,638</u>	<u>724,003,638</u>

The calculation of the basic loss per share was based on the loss for the year attributable to owners of the Company of HK\$123,574,000 (2021: HK\$137,296,000), and the weighted average number of 724,003,638 ordinary shares (2021 (restated): 724,003,638 ordinary shares) which has been adjusted to reflect the effect of the Share Consolidation as defined in Note 35.

No diluted loss per share has been presented as there were no potential dilutive shares outstanding for the years ended 31 December 2022 and 2021.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 16. INVESTMENT PROPERTIES

	Completed investment properties HK\$'000	Investment properties under construction HK\$'000	Total HK\$'000
<b>Fair value</b>			
As at 1 January 2021	644,124	139,452	783,576
Additions	—	6,714	6,714
(Decrease)/increase in fair value recognised in profit or loss	(4,270)	6,560	2,290
Exchange differences	10,060	3,805	13,865
	<u>649,914</u>	<u>156,531</u>	<u>806,445</u>
As at 31 December 2021 and 1 January 2022	649,914	156,531	806,445
Transfer to properties under development for sale (Note 24)	(37,244)	(148,740)	(185,984)
Decrease in fair value recognised in profit or loss	(23,946)	—	(23,946)
Exchange differences	(31,635)	(7,791)	(39,426)
	<u>557,089</u>	<u>—</u>	<u>557,089</u>

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

During the year ended 31 December 2022, investment properties with a carrying amount of HK\$185,984,000 were transferred to properties under development for sale upon the change in use.

Details of pledged investment properties are set out in Note 38 to the consolidated financial statements.

### Valuation processes

The Group measures its investment properties at fair value as at 31 December 2022 and 2021. The investment properties were revalued by Norton Appraisals Holdings Limited ("Norton Appraisals"), being an independent qualified professional valuer not related to the Group.

The Group's management is responsible for the review of the valuations performed by Norton Appraisals for financial reporting purposes and reports directly to the Board of Directors of the Company. Discussions of valuation processes and results are held between the management and Norton Appraisals at least once a year, in line with the Group's annual reporting date.

At each financial year end the Group's management:

- Verifies all major inputs to the independent valuation report
- Assesses property valuation movements when compared to the prior year valuation report
- Holds discussions with Norton Appraisals

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 16. INVESTMENT PROPERTIES (CONTINUED)

### Valuation techniques

The fair values of investment properties were derived from:

- (i) investment approach, where the market rentals are assessed by considering the income derived from existing tenancies with due provision for any reversionary income potential of the properties and discounted at the market yield;
- (ii) direct comparison approach for completed properties, assuming sale of each of these properties in existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market and adjusted for differences in the nature and location; or
- (iii) direct comparison approach for property under construction, assuming sale of each of these properties in existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market and also taken into account of the estimated outstanding construction cost for the portion which is under construction as at the date of valuation.

All of the fair value measurements of the Group's investment properties were categorised into Level 3 of the fair value hierarchy.

There were no transfers into or out of Level 3 during the two years.

There were no changes in the valuation techniques used during the two years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 16. INVESTMENT PROPERTIES (CONTINUED)

### Valuation techniques (Continued)

#### Information about recurring fair value measurements using significant unobservable inputs (Level 3)

The following table shows the valuation techniques used in the determination of fair values for investment properties and key unobservable inputs used in the valuation models:

	Fair value HK\$'000	Valuation techniques	Unobservable inputs	Range/weighted average of significant inputs	Effect on fair value for increase of inputs
<b>As at 31 December 2022</b>					
Industrial property units located in Hong Kong	188,500	Investment approach	(i) Capitalisation rate (ii) Monthly market rent per square feet	2.70%–3.30% HK\$14–HK\$17 per square feet	Decrease Increase
Land in Hong Kong	14,100	Direct comparison approach for completed properties	Market unit rate	HK\$220–HK\$300 per square feet	Increase
Residential property units located in the PRC	4,403	Direct comparison approach for completed properties	Market unit rate	Renminbi ("RMB") 4,000–RMB6,200 per square meter	Increase
Commercial and residential property units located in the PRC	350,086	Investment approach	(i) Capitalisation rate (ii) Monthly market rent per square meter	4.00%–4.50% RMB20–RMB53 per square meter	Decrease Increase
	<b>557,089</b>				

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 16. INVESTMENT PROPERTIES (CONTINUED)

#### Valuation techniques (Continued)

#### Information about recurring fair value measurements using significant unobservable inputs (Level 3) (Continued)

	Fair value HK\$'000	Valuation techniques	Unobservable inputs	Range/weighted average of significant inputs	Effect on fair value for increase of inputs
<u>As at 31 December 2021</u>					
Industrial property units located in Hong Kong	199,400	Investment approach	(i) Capitalisation rate (ii) Monthly market rent per square feet	2.50%–3.15% HK\$14–HK\$17 per square feet	Decrease Increase
Land in Hong Kong	13,500	Direct comparison approach for completed properties	Market unit rate	HK\$220–HK\$280 per square feet	Increase
Commercial property units located in the PRC	38,888	Investment approach	(i) Capitalisation rate (ii) Monthly market rent per square meter	6.25% RMB140 per square meter	Decrease Increase
Residential property units located in the PRC	5,087	Direct comparison approach for completed properties	Market unit rate	RMB4,200–RMB6,500 per square meter	Increase
Commercial and residential property units located in the PRC	393,039	Investment approach	(i) Capitalisation rate (ii) Monthly market rent per square meter	4.00%–4.50% RMB21–RMB55 per square meter	Decrease Increase
Commercial and residential properties under construction located in the PRC	156,531	Direct comparison approach for property under construction	Market unit rate	RMB14,700 per square meter	Increase
	<u>806,445</u>				
				<b>2022 HK\$'000</b>	<b>2021 HK\$'000</b>
Total (losses)/gains recognised in profit or loss for assets held at end of the reporting period (included in other gains and losses, and other income)				<b>(23,946)</b>	2,290
Total (losses)/gains recognised in other comprehensive income (included in exchange differences on translating foreign operations)				<b>(39,426)</b>	13,865

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings in Hong Kong HK\$'000	Leasehold improvement HK\$'000	Hospital buildings in the PRC HK\$'000	Other buildings in the PRC HK\$'000	Construction in progress HK\$'000	Computer, medical and electronic equipment HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>COST OR VALUATION</b>										
As at 1 January 2021	20,910	448	711,070	237,013	285,140	357,259	27,218	22,493	2,528	1,664,079
Additions	—	—	—	6,695	60,379	77,232	1,686	823	1,647	148,462
Transfer	—	—	230,616	1,153	(236,428)	4,659	—	—	—	—
Transfer from properties held for sale (Note 24)	—	—	—	1,232	—	—	—	—	—	1,232
Disposals	—	—	—	—	—	(9,577)	(1,455)	(573)	—	(11,605)
Written-off	—	—	—	—	—	—	(49)	—	—	(49)
Revaluation (decrease)/increase	1,270	—	(121,329)	77,592	—	—	—	—	—	(42,467)
Exchange differences	—	—	19,960	7,327	5,038	10,226	614	588	88	43,841
<b>As at 31 December 2021 and 1 January 2022</b>	<b>22,180</b>	<b>448</b>	<b>840,317</b>	<b>331,012</b>	<b>114,129</b>	<b>439,799</b>	<b>28,014</b>	<b>23,331</b>	<b>4,263</b>	<b>1,803,493</b>
Additions	—	—	—	3,734	47,834	51,410	1,481	2,229	126	106,814
Transfer	—	16,975	14,803	—	(33,533)	1,755	—	—	—	—
Disposals	—	—	—	—	—	(877)	—	(378)	(156)	(1,411)
Written-off	—	—	—	(10,296)	—	(15,316)	(499)	(1,806)	—	(27,917)
Reclassification	—	—	(28,655)	—	—	28,260	395	—	—	—
Revaluation (decrease)/increase	(970)	—	11,576	11,585	—	—	—	—	—	22,191
Exchange differences	—	(566)	(82,847)	(27,127)	(9,717)	(37,879)	(2,028)	(1,902)	(346)	(162,412)
<b>As at 31 December 2022</b>	<b>21,210</b>	<b>16,857</b>	<b>755,194</b>	<b>308,908</b>	<b>118,713</b>	<b>467,152</b>	<b>27,363</b>	<b>21,474</b>	<b>3,887</b>	<b>1,740,758</b>
Comprising:										
At cost — 2022	—	16,857	—	—	118,713	467,152	27,363	21,474	3,887	655,446
At valuation — 2022	21,210	—	755,194	308,908	—	—	—	—	—	1,085,312
	<b>21,210</b>	<b>16,857</b>	<b>755,194</b>	<b>308,908</b>	<b>118,713</b>	<b>467,152</b>	<b>27,363</b>	<b>21,474</b>	<b>3,887</b>	<b>1,740,758</b>
Comprising:										
At cost — 2021	—	448	—	—	114,129	439,799	28,014	23,331	4,263	609,984
At valuation — 2021	22,180	—	840,317	331,012	—	—	—	—	—	1,193,509
	<b>22,180</b>	<b>448</b>	<b>840,317</b>	<b>331,012</b>	<b>114,129</b>	<b>439,799</b>	<b>28,014</b>	<b>23,331</b>	<b>4,263</b>	<b>1,803,493</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold land and buildings in Hong Kong HK\$'000	Leasehold improvement HK\$'000	Hospital buildings in the PRC HK\$'000	Other buildings in the PRC HK\$'000	Construction in progress HK\$'000	Computer, medical and electronic equipment HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>ACCUMULATED DEPRECIATION</b>										
As at 1 January 2021	—	448	—	—	—	199,486	17,182	11,371	2,528	231,015
Provided for the year	649	—	52,520	10,109	—	31,034	2,525	1,333	252	98,422
Eliminated on revaluation	(649)	—	(52,520)	(10,109)	—	—	—	—	—	(63,278)
Eliminated on disposal	—	—	—	—	—	(8,762)	(1,334)	(516)	—	(10,612)
Written-off	—	—	—	—	—	—	(49)	—	—	(49)
Exchange differences	—	—	—	—	—	5,452	367	307	69	6,195
As at 31 December 2021 and 1 January 2022	—	448	—	—	—	227,210	18,691	12,495	2,849	261,693
Provided for the year	887	758	44,496	12,574	—	31,963	2,181	1,028	403	94,290
Eliminated on revaluation	(887)	—	(44,496)	(12,574)	—	—	—	—	—	(57,957)
Eliminated on disposal	—	—	—	—	—	(531)	—	(214)	(149)	(894)
Written-off	—	—	—	—	—	(13,699)	(471)	(1,623)	—	(15,793)
Exchange differences	—	(25)	—	—	—	(18,984)	(1,280)	(991)	(241)	(21,521)
<b>As at 31 December 2022</b>	<b>—</b>	<b>1,181</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>225,959</b>	<b>19,121</b>	<b>10,695</b>	<b>2,862</b>	<b>259,818</b>
<b>CARRYING AMOUNTS</b>										
As at 31 December 2022	21,210	15,676	755,194	308,908	118,713	241,193	8,242	10,779	1,025	1,480,940
As at 31 December 2021	22,180	—	840,317	331,012	114,129	212,589	9,323	10,836	1,414	1,541,800

