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

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 3886)

ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

For the Year:

- The Group recorded revenue of approximately HK\$1,535,580,000 (2021: approximately HK\$1,483,892,000).
- The Group recorded a profit of approximately HK\$49,522,000 (2021: profit of approximately HK\$75,072,000).

As at 31 December 2022:

- The Group held fixed bank and pledged bank deposits, bank balances and cash of approximately HK\$1,370,592,000 (2021: approximately HK\$1,997,017,000).
- The Group had a current ratio (defined as total current assets divided by total current liabilities) of 3.90 (2021: 5.64) and a gearing ratio (defined as total bank borrowings divided by equity attributable to owners of the Company) of 3.26% (2021: 0.40%).

The Board recommended the payment of a final dividend of Hong Kong 0.12 cent per share for the Year (2021: Hong Kong 0.15 cent per share).

FINAL RESULTS

The Board is pleased to announce the audited consolidated results of the Company and its subsidiaries for the Year, together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

		2022	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	1,535,580	1,483,892
Cost of sales		<u>(1,121,134)</u>	<u>(1,012,631)</u>
Gross profit		414,446	471,261
Other income	5	49,359	76,942
Administrative expenses		(397,959)	(357,117)
Other gains and losses, net	6	44,167	24,244
Expected credit loss recognised on a promissory note		–	(117,763)
Finance costs	7	(12,684)	(3,903)
Share of results of associates		(5,601)	40,484
Share of results of joint ventures		<u>(9,225)</u>	<u>(7,640)</u>
Profit before tax		82,503	126,508
Income tax expenses	8	<u>(32,981)</u>	<u>(51,436)</u>
Profit for the year	9	<u>49,522</u>	<u>75,072</u>

	<i>Note</i>	2022 HK\$'000	2021 HK\$'000
Other comprehensive (expense) income for the year			
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value change in equity instruments at fair value through other comprehensive income		(8,102)	(9,839)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on the translation of foreign operations		(99,131)	37,905
Share of other comprehensive (expense) income of associates and joint ventures		(8,439)	4,253
		<u>(115,672)</u>	<u>32,319</u>
Total comprehensive (expense) income for the year		<u>(66,150)</u>	<u>107,391</u>
Profit for the year attributable to:			
Owners of the Company		15,289	22,013
Non-controlling interests		34,233	53,059
		<u>49,522</u>	<u>75,072</u>
Total comprehensive (expense) income attributable to:			
Owners of the Company		(73,690)	44,539
Non-controlling interests		7,540	62,852
		<u>(66,150)</u>	<u>107,391</u>
Earnings per share (<i>HK cent(s)</i>)			
Basic and diluted	11	<u>0.21</u>	<u>0.29</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Investment properties		528,580	583,223
Property, plant and equipment		542,857	363,031
Right-of-use assets		133,103	91,805
Loans receivable		49,904	5,434
Goodwill		781,704	492,794
Intangible assets		417,948	329,096
Interests in associates		292,190	340,374
Interests in joint ventures		22,211	12,786
Equity instruments at fair value through other comprehensive income		27,785	29,770
Deferred tax assets		2,117	–
Fixed bank deposits		23,436	104,805
		2,821,835	2,353,118
CURRENT ASSETS			
Inventories		57,298	38,678
Trade and other receivables	12	509,634	442,581
Financial assets at fair value through profit or loss		–	1,951
Loans receivable		9,069	353
Promissory notes		–	–
Amounts due from associates		1,184	1,270
Tax recoverable		3,504	207
Pledged bank deposits		148,286	–
Fixed bank deposits		226,931	981,754
Bank balances and cash		971,939	910,458
		1,927,845	2,377,252

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
CURRENT LIABILITIES			
Trade and other payables	13	291,511	268,495
Contract liabilities		17,256	3,095
Amount due to an investee		292	296
Amounts due to non-controlling interests		49,882	36,864
Bank borrowings	14	46,719	15,400
Lease liabilities		63,728	59,738
Tax payable		24,931	37,597
		<u>494,319</u>	<u>421,485</u>
NET CURRENT ASSETS		<u>1,433,526</u>	<u>1,955,767</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,255,361</u>	<u>4,308,885</u>
NON-CURRENT LIABILITIES			
Bank borrowing	14	67,177	–
Lease liabilities		83,521	42,837
Deferred tax liabilities		37,195	40,614
Convertible bonds		213,878	–
		<u>401,771</u>	<u>83,451</u>
		<u>3,853,590</u>	<u>4,225,434</u>
CAPITAL AND RESERVES			
Share capital	15	68,364	75,261
Reserves		3,423,052	3,779,774
Equity attributable to owners of the Company		3,491,416	3,855,035
Non-controlling interests		362,174	370,399
Total equity		<u>3,853,590</u>	<u>4,225,434</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL

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

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

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

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

As disclosed in the consolidated financial statements for the years ended 31 December 2017, 2018, 2019, 2020 and 2021, the Securities and Futures Commission ("**SFC**") has on 27 November 2017 issued a direction to suspend trading in the shares of the Company with effect from 27 November 2017 ("**Suspension**") as it appears to the SFC that, inter alia, the Company's interim report for the six months ended 30 June 2016 published by the Company on 7 September 2016 and the Company's annual report for the year ended 31 December 2016 published by the Company on 27 April 2017 included materially false, incomplete or misleading information.

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

- (i) conducting an independent investigation on the issues and matters arising from or relating to the Suspension;
- (ii) making recommendations to the Board on appropriate action to be taken; and
- (iii) working towards the goal of having the shares resumed in trading on The Stock Exchange.

During 2018 and 2019, the IBC had appointed an independent forensic accountant to conduct investigations on the issues and matters arising from or relating to the direction issued by the SFC and to make recommendations to the Board.

After reviewing the findings and conclusion of the independent forensic accountant reports, the IBC accepts that the matters leading to the SFC's concerns on the materially false, incomplete or misleading information contained in the Company's interim report for the six months ended 30 June 2016 published by the Company on 7 September 2016 and the Company's annual report for the