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The construction in progress represents hospital buildings and elderly nursing home under construction which are situated in the PRC.

A revaluation surplus on leasehold land and buildings of HK\$80,148,000 (2021: HK\$20,811,000) is recognised in other comprehensive income and has been credited to the properties revaluation reserve.

If the leasehold land and buildings in Hong Kong and in the PRC had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation of HK\$451,000 (2021: HK\$473,000) and HK\$633,517,000 (2021: HK\$782,409,000) respectively as at 31 December 2022.

Details of pledged property, plant and equipment are set out in Note 38 to the consolidated financial statements.

### Valuation processes

The Group measures its leasehold land and buildings in Hong Kong and hospital buildings and other buildings in the PRC at fair value as at 31 December 2022 and 2021, which were revalued by Norton Appraisals.

The Group's management is responsible for the review of the valuations performed by Norton Appraisals for financial reporting purposes and reports directly to the Board of Directors of the Company. Discussions of valuation processes and results are held between the management and Norton Appraisals at least once a year, in line with the Group's annual reporting date.

At each financial year end the Group's management:

- Verifies all major inputs to the independent valuation report
- Assesses property valuation movements when compared to the prior year valuation report
- Holds discussions with Norton Appraisals

### Valuation techniques

The fair values of leasehold land and buildings were derived from direct comparison approach for completed properties as described in Note 16 to the consolidated financial statements, or wherever appropriate, depreciated replacement cost approach by reference to the construction costs required to rebuild the buildings and deducting for physical deterioration and all relevant forms of obsolescence and optimisations.

All of the fair value measurements of the Group's leasehold land and buildings were categorised into Level 3 of the fair value hierarchy.

There were no transfers into or out of Level 3 during the two years.

There were no changes in the valuation techniques used during the two years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### Valuation techniques (Continued)

#### Information about recurring fair value measurements using significant unobservable inputs (Level 3)

The following table shows the valuation techniques used in the determination of fair values for buildings and unobservable inputs used in the valuation models:

	Fair value HK\$'000	Valuation techniques	Unobservable inputs	Range of significant inputs	Effect on fair value for increase of inputs
<b>As at 31 December 2022</b>					
Industrial property units located in Hong Kong	21,210	Direct comparison approach for completed properties	Market unit rate	HK\$2,500–HK\$4,545 per square feet	Increase
Hospital buildings located in the PRC	755,194	Depreciated replacement cost approach	Depreciated replacement cost per square meter	RMB6,988–RMB10,248 per square meter	Increase
Other buildings located in the PRC	58,299	Depreciated replacement cost approach	Depreciated replacement cost per square meter	RMB6,718–RMB7,300 per square meter	Increase
	250,609	Direct comparison approach for completed properties	Market unit rate	RMB5,457–RMB39,000 per square meter	Increase
	<b>1,085,312</b>				
	Fair value HK\$'000	Valuation techniques	Unobservable inputs	Range of significant inputs	Effect on fair value for increase of inputs
<b>As at 31 December 2021</b>					
Industrial property units located in Hong Kong	22,180	Direct comparison approach for completed properties	Market unit rate	HK\$2,570–HK\$4,762 per square feet	Increase
Hospital buildings located in the PRC	840,317	Depreciated replacement cost approach	Depreciated replacement cost per square meter	RMB6,748–RMB10,015 per square meter	Increase
Other buildings located in the PRC	65,495	Depreciated replacement cost approach	Depreciated replacement cost per square meter	RMB4,422–RMB6,047 per square meter	Increase
	265,517	Direct comparison approach for completed properties	Market unit rate	RMB5,828–RMB13,230 per square meter	Increase
	<b>1,193,509</b>				

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### Valuation techniques (Continued)

	2022 HK\$'000	2021 HK\$'000
Total losses recognised in profit or loss (included in cost of goods and services and administrative expenses)	<b>(68,253)</b>	(63,278)
Total (losses)/gains recognised in other comprehensive income (included in exchange differences on translating foreign operations and gain on revaluation of leasehold land and buildings included in property, plant and equipment)	<b>(29,826)</b>	48,098

### Sale and leaseback transactions — seller-lessee

To better manage the Group's capital structure and financing needs, the Group enters into sale and leaseback arrangements in relation to medical equipment leases. These legal transfers do not satisfy the requirements of HKFRS 15 to be accounted for as a sale of the machinery. As at 31 December 2022, the Group has other borrowings of HK\$33,803,000 (2021: HK\$74,895,000) in respect of such sale and leaseback arrangements.

Details of the lease maturity analysis of the other borrowings are set out in Note 33 to the consolidated financial statements.

## 18. RIGHT-OF-USE ASSETS

	Leasehold land HK\$'000	Leased property HK\$'000	Total HK\$'000
As at 1 January 2021	99,671	2,495	102,166
Additions	—	53,059	53,059
Depreciation	(2,968)	(3,139)	(6,107)
Exchange differences	2,553	638	3,191
As at 31 December 2021 and 1 January 2022	99,256	53,053	152,309
Depreciation	(2,858)	(7,545)	(10,403)
Exchange differences	(7,988)	(3,762)	(11,750)
<b>As at 31 December 2022</b>	<b>88,410</b>	<b>41,746</b>	<b>130,156</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 18. RIGHT-OF-USE ASSETS (CONTINUED)

	2022 HK\$'000	2021 HK\$'000
Depreciation expenses on right-of-use assets	10,403	6,107
Interest expense on lease liabilities (included in finance costs)	3,717	371
Expenses relating to short-term lease (included in cost of goods and services and administrative expenses)	2,036	2,722

Details of total cash outflow for leases is set out in Note 45(b) to the consolidated financial statements.

For both years, the Group leases various offices and a commercial premise for its operations. Lease contracts are entered into for fixed term ranged from 2 years to 10 years (2021: 2 years to 10 years). Lease terms are negotiated on an individual basis and contain 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.

In addition, the Group owns several office, hospitals and commercial buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

#### Restrictions or covenants on leases

In addition, lease liabilities of HK\$45,418,000 (2021: HK\$52,016,000) are recognised with related right-of-use assets of HK\$41,746,000 (2021: HK\$53,053,000) as at 31 December 2022. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

### 19. INTERESTS IN ASSOCIATES

	2022 HK\$'000	2021 HK\$'000
Unlisted investments:		
Shares of net assets	—	—

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 19. INTERESTS IN ASSOCIATES (CONTINUED)

At the end of the reporting period, the Group had interests in the following associates:

Name of entity	Form of business structure	Country/ place of incorporation/ registration	Principal place of operation	Class of share held	Number of shares/ paid-up capital held by the Group as at 31 December 2022	Proportion of nominal value of issued capital held by the Group		Proportion of voting power held		Principal activities
						2022 %	2021 %	2022 %	2021 %	
Printronic Electronics Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	2 (2021: 2)	40	40	40	40	Inactive
Jiaozuo Tongren Medical Industry Company Limited (焦作同仁醫療實業有限公司)	Incorporated	PRC	PRC	Registered	RMB13,000,000 (2021: RMB13,000,000)	21.67	21.67	21.67	21.67	Ceased business

None of the associates is material to the Group. The following table shows, in aggregate, the Group's share of the amounts of all individually immaterial associates that are accounted for using the equity method.

	2022 HK\$'000	2021 HK\$'000
<b>As at 31 December:</b>		
Carrying amounts of interests	—	—
<b>Year ended 31 December:</b>		
Loss, other comprehensive income and total comprehensive income	—	—

The Group has not recognised loss for the years ended 31 December 2022 and 2021 for all associates. The accumulated losses not recognised were HK\$38,773,000 (2021: HK\$38,773,000).

## 20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 HK\$'000	2021 HK\$'000
Financial assets designated at FVTPL:		
Club debentures	802	802

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 21. DEBT INSTRUMENTS AT FVTOCI

	2022 HK\$'000	2021 HK\$'000
Listed debt securities	—	4,682

Contractual cash flows of the debt securities comprise solely payments of principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets.

As at 31 December 2021, the Group's debt instruments at FVTOCI represented debt securities that were issued by financial institutions and listed in the United States of America, carried fixed interest at 4.65% per annum, payable semi-annually and matured in September 2022, and none of these assets had been impaired.

All listed debt securities were denominated in United States dollars ("USD").

The fair values of the listed debt securities were based on current bid prices.

The listed debt securities were redeemed during the year.

## 22. GOODWILL

	2022 HK\$'000	2021 HK\$'000
<b>Cost</b>		
As at 1 January	34,500	32,931
Exchange differences	(2,810)	1,569
As at 31 December	31,690	34,500
<b>Accumulated impairment loss</b>		
As at 1 January	34,500	—
Impairment loss recognised for the year	—	34,043
Exchange differences	(2,810)	457
As at 31 December	31,690	34,500
<b>Carrying amount</b>		
As at 31 December	—	—

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 22. GOODWILL (CONTINUED)

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating unit of the Group's business of the provision of eldercare and health services on the retirement community ("CGU"), that is expected to benefit from that business combination.

Given the unsatisfactory financial performance of the CGU for the year ended 31 December 2021, the cash flow forecasts under the valuation of CGU as at 31 December 2020, in particular, for the operation of the nursing hospital (Shanghai Deyi Hospital ("SDH")) were not achieved; anticipating that SDH requires additional time to operate at its full capacity for phase one of SDH; and due to a delay in the development of phase two of SDH, accordingly the Group had revised its cash flow forecasts for the CGU and the goodwill was fully impaired as at 31 December 2021.

## 23. INVENTORIES

	2022 HK\$'000	2021 HK\$'000
Medical consumables	11,295	5,152
Medicines	24,018	21,523
	<u>35,313</u>	<u>26,675</u>

## 24. PROPERTIES UNDER DEVELOPMENT FOR SALE AND PROPERTIES HELD FOR SALE

### Properties under development for sale

	2022 HK\$'000	2021 HK\$'000
As at 1 January	6,488	6,324
Additions	3,745	—
Transfer from investment properties (Note 16)	185,984	—
Provision	(5,000)	—
Exchange differences	(5,611)	164
	<u>185,606</u>	<u>6,488</u>
As at 31 December	<u>185,606</u>	<u>6,488</u>
Properties under development for sales of which:		
— expected to be realised over 12 months	<u>185,606</u>	<u>6,488</u>

The properties under development for sale of the Group are situated in the PRC.

Details of pledged properties under development for sale are set out in Note 38 to the consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 24. PROPERTIES UNDER DEVELOPMENT FOR SALE AND PROPERTIES HELD FOR SALE (CONTINUED)

#### Properties held for sale

The Group's properties held for sale are situated in the PRC. All the properties held for sale are stated at lower of cost and net realisable values. In the opinion of the directors of the Company, properties held for sale are expected to be realised within 12 months.

During the year ended 31 December 2021, properties held for sale with a carrying amount of HK\$1,232,000 were transferred to property, plant and equipment upon the change in intended use.

A provision for properties held for sale of HK\$6,856,000 was made for the year ended 31 December 2022 (2021: HK\$7,228,000).

Details of pledged properties held for sale are set out in Note 38 to the consolidated financial statements.

### 25. INVESTMENTS HELD FOR TRADING

Investments held for trading include:

	2022 HK\$'000	2021 HK\$'000
Equity securities, at fair value:		
— Listed in Australia	1,369	1,658
— Listed in Hong Kong	9,966	12,065
— Listed in Philippines	754	1,068
	<u>12,089</u>	<u>14,791</u>

The carrying amounts of the above financial assets are mandatorily measured at FVTPL in accordance with HKFRS 9.

The investments included above represent investments in listed equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 25. INVESTMENTS HELD FOR TRADING (CONTINUED)

The carrying amounts of the Group's investments held for trading are denominated in the following currencies:

	2022 HK\$'000	2021 HK\$'000
Australian dollars ("AUD")	1,369	1,658
HK\$	9,966	12,065
Philippine Peso	754	1,068
	<b>12,089</b>	<b>14,791</b>

The fair values of listed securities are based on current bid prices.

Details of pledged investments held for trading are set out in Note 38 to the consolidated financial statements.

## 26. DEBTORS, DEPOSITS AND PREPAYMENTS

	2022 HK\$'000	2021 HK\$'000
Trade receivables		
Debtors from securities trading	—	65
Debtors from financial services	876	876
Debtors from leasing of property	675	646
Trade receivables arising from hospital operation and eldercare related services operation	<b>76,452</b>	149,335
	<b>78,003</b>	150,922
Less: Allowance for credit losses	<b>(5,867)</b>	(2,519)
	<b>72,136</b>	148,403
Deposits with and receivables from the financial institutions	316	418
Prepayments, other debtors and deposits	<b>22,202</b>	29,269
	<b>94,654</b>	178,090

As at 31 December 2022 and 2021, trade receivables from contracts with customers amounted to HK\$76,452,000 and HK\$149,335,000 respectively.

The settlement terms of debtors from securities trading are 2–3 days after trade date and they are aged within 2–3 days as at 31 December 2022 and 2021.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 26. DEBTORS, DEPOSITS AND PREPAYMENTS (CONTINUED)

The settlement terms of debtors from leasing of property are before the 16th of each month (2021: 16th of each month) and they are aged more than 90 days (2021: 365 days).

The customers of hospital operation and eldercare related services operation are either settled by cash, credit card or local governments' social insurance schemes. For credit card payment, the banks usually pay the Group 7 days after the trade date. Payments under local governments' social insurance schemes are normally settled by the local social insurance bureau or similar government departments, which are responsible for the reimbursement of medical expenses for patients who are covered by the local governments' social insurance schemes, 90 days from the invoice date.

The following is an aging analysis of trade receivables arising from hospital operation and eldercare related services operation denominated in RMB and presented based on the invoice date which approximates the date of revenue recognition:

	2022 HK\$'000	2021 HK\$'000
0–30 days	48,115	113,230
31–60 days	11,806	15,251
61–90 days	2,557	4,289
91–365 days	10,120	16,370
More than 365 days	3,854	195
	<u>76,452</u>	<u>149,335</u>

As at 31 December 2022, included in the Group's trade receivables balance are receivables with aggregate carrying amount of HK\$16,531,000 (2021: HK\$20,854,000) which are past due as at the reporting date. Out of the past due balances, HK\$13,974,000 (2021: HK\$16,565,000) has been past due 90 days or more and is not considered as in default because the receivables were related to a number of independent customers that have good repayment records with the Group.

Details of impairment assessment of debtors are set out in Note 43(c) to the consolidated financial statements.

### 27. LOAN RECEIVABLE

	2022 HK\$'000	2021 HK\$'000
Fixed-rate loan	95,215	95,215
Less: Allowance for credit losses	<u>(95,215)</u>	<u>(95,215)</u>
	<u>—</u>	<u>—</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 27. LOAN RECEIVABLE (CONTINUED)

The balance represents secured loan from a subsidiary of the Company (the “Subsidiary”) as lender, to an independent third party corporate borrower, the shares of which are listed on the Stock Exchange (the “Borrower”). The loan is secured by (i) a debenture created by the chargor, a wholly owned subsidiary of the Borrower (the “Chargor”) in favour of the Subsidiary by way of a first fixed and floating charge over all the undertaking, property and assets of the Chargor; (ii) a share mortgage in favour of the Subsidiary by way of a first fixed mortgage of the 75% of the entire issued share capital of the Chargor; (iii) an additional deed of assignment of shareholder’s loan owed by another non-wholly-owned subsidiary of the Borrower and held by the Borrower; and (iv) a deed of assignment of shareholder’s loan owed by Chargor and held by the Borrower. The loan receivable is interest-bearing at a range of 16% to 22.41% per annum and repayable by 11 September 2020.

Details of impairment assessment are set out in Note 43(c) to the consolidated financial statements.

As at 31 December 2022, based on the assessment of the directors of the Company, the loan receivable is not expected to be settled within the next 12 months and therefore classified as a non-current asset.

## 28. PLEDGED BANK DEPOSITS, RESTRICTED BANK DEPOSITS AND BANK BALANCES AND CASH

	2022 HK\$'000	2021 HK\$'000
Pledged bank deposits	24,319	46,678
Restricted bank deposits	714	13,994
Bank balances and cash	589,050	576,490
	<b>614,083</b>	637,162

Pledged bank deposits, restricted bank deposits, and bank balances of the Group carry interest at market rates per annum at the end of the reporting period are as follows:

	2022	2021
Pledged bank deposits	1.3%–2.1%	1.3%–1.5%
Restricted bank deposits	0.25%	0.30%
Bank balances	0.01%–4.3%	0.001%–0.25%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 28. PLEDGED BANK DEPOSITS, RESTRICTED BANK DEPOSITS AND BANK BALANCES AND CASH (CONTINUED)

The carrying amounts of the Group's pledged bank deposits, restricted bank deposits, and bank balances and cash are denominated in the following currencies:

	2022 HK\$'000	2021 HK\$'000
HK\$	<b>233,081</b>	251,636
USD	<b>25,972</b>	21,152
AUD	<b>138,708</b>	147,634
RMB	<b>216,322</b>	216,740
	<b>614,083</b>	637,162

The Group's pledged bank deposits represent deposits pledged to secure certain bills payable and borrowings of the Group as set out in Note 38 to the consolidated financial statements. These deposits are subject to regulatory restrictions and are therefore not available for general use by the Group.

The Group's restricted bank deposits represent deposits placed in a designated bank account which could only be used in the designated property development project.

Bank balances and cash comprise cash at bank earns interest at floating rates based on daily bank deposits rates. Short-term bank deposits are placed with banks with original maturity of three months or less.

As at 31 December 2022, pledged bank deposits, restricted bank deposits and bank balances and cash of the Group in the PRC denominated in RMB amounted to HK\$216,282,000 (2021: HK\$216,698,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

Details of impairment assessment are set out in Note 43(c) to the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 29. CREDITORS, DEPOSITS, RECEIPTS IN ADVANCE AND ACCRUED CHARGES

	2022 HK\$'000	2021 HK\$'000
Trade payables of hospital operations, of eldercare related services operation and to construction contractors	<b>146,508</b>	169,344
Bills payable	<b>13,480</b>	61,145
Accrued compensation for late delivery of properties held for sale	<b>5,822</b>	6,339
Accrued construction cost for properties under development for sale and properties held for sale	<b>29,802</b>	34,402
Construction cost payable for hospital buildings classified as property, plant and equipment	<b>10,345</b>	6,354
Deposits and receipts in advance	<b>86,026</b>	100,084
Other payables and accrued charges	<b>127,722</b>	184,477
	<b>419,705</b>	562,145

Trade payables of hospital operation and eldercare related services operation principally comprise amounts outstanding for trade purchases. Trade payables to construction contractors comprise construction costs for property development and other projects. The normal credit period taken for these trade payables is 30–90 days.

Deposits and receipts in advance mainly represent refundable deposits from eldercare related services.

The following is an aging analysis of trade payables of hospital operations, of eldercare related services operation and to construction contractors denominated in RMB and presented based on the invoice date:

	2022 HK\$'000	2021 HK\$'000
0–30 days	<b>68,420</b>	68,456
31–60 days	<b>34,035</b>	46,310
61–90 days	<b>19,564</b>	27,378
91–365 days	<b>16,684</b>	21,545
More than one year but not exceeding two years	<b>3,889</b>	2,440
More than two years but not exceeding five years	<b>3,916</b>	3,215
	<b>146,508</b>	169,344

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 29. CREDITORS, DEPOSITS, RECEIPTS IN ADVANCE AND ACCRUED CHARGES (CONTINUED)

The following is an aging analysis of bills payable denominated in RMB and presented based on the invoice date:

	2022 HK\$'000	2021 HK\$'000
31–60 days	13,480	—
91–365 days	—	51,725
More than 365 days	—	9,420
	<u>13,480</u>	<u>61,145</u>

### 30. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Within one year	9,366	6,686	5,979	2,780
More than one year but not exceeding two years	6,540	9,985	3,464	6,301
More than two years but not exceeding five years	20,431	21,887	13,121	12,851
More than five years	<u>26,706</u>	<u>36,549</u>	<u>22,854</u>	<u>30,084</u>
	63,043	75,107	45,418	52,016
Less: Future finance charges	<u>(17,625)</u>	<u>(23,091)</u>	<u>N/A</u>	<u>N/A</u>
Present value of lease obligations	<u>45,418</u>	<u>52,016</u>	<u>45,418</u>	52,016
Less: Amount due for settlement within 12 months (shown under current liabilities)			<u>(5,979)</u>	<u>(2,780)</u>
Amount due for settlement after 12 months			<u>39,439</u>	<u>49,236</u>

The Group's weighted average incremental borrowing rates applied to lease liabilities range from 3% to 8% (2021: 3% to 8%).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 30. LEASE LIABILITIES (CONTINUED)

The carrying amount of the Group's lease liabilities is denominated in the following currencies:

	2022 HK\$'000	2021 HK\$'000
HK\$	2,341	4,818
RMB	43,077	47,198
	<b>45,418</b>	52,016

## 31. CONTRACT LIABILITIES

	2022 HK\$'000	2021 HK\$'000
Billings in advance of performance obligation — Healthcare and eldercare services	51,020	55,152
Analysed as:		
Current liabilities	40,744	40,777
Non-current liabilities	10,276	14,375
	<b>51,020</b>	55,152

Contract liabilities relating to healthcare and eldercare services are balances of advance payment from customers before the service commences, this will give rise to contract liabilities at the start of the relevant services, until the revenue recognised and the services rendered. The Group typically receives the advance payment based on the estimated fee quote on admission of customers.

Movements in contract liabilities:

	2022 HK\$'000	2021 HK\$'000
As at 1 January	55,152	53,084
Decrease in contract liabilities as a result of recognising revenue during the year was included in the contract liabilities at the beginning of the year	(38,748)	(35,032)
Increase in contract liabilities as a result of receiving advance payment from customers	39,120	35,710
Exchange differences	(4,504)	1,390
As at 31 December	<b>51,020</b>	55,152

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 32. AMOUNT DUE TO AN ASSOCIATE

The amount due is unsecured, interest-free and repayable on demand.

### 33. BORROWINGS

The following table provides an analysis of the borrowings:

	2022 HK\$'000	2021 HK\$'000
Bank borrowings, secured	134,782	210,140
Bank borrowings, unsecured	452,179	367,701
Other borrowings, secured	33,803	74,895
Term loans, unsecured	312,839	267,204
	<b>933,603</b>	919,940

The carrying amounts of the Group's bank and other borrowings are repayable as follows:

	2022 HK\$'000	2021 HK\$'000
Within one year	544,816	603,533
More than one year but not exceeding two years	369,604	267,358
More than two years but not exceeding five years	19,183	49,049
	<b>933,603</b>	919,940
Less: Amount due for settlement within 12 months (shown under current liabilities)	<b>(544,816)</b>	(603,533)
Amount due for settlement after 12 months	<b>388,787</b>	316,407

As at 31 December 2022, the Group's bank and other borrowings are secured by certain assets of the Group and corporate guarantee given by the Company and certain subsidiaries of the Group. Details of pledged assets are set out in Note 38 to the consolidated financial statements.

The Group has not breached the financial covenants of any interest-bearing borrowings for the years ended 31 December 2022 and 2021.

All borrowings are denominated in RMB.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 33. BORROWINGS (CONTINUED)

The ranges of the interest rates per annum at the end of the reporting period are as follows:

	2022	2021
Fixed interest rate:		
— Bank borrowings	3.30%–5.22%	3.85%–5.40%
— Term loans	6.5%–8.5%	7%–8.5%
— Other borrowings	10.40%–11.36%	10.40%–11.36%
Variable interest rate:		
— Bank borrowings	4.90%–5.73%	5.94%

Bank borrowings, other borrowings and term loans of HK\$472,221,000 (2021: HK\$404,373,000), HK\$33,803,000 (2021: HK\$74,895,000) and HK\$312,839,000 (2021: HK\$267,204,000) respectively are arranged at fixed interest rates and expose the Group to fair value interest rate risk. The remaining bank borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

The directors estimate that the carrying amounts of the Group's borrowings are not materially different from their fair value as at 31 December 2022 and 2021.

## 34. DEFERRED TAX LIABILITIES

The following are the deferred tax liabilities recognised and movements thereon during the current and prior years:

	Revaluation of leasehold land and buildings HK\$'000	Withholding tax in respect of undistributed earnings of PRC subsidiaries HK\$'000	Fair value adjustment on business combination HK\$'000	Total HK\$'000
As at 1 January 2021	17,278	2,683	25,839	45,800
(Credit)/charge to profit or loss (Note 12)	—	(1,472)	3,650	2,178
Charge to properties revaluation reserve	5,040	—	—	5,040
Exchange differences	—	50	721	771
As at 31 December 2021 and 1 January 2022	22,318	1,261	30,210	53,789
Charge to profit or loss (Note 12)	—	279	234	513
Charge to properties revaluation reserve	20,045	—	—	20,045
Exchange differences	—	(113)	(2,468)	(2,581)
<b>As at 31 December 2022</b>	<b>42,363</b>	<b>1,427</b>	<b>27,976</b>	<b>71,766</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 34. DEFERRED TAX LIABILITIES (CONTINUED)

As at 31 December 2022, the Group had estimated unused tax losses of HK\$2,024 million (2021: HK\$2,120 million) available for offset against future profits. No deferred tax asset has been recognised in respect of estimated tax losses due to the unpredictability of future profit streams. The estimated unused tax losses of HK\$1,778 million (2021: HK\$1,759 million) may be carried forward indefinitely. Other unused tax losses of HK\$246 million (2021: HK\$361 million) will expire after 5 years from the year of assessment they related to.

## 35. SHARE CAPITAL

	Number of shares	Carrying value HK\$'000
Ordinary shares of HK\$0.0005 each		
Authorised:		
As at 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	600,000,000,000	300,000
Issued and fully paid:		
As at 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	14,480,072,773	7,240

Subsequent to 31 December 2022, the shareholders of the Company approved at the special general meeting held on 22 February 2023 that every twenty issued and unissued ordinary shares of HK\$0.0005 each in the share capital of the Company were consolidated into one ordinary share of HK\$0.01 each in the share capital of the Company which became effective on 24 February 2023 (the "Share Consolidation"). As a result of the Share Consolidation, the number of authorised ordinary shares was reduced from 600,000,000,000 of HK\$0.0005 each to 30,000,000,000 of HK\$0.01 each while the number of issued and fully paid ordinary shares was reduced from 14,480,072,773 of HK\$0.0005 each to 724,003,638 of HK\$0.01 each.

Further details of the Share Consolidation are set out in the announcements of the Company dated 16 January 2023 and 22 February 2023 and the circular of the Company dated 1 February 2023.

### Capital 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 net debt, which includes borrowings, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure by considering the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, 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 debt or the redemption of existing debt.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements, except for the financial covenant requirements of loan agreements with external parties.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 36. RESERVES

### (a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

### (b) Nature and purpose of reserves

#### (i) Properties revaluation reserve

	2022 HK\$'000	2021 HK\$'000
<i>Items that will not be reclassified to profit or loss:</i>		
As at 1 January	104,798	79,707
Gain on revaluation of leasehold land and buildings	73,969	33,238
Deferred tax liability arising on revaluation of leasehold land and buildings	<u>(18,500)</u>	<u>(8,147)</u>
As at 31 December	<u>160,267</u>	<u>104,798</u>

The properties revaluation reserve comprises the cumulative net change in the fair value of leasehold land and buildings held at the end of the reporting period and is dealt with in accordance with the accounting policy set out in Note 4(f) to the consolidated financial statements.

As at 31 December 2022, the balance of properties revaluation reserve included surplus of HK\$5,456,000 (2021: HK\$5,456,000), arising from revaluation of leasehold land and buildings on transfer of leasehold land and buildings to investment properties carried at fair value in prior years.

#### (ii) Investment revaluation reserve

	2022 HK\$'000	2021 HK\$'000
<i>Items that may be reclassified subsequently to profit or loss:</i>		
As at 1 January	1,100	1,020
Net change on debt instruments at FVTOCI	(2)	80
Revaluation reserve of financial assets at FVTOCI reclassified to profit or loss upon redemption	<u>(1,098)</u>	<u>—</u>
As at 31 December	<u>—</u>	<u>1,100</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 36. RESERVES (CONTINUED)

#### (b) Nature and purpose of reserves (Continued)

##### (ii) Investment revaluation reserve (Continued)

The investment revaluation reserve comprises the cumulative net change in the fair value of debt instruments at FVTOCI held at the end of the reporting period and is dealt with in accordance with the accounting policy set out in Note 4(m) to the consolidated financial statements.

##### (iii) Capital redemption reserve

The capital redemption reserve represents the nominal amount of share capital repurchased through the Stock Exchange and cancelled by the Company. The issued share capital was reduced by the nominal value thereof and transfer to the capital redemption reserve is made upon cancellation of the repurchased shares.

##### (iv) Other reserve

The other reserve represents the effect of changes in the Group's ownership interests in existing subsidiaries without losing control and is dealt with in accordance with the accounting policy set out in Note 4(a) to the consolidated financial statements.

##### (v) Translation reserve

	2022 HK\$'000	2021 HK\$'000
<i>Items that may be reclassified subsequently to profit or loss:</i>		
As at 1 January	77,806	50,158
Exchange (loss)/gain arising from translating foreign operations	<u>(76,450)</u>	<u>27,648</u>
As at 31 December	<u>1,356</u>	<u>77,806</u>

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations and is dealt with in accordance with the accounting policy set out in Note 4(e)(ii) to the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 37. NON-CONTROLLING INTERESTS

	Share of net assets of subsidiaries HK\$'000
As at 1 January 2021	15,560
Share of profit for the year	10,026
Share of other comprehensive income for the year	(8,927)
Share of total comprehensive income for the year	1,099
As at 31 December 2021 and 1 January 2022	16,659
Share of profit for the year	4,429
Share of other comprehensive income for the year	2,829
Share of total comprehensive income for the year	7,258
<b>As at 31 December 2022</b>	<b>23,917</b>

## 38. PLEDGE OF ASSETS

At the end of the reporting period, the following assets of the Group were pledged to banks, financial institution, securities brokers houses and finance lease provider to secure credit facilities granted to the Group:

	2022 HK\$'000	2021 HK\$'000
Investments held for trading	12,089	14,791
Buildings (included in property, plant and equipment)	242,520	220,352
Investment properties	326,049	520,825
Properties under development for sale	147,402	—
Properties held for sale	—	4,435
Pledged bank deposits	24,319	46,678
Medical equipment (included in property, plant and equipment)	42,400	75,214
	<b>794,779</b>	<b>882,295</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 39. OPERATING LEASING ARRANGEMENTS AND CAPITAL COMMITMENTS

#### Operating leasing arrangements

##### *The Group as lessee*

The Group regularly entered into short-term leases for medical equipment, business premises, carparks and motor vehicles. As at 31 December 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in Note 18 to the consolidated financial statements.

##### *The Group as lessor*

Property rental income earned during the year was HK\$7,552,000 (2021: HK\$6,195,000). The properties held have committed tenants for a lease term ranging from one to ten years (2021: one to ten years). The lessee does not have an option to purchase the property at the expiry of the lease period.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments receivable under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2022 HK\$'000	2021 HK\$'000
Within one year	6,441	5,449
In the second year	3,716	2,770
In the third year	1,834	1,988
In the fourth year	1,089	1,912
In the fifth year	636	1,176
After five years	1,489	2,365
	<b>15,205</b>	<b>15,660</b>

#### *Capital commitments*

	2022 HK\$'000	2021 HK\$'000
Capital expenditure contracted for at the end of reporting period but not yet incurred:		
— Property, plant and equipment	276,746	30,692
— Investment properties	—	2,853
	<b>276,746</b>	<b>33,545</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 40. RETIREMENT BENEFITS SCHEMES

### Hong Kong

The Group participates in defined contribution schemes which are registered under the Occupational Retirement Schemes Ordinance (the “ORSO Scheme”) in 1995 and under the Mandatory Provident Fund Scheme (the “MPF Scheme”) established under the Mandatory Provident Fund Schemes Ordinance (the “MPFSO”) in December 2000. The assets of the scheme are held, separately from those of the Group, in funds under the control of independent trustees.

### ORSO Scheme

The Group and employees contribute 10% (2021: 10%) and 5% (2021: 5%) of relevant payroll costs respectively to the ORSO Scheme. The maximum monthly amount of contributions is limited to HK\$1,500 (2021: HK\$1,500) per employee. The Group’s contributions may be reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions.

### MPF Scheme

The Group contributes 5% (2021: 5%) of relevant payroll costs to the MPF Scheme, which contributions are matched by the employees. The maximum monthly amount of contributions is limited to HK\$1,500 (2021: HK\$1,500) per employee. The Group has participated in a master trust MPF Scheme since December 2000 and made contributions to the MPF Scheme in accordance with the statutory requirements of the MPFSO.

### PRC

Pursuant to the relevant laws and regulations in the PRC, the Company’s subsidiaries in the PRC have joined defined contribution retirement schemes for the employees arranged by local municipal government labour and security authorities (the “PRC Retirement Schemes”). The subsidiaries in the PRC make contributions to the PRC Retirement Schemes at the applicable rates of 16% (2021: 16%) based on the amounts stipulated by the local municipal government organisations. Upon retirement, the local municipal government labour and security authorities are responsible for the payment of the retirement benefits to the retired employees.

During the years ended 31 December 2022 and 2021, the Group had no forfeited contributions under the ORSO Scheme, MPF Scheme and PRC Retirement Scheme and which may be used by the Group to reduce the existing level of contributions. There were also no forfeited contributions available as at 31 December 2022 and 2021 under the ORSO Scheme, MPF Scheme and PRC Retirement Scheme which may be used by the Group to reduce the contribution payable in future years.

During the year, the retirement benefits scheme contributions charged to consolidated statement of profit or loss were HK\$38,238,000 (2021: HK\$30,464,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 41. RELATED PARTY TRANSACTIONS

The Group had following transactions and balance with its related parties:

### (a) Transactions with related parties

	2022 HK\$'000	2021 HK\$'000
Legal and professional services fee paid to a related company (Note)	1,385	57

Note: The related company (the "Related Company") is a partnership of which a non-executive director of the Company is a partner and is considered as a related party of the Group.

### (b) Balances with related parties

	2022 HK\$'000	2021 HK\$'000
Included in other payables: Amount due to the Related Company	—	52

### (c) Compensation of key management personnel

The remuneration of directors of the Company, who are also the key management of the Group during the year is as follows:

	2022 HK\$'000	2021 HK\$'000
Salaries and other short-term employee benefits	3,119	4,031
Retirement benefits costs	171	157
	<b>3,290</b>	<b>4,188</b>

The remuneration of directors of the Company is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

As at 31 December 2022, included in accrued charges was an accrued remuneration of HK\$168,000 (2021: HK\$1,098,000) in relation to key management personnel which is unsecured, interest-free and settled in cash.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 42. SHARE OPTION SCHEME

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations and to recruit and retain high calibre eligible persons and attract human resources that are valuable to the Group. Eligible participants include the full-time and part-time employees, executives, non-executive and independent non-executive director, supplier, technical supporter, adviser or consultants of the Company and the Company’s subsidiaries. The Scheme became effective on 7 March 2019 and will remain in force for 10 years from that date and in the absence of determination, the period commencing from the date of acceptance and ending in accordance with the terms of Scheme or on the day immediately preceding the tenth anniversary of the offer date, whichever is earlier. The remaining life of the Scheme is 6.1 years. The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee.

The exercise price of the share options is determined by the board of the Company, but may not be less than the highest of (a) the closing price of the shares of the Company (the “Shares”) as stated in the Stock Exchange’s daily quotation sheet on the date of grant, (b) the average closing price of the Shares as stated in the Stock Exchange’s daily quotation sheets for the five trading days immediately preceding the date of grant, and (c) the nominal value of the Share on the date of grant, when applicable.

The maximum number of shares to be granted under the Scheme shall not exceed 10% of the total number of Shares in issue on the adoption date, unless the Company seeks the approval of the shareholders of the Company for refreshing the 10% limit under the Scheme.

Besides, the maximum number of shares which may be issued upon exercise of all outstanding option must not exceed 30% of the total number of Shares from time to time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the Shares in issue at any time. Any further grant of shares options in excess of this limit is subject to shareholders’ approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the Shares in issue at any time or with an aggregate value (based on the price of the Shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting.

Share options do not confer rights on the holder to dividends or to vote at shareholders’ meeting.

No share options were granted by the Company nor exercised by any eligible participants during the years ended 31 December 2022 and 2021. There are no share options outstanding as at 31 December 2022 and 2021.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 43. FINANCIAL RISK MANAGEMENT

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

### (a) Categories of financial instruments at 31 December

	2022 HK\$'000	2021 HK\$'000
<b>Financial assets</b>		
Financial assets at amortised cost	697,432	794,848
Financial assets at FVTPL		
— Designated at FVTPL	802	802
— Mandatorily measured at FVTPL	12,089	14,791
Debt instruments at FVTOCI	—	4,682
<b>Financial liabilities</b>		
Financial liabilities at amortised cost	1,341,246	1,448,937

### (b) Market risk

#### (i) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the group entities in HK\$ and RMB. Accordingly, the Group is not exposed to significant foreign currency risk, except for the bank deposits denominated in USD and AUD and term loans denominated in RMB. The Group currently does not have a foreign currency hedging policy. However, the management closely monitors its foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

As HK\$ is pegged to USD, the Group does not expect any significant movements in the USD/HK\$ exchange rates.

As at 31 December 2022, if HK\$ had weakened/strengthened by 10% against the AUD with all other variables held constant, the Group's consolidated loss after tax for the year would have been HK\$13,887,000 (2021: HK\$14,779,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of bank deposits denominated in AUD.

As at 31 December 2022, if HK\$ had weakened/strengthened by 10% against the RMB with all other variables held constant, the Group's consolidated loss after tax for the year would have been HK\$13,807,000 (2021: HK\$13,199,000) higher/lower, mainly as a result of foreign exchange losses/gains on translation of term loans denominated in RMB.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 43. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (b) Market risk (Continued)

#### (ii) Price risk

The Group is exposed to equity price risk through its investments held for trading. The Group's investments held for trading have significant concentration of price risk in Hong Kong, Philippines and Australian stock markets. Management manages the exposure by maintaining a portfolio of equity investments of the Group with different risk and return profiles.

The sensitivity analysis below has been determined based on the exposure to equity price risk at the end of the reporting period. For sensitivity analysis purpose, the sensitivity rate remains at 30% in the current period.

If the prices of the respective equity instruments had been 30% (2021: 30%) higher/lower and all other variables were held constant, the Group's consolidated loss after tax for the year would decrease/increase by HK\$3,627,000 (2021: HK\$4,437,000) as a result of the changes in fair value of held for trading investments.

#### (iii) Interest rate risk

The Group is exposed to fair value interest rate risk relates primarily to pledged bank deposits, restricted bank deposits, loan receivable and certain of its borrowings which bear interests at fixed interest rates.

The Group's exposure to cash flow interest rate risk relates to its bank deposits and certain of its borrowings which bear interests at variable rates that varied with the then prevailing market conditions.

The Group currently does not have an interest rate hedging policy. However, the management closely monitors its interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of prime rate arising from the Group's variable interest rate instruments.

Management considers that the Group's exposure to future cash flow risk on variable-rate bank deposits as a result of the change of market interest rate is insignificant and thus variable-rate bank deposits are not included in the sensitivity analysis.

A 100 basis point change is used which represents management's assessment of the reasonably possible change in interest rates. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year.

If the interest rate of variable-rate borrowings had been 100 basis point higher/lower and all other variables were held constant, the Group's consolidated loss after tax for the year would increase/decrease by HK\$861,000 (2021: HK\$1,301,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 43. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group's credit risk exposures are primarily attributable to trade receivables arising from contracts with customers, other receivables and deposits, pledged/restricted bank deposits, bank balances and loan receivable. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except for the loan receivable which is secured by the collaterals as set out in Note 27 to the consolidated financial statements.

The table below details the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating (Note (iii))	12-month or lifetime ECL	Gross carrying amounts	
					2022 HK\$'000	2021 HK\$'000
<b>Financial assets at amortised cost</b>						
Debtors from securities trading	26	N/A	Low risk	Lifetime ECL — not credit-impaired	—	65
Debtors from financial services	26	N/A	Loss (Note (i))	Lifetime ECL — credit-impaired	876	876
Debtors from leasing of property	26	N/A	Loss (Note (i))	Lifetime ECL — credit-impaired	675	646
Debtors arising from contracts with customers	26	N/A	Note (ii)	Lifetime ECL	76,452	149,335
Loan receivable	27	N/A	Loss (Note (i))	Lifetime ECL — credit-impaired	95,215	95,215
Other receivables and deposits	26	N/A	Low risk Loss (Note (i))	12-month ECL Lifetime ECL — credit-impaired	11,213 5,278	9,283 8,678
Pledged bank deposits	28	2022: Baa2 (2021: Baa2)	N/A	12-month ECL	24,319	46,678
Restricted bank deposits	28	2022: Baa2 (2021: Baa2)	N/A	12-month ECL	714	13,994
Bank balances	28	2022: Ba1–Aa3 (2021: Ba1–Aa3)	N/A	12-month ECL	588,747	576,490

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 43. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Credit risk (Continued)

Notes:

- (i) 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.
- (ii) For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance on lifetime ECL basis.
- (iii) The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
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 in full	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 2022

## 43. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Credit risk (Continued)

#### (i) Trade receivables arising from contracts with customers

The Group, being a provider of healthcare services to patients, has a highly diversified customer base, without any single customer contributing material revenue. However, the Group has concentrated debtor's portfolio, as majority patients will claim their medical expenses from local governments' social insurance schemes. Subjected to the relevant local government's medical insurance payment and settlement policies, the reimbursement from the local social insurance bureau or similar government departments normally take three months. The Group has policy in place to ensure the treatments and medicines prescribed and provided to such insured patients are in line with the respective policies and within reimbursement limits, provided fulfilling all ethics and moral responsibilities as healthcare provider. The Group also has controls to closely monitor the patients' billings and claim status to minimise the credit risk. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. The Group performs impairment assessment on trade receivables by applying simplified approach using provision matrix based on the factors and in accordance with the write-off policy as described in Note 4(aa) to the consolidated financial statements.

Other than concentration of credit risk on trade receivables from top 4 customers of HK\$40,525,000, 52% (2021: top 4 customers of HK\$119,515,000, 79%) located in the PRC, the Group does not have any other significant concentration of credit risk on trade receivables.

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its hospital and eldercare operation. The following table provides information about the exposure to credit risk for trade receivables arising from hospital and eldercare related services operation:

	2022 HK\$'000	2021 HK\$'000
0–90 days	62,478	132,770
More than 90 days	13,974	16,565
	<b>76,452</b>	<b>149,335</b>

The estimated loss rate is estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 43. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Credit risk (Continued)

#### (i) Trade receivables arising from contracts with customers (Continued)

Movement in the loss allowances for trade receivables arising from hospital and eldercare related services operation is as follows:

	2022 HK\$'000	2021 HK\$'000
As at 1 January	1,643	10,368
Net impairment loss/(reversals) recognised for the year	34,711	(9,495)
Amounts written off during the year	(31,109)	—
Exchange differences	(254)	770
As at 31 December	<u>4,991</u>	<u>1,643</u>

#### (ii) Trade receivables arising from other sources and other receivables and deposits

The management of the Group makes periodic collective assessment or individual assessment for debtors with significant balances on the recoverability of trade receivables arising from other sources and other receivables and deposits based on historical settlement records, past experience, quantitative and qualitative information that is reasonable and supportive and forward-looking information that is available without undue cost or effect.

Movement in the loss allowances for trade receivables arising from other sources and other receivables and deposits is as follows:

	2022 HK\$'000	2021 HK\$'000
As at 1 January	9,554	—
Impairment loss recognised for the year	—	9,554
Amounts written off during the year	(3,400)	—
As at 31 December	<u>6,154</u>	<u>9,554</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 43. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Credit risk (Continued)

#### (iii) Loan receivable

The Group has a policy for assessing the impairment on loan receivable on an individual basis. The assessment includes evaluation of collectability and aging analysis of the loan receivable and on management's judgement on creditworthiness, collaterals and past collection history of each borrower.

In determining the recoverability of the loan receivable, the Group will consider the change in the credit quality of the loan receivable, if any, from the date the loan was initially granted up to the reporting date. This includes assessing the credit history of the borrower, such as past experience of financial difficulties or default in payments, current market conditions, value of collaterals and the anticipated receipts of shareholder's loan.

The Group had concentration of credit risk on loan receivable as 100% (2021: 100%) of the loan receivable as at 31 December 2022 was due from one (2021: one) borrower.

Given the unsettled loan and interest receivables in 2020, the Group had issued demand letter and final notice to the Borrower, appointed receivers for enforcement of securities of the loan, and had been in discussion with the Borrower and its joint provisional liquidators for the settlement of the total outstanding amount. The Borrower and its joint provisional liquidators had represented that they were in the process of executing certain plans for asset realisation and/or financing to settle the loan.

As at 31 December 2022 and 2021, the directors of the Company considered that the estimated cash flow of the loan receivable and/or the realisation of the relevant collaterals was expected to be zero due to the adverse development of value of collaterals (inclusive of the anticipated receipts of the shareholder's loan held by the Borrower that are assigned to the Group) and the loan receivable was fully impaired.

The following table shows the reconciliation of loss allowances that has been recognised for loan receivable:

	2022 HK\$'000	2021 HK\$'000
As at 1 January	95,215	26,369
Impairment loss recognised for the year	—	68,846
As at 31 December	95,215	95,215

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 43. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Credit risk (Continued)

#### *(iv) Pledged bank deposits, restricted bank deposits and bank balances*

The credit risks on pledged bank deposits, restricted banks deposits and bank balances are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. No loss allowance provision for pledged bank deposits, restricted banks deposits and bank balances was recognised as the amount is insignificant. The Group has limited exposure to any single financial institution.

### (d) Liquidity risk

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by HK\$97,285,000 as at 31 December 2022 and the Group incurred a net loss of HK\$119,145,000 for the year ended 31 December 2022. Taking into account the ongoing availability of finance to the Group, including the cash flows generated from its principal operations, the existing banking facilities, successful refinancing of certain bank borrowings of HK\$33,700,000 subsequent to the reporting period and the utilisation of the Medium Term Standby Loan Facility of HK\$415,000,000 from a financial institution if necessary, the directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next 12 months from the end of the reporting period.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 43. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (d) Liquidity risk (Continued)

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 non-derivative financial liabilities based on the earliest date on which the Group is required to pay. 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 at the end of the reporting period.

	Interest rate %	Repayable on demand HK\$'000	Less than 3 months HK\$'000	Between 3 months and one year HK\$'000	Between one and five years HK\$'000	More than five years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at the end of the reporting period HK\$'000
<b>As at 31 December 2022</b>								
<b>Non-derivative financial liabilities</b>								
Creditors and accrued charges	—	—	388,776	—	—	—	388,776	388,776
Amount due to an associate	—	6,178	—	—	—	—	6,178	6,178
Borrowings								
— variable rates	4.90-5.73	—	2,837	41,682	79,685	—	124,204	114,740
— fixed rates	3.30-11.36	—	105,694	434,627	328,895	—	869,216	818,863
Lease liabilities	3-8	—	2,396	6,970	26,971	26,706	63,043	45,418
Other payables	—	—	—	—	12,689	—	12,689	12,689
		6,178	499,703	483,279	448,240	26,706	1,464,106	1,386,664
<b>As at 31 December 2021</b>								
<b>Non-derivative financial liabilities</b>								
Creditors and accrued charges	—	—	522,271	—	—	—	522,271	522,271
Amount due to an associate	—	6,726	—	—	—	—	6,726	6,726
Borrowings								
— variable rates	5.94	—	2,540	180,380	—	—	182,920	173,468
— fixed rates	3.85-11.36	—	71,590	357,783	375,480	—	804,853	746,472
Lease liabilities	3-8	—	793	5,893	31,872	36,549	75,107	52,016
		6,726	597,194	544,056	407,352	36,549	1,591,877	1,500,953

The amounts included above for variable interest rate instruments for non-derivative financial liabilities 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.

#### (e) Fair values

Except as disclosed in Notes 16, 17 and 44 to the consolidated financial statements, management of the Group considers that the carrying amounts of the financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 44. FAIR VALUE MEASUREMENTS

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

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

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

Level 3 inputs: unobservable inputs for the asset or liability.

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

Description	Fair value measurements using:		Total 2022 HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	
<b>Recurring fair value measurements:</b>			
<b>Financial assets</b>			
Financial assets at FVTPL			
Held for trading — listed equity securities	12,089	—	12,089
Club debentures	—	802	802
Total	12,089	802	12,891

Description	Fair value measurements using:		Total 2021 HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	
<b>Recurring fair value measurements:</b>			
<b>Financial assets</b>			
Financial assets at FVTPL			
Held for trading — listed equity securities	14,791	—	14,791
Club debentures	—	802	802
Debt instruments at FVTOCI			
Listed bonds	4,682	—	4,682
Total	19,473	802	20,275

There are no transfers between Level 1 and Level 2 for both years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 44. FAIR VALUE MEASUREMENTS (CONTINUED)

### (b) Disclosure of valuation techniques and inputs used in fair value measurements as at 31 December 2022:

Financial assets in the consolidated statement of financial position	Fair value as at 31 December 2022	Fair value as at 31 December 2021	Fair value hierarchy	Valuation techniques and key inputs
1) Investments in listed equity securities classified as investments held for trading	Listed equity securities: — Hong Kong HK\$9,966,000 —Overseas HK\$2,123,000	Listed equity securities: — Hong Kong HK\$12,065,000 — Overseas HK\$2,726,000	Level 1	Quoted bid prices in active markets
2) Investments in listed bonds classified as debt instruments at FVTOCI	Assets — HK\$Nil	Assets — HK\$4,682,000	Level 1	Quoted bid prices in active markets
3) Club debentures classified as financial assets at FVTPL	Assets — HK\$802,000	Assets — HK\$802,000	Level 2	Quoted prices in a market for identical assets

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

### (a) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 January 2022 HK\$'000	Additions HK\$'000	Cash flows HK\$'000	Interest expenses HK\$'000	Exchange differences HK\$'000	31 December 2022 HK\$'000
Lease liabilities	52,016	—	(6,482)	3,717	(3,833)	45,418
Borrowings	919,940	—	36,386	55,298	(78,021)	933,603
	<b>971,956</b>	<b>—</b>	<b>29,904</b>	<b>59,015</b>	<b>(81,854)</b>	<b>979,021</b>
	1 January 2021 HK\$'000	Additions HK\$'000	Cash flows HK\$'000	Interest expenses HK\$'000	Exchange differences HK\$'000	31 December 2021 HK\$'000
Lease liabilities	2,534	53,059	(4,572)	371	624	52,016
Borrowings	971,379	—	(132,825)	57,877	23,509	919,940
	<b>973,913</b>	<b>53,059</b>	<b>(137,397)</b>	<b>58,248</b>	<b>24,133</b>	<b>971,956</b>

### (b) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	2022 HK\$'000	2021 HK\$'000
Within operating cash flows	5,753	3,093
Within financing cash flows	2,765	4,201
	<b>8,518</b>	<b>7,294</b>

These amounts relate to the following:

	2022 HK\$'000	2021 HK\$'000
Lease rental paid	8,518	7,294

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 46. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Country/ place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Proportion of ownership interest/voting power/profit sharing		Principal activities
			31 December 2022	31 December 2021	
<b>Directly held by the Company</b>					
Lianyungang Jiatai Construction Co., Ltd.* (連雲港嘉泰建設工程有限公司) ("Jiatai Construction")	PRC	Registered US\$116,790,000	100%	100%	Investment holding
<b>Indirectly held by the Company</b>					
Forepower Limited	British Virgin Islands ("BVI")	Ordinary US\$1	100%	100%	Property investment in Hong Kong
Focus Clear Limited	BVI	Ordinary US\$1	100%	100%	Securities trading and investment in Hong Kong
Fortune Team Investment Limited	Hong Kong	Ordinary US\$1	100%	100%	Money lending
Future Rise Investments Limited	BVI	Ordinary US\$1	100%	100%	Trading of securities listed in overseas exchange
Genwo Limited	Hong Kong	Ordinary HK\$200,000	100%	100%	Property development (2021: Property investment)
Honest Opportunity Limited	BVI	Ordinary US\$1	100%	100%	Securities trading and investment in Hong Kong and overseas
Join Capital Limited	Hong Kong	Ordinary HK\$2	100%	100%	Investment holding
Kintic Limited	Hong Kong	Ordinary HK\$2	100%	100%	Property investment
Sparkling Summer Limited	BVI	Ordinary US\$6,500,000	100%	100%	Securities trading in Hong Kong
Star Telecom Properties Limited	Hong Kong	Ordinary HK\$200	100%	100%	Investment and property holding
Widerich Limited	Hong Kong	Ordinary HK\$2	100%	100%	Property investment

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 46. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries at the end of the reporting period are as follows: (Continued)

Name of subsidiary	Country/ place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Proportion of ownership interest/voting power/profit sharing		Principal activities
			31 December 2022	31 December 2021	
<b>Indirectly held by the Company (Continued)</b>					
Nanjing Tongren Industrial Co., Ltd.** (南京同仁實業有限公司)	PRC	Registered RMB80,000,000	80%#	80%#	Property development
Nanjing Tongren Hospital Co., Ltd.** (南京同仁醫院有限公司)	PRC	Registered RMB50,000,000	80%#	80%#	Operation of a hospital in Nanjing
Kunming Tongren Industrial Development Co., Ltd.** (昆明同仁實業開發有限公司)	PRC	Registered RMB80,000,000	100%#	100%#	Property development
Kunming Tongren Hospital Co., Ltd.** (昆明同仁醫院有限公司)	PRC	Registered RMB80,000,000	100%#	100%#	Operation of a hospital in Kunming
Tongren Healthcare Industry Group Co., Ltd.** (同仁醫療產業集團有限公司)	PRC	Registered RMB200,000,000	100%#	100%#	Investment holding
Aveo China (Holdings) Limited ("Aveo China")	BVI	Ordinary US\$4,000	100%	100%	Investment holding
Tide Properties Development (Shanghai) Co., Ltd.** (德地置業發展(上海)有限公司) ("Tide Properties")	PRC	Registered RMB388,000,000	100%##	100%##	Property development and property investment for eldercare operation
Shanghai Tide Healthcare Management Co., Ltd.** (上海德地健康管理有限公司) ("Tide Healthcare")	PRC	Registered RMB2,000,000	100%##	100%##	Elderly house operation and provision of healthcare services
Shanghai Tide Nursing Hospital Co., Ltd.** (上海德頤護理院有限公司) ("Tide Nursing Hospital")	PRC	Registered RMB100,000	100%##	100%##	Provision of healthcare services
Nanjing Banmi Cosmetic & Plastic Surgery Clinic Co., Ltd.**- (南京博安美醫療美容診所有限公司)	PRC	Registered RMB3,000,000	—	65%#	Provision of healthcare services

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 46. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries at the end of the reporting period are as follows: (Continued)

- \* Wholly foreign-owned enterprise.
- \*\* Domestic owned enterprise.
- # These companies are held indirectly by Jiatai Construction. The percentage shown above represents the Company's effective interests in the respective companies.
- ## Tide Properties, Tide Healthcare and Tide Nursing Hospital are held indirectly by Aveo China. The percentage shown above represents the Company's effective interests in the respective companies.
- ~ The subsidiary was deregistered during the year.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results, assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

All subsidiaries operate principally in their countries/places of incorporation/registration unless otherwise specified under "Principal activities".

None of the subsidiaries had any debts securities subsisting as at 31 December 2022 and 2021 or at any time during the respective years.

At the end of the reporting period the Company has other subsidiaries that are not material to the Group. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries	
		2022	2021
Property development	PRC	1	1
Investing holding	Hong Kong/PRC/BVI	45	50
		46	51

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 47. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2022 HK\$'000	2021 HK\$'000
<b>Non-current asset</b>		
Interests in subsidiaries	413,847	1,018,603
<b>Current assets</b>		
Debtors and prepayments	1,417	2,612
Amounts due from subsidiaries	320	140
Bank balances	393,431	415,843
	395,168	418,595
<b>Current liabilities</b>		
Creditors and accrued charges	3,421	5,297
Amounts due to subsidiaries	439,098	434,516
	442,519	439,813
<b>Net current liabilities</b>	(47,351)	(21,218)
<b>Net assets</b>	366,496	997,385
<b>Capital and reserves</b>		
Share capital (Note 35)	7,240	7,240
Reserves (Note)	359,256	990,145
<b>Total equity</b>	366,496	997,385

Note: As at 31 December 2022, reserves of the Company included share premium of HK\$2,621,374,000 (2021: HK\$2,621,374,000), capital redemption reserve of HK\$2,496,000 (2021: HK\$2,496,000) and accumulated losses of HK\$2,264,614,000 (2021: HK\$1,633,725,000). Movements of the Company's share capital, share premium and capital redemption reserve are disclosed in the consolidated statement of changes in equity. The movements of the Company's accumulated losses is attributable to loss for the respective financial year.

## SCHEDULE OF PRINCIPAL PROPERTIES

Details of the principal investment properties, properties under development for sale and properties held for sale of the Group as at 31 December 2022 are as follows:

### A. Investment properties

Location	Approximate net floor area (sq.ft.)	Use	Group's interest	Lease term
<b>Hong Kong</b>				
2 industrial units and 1 carpark within Lladro Building, Kwun Tong, Kowloon	18,125	Industrial	100%	Medium-term lease
	N/A	Carpark	100%	Medium-term lease
6 industrial units and 1 carpark within Wing Cheung Industrial Building, Kwun Tong, Kowloon	6,918	Industrial	100%	Medium-term lease
	N/A	Carpark	100%	Medium-term lease
2 industrial units within Crown Industrial Building, Kwun Tong, Kowloon	5,689	Industrial	100%	Medium-term lease
A parcel of land in Fanling, New Territories	52,859	Agricultural	100%	Medium-term lease
<b>The PRC</b>				
Villa and units within Fairway Lodge, Zhaoqing Resort & Golf Club, Huilong Town, Gaoyao, Guangdong Province	8,832	Residential	100%	Medium-term lease
Service Apartments, Block 9, Tide Health Campus, Zhujiajiao Town, Qingpu District, Shanghai	83,504	Residential	100%	Medium-term lease
Service Apartments, Block 11, Tide Health Campus, Zhujiajiao Town, Qingpu District, Shanghai	100,739	Residential	100%	Medium-term lease
Shops and Mall, Blocks 29, 36 & 39, Tide Health Campus, Zhujiajiao Town, Qingpu District, Shanghai	86,371	Commercial	100%	Medium-term lease
Commercial units within Tide Health Campus, Zhujiajiao Town, Qingpu District, Shanghai	14,106	Commercial	100%	Medium-term lease

## SCHEDULE OF PRINCIPAL PROPERTIES (CONTINUED)

### B. Properties under development for sale

Location	Approximate net floor area (sq.ft.)	Use	Group's interest	Stage of completion	Estimated date of completion
<b>The PRC</b>					
Units within Office Tower, CITIC Plaza, Tianhe District, Guangzhou, Guangdong Province	12,751	Commercial	100%	Planning in progress	N/A
A parcel of land located outside the Export and Processing Zone, Development Zone, Lianyungang City, Jiangsu Province	71,747	Commercial	100%	Planning in progress	N/A
Service Apartments, Block 7, Tide Health Campus, Zhujiajiao Town, Qingpu District, Shanghai	93,505	Residential	100%	Planning in progress	N/A

### C. Properties held for sale

Location	Approximate net floor area (sq.ft.)	Use	Group's interest
<b>The PRC</b>			
5 residential units within Kangya Garden, Kangbo Garden, Jiangning District, Nanjing	6,367	Residential	80%
24 residential units and 129 car parks in Dianchi Impression Garden, Xishan District, Kunming City, Yunnan Province	18,311 60,458	Residential Carpark	100% 100%
12 units of Independent Living Units and 393 Car parks, Tide Health Campus, Zhujiajiao Town, Qingpu District, Shanghai	16,090 170,323	Residential Carpark	100% 100%

## FINANCIAL SUMMARY

The results and the assets and liabilities of the Group for the past five financial years, as extracted from the Group's published audited consolidated financial statements and reclassified as appropriate, are set out below:

### RESULTS

	For the year ended 30 June 2018 HK\$'000	For the period from 1 July 2018 to 31 December 2019 HK\$'000	For the year ended 31 December		
			2020 HK\$'000	2021 HK\$'000	2022 HK\$'000
Revenue	1,100,641	1,841,346	1,194,148	1,463,495	<b>1,437,863</b>
Gross proceeds from sales of investments held for trading	1,217,518	200,744	3,248	2,184	—
	<u>2,318,159</u>	<u>2,042,090</u>	<u>1,197,396</u>	<u>1,465,679</u>	<u><b>1,437,863</b></u>
Loss before taxation	(133,449)	(28,811)	(96,562)	(110,468)	<b>(117,169)</b>
Income tax (expense)/credit	(14,379)	38,611	(8,577)	(16,802)	<b>(1,976)</b>
	<u>(147,828)</u>	<u>9,800</u>	<u>(105,139)</u>	<u>(127,270)</u>	<u><b>(119,145)</b></u>
(Loss)/profit for the year/period					
Attributable to:					
Owners of the Company	(137,110)	2,176	(111,928)	(137,296)	<b>(123,574)</b>
Non-controlling interests	(10,718)	7,624	6,789	10,026	<b>4,429</b>
	<u>(147,828)</u>	<u>9,800</u>	<u>(105,139)</u>	<u>(127,270)</u>	<u><b>(119,145)</b></u>

### ASSETS AND LIABILITIES

	As at 30 June 2018 HK\$'000	As at 31 December			
		2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000
Total assets	3,493,130	3,303,009	3,425,174	3,489,538	<b>3,232,534</b>
Total liabilities	(1,674,289)	(1,492,548)	(1,624,540)	(1,772,282)	<b>(1,653,675)</b>
	<u>1,818,841</u>	<u>1,810,461</u>	<u>1,800,634</u>	<u>1,717,256</u>	<u><b>1,578,859</b></u>
Equity attributable to owners of the Company	1,796,615	1,804,626	1,785,074	1,700,597	<b>1,554,942</b>
Non-controlling interests	22,226	5,835	15,560	16,659	<b>23,917</b>
	<u>1,818,841</u>	<u>1,810,461</u>	<u>1,800,634</u>	<u>1,717,256</u>	<u><b>1,578,859</b></u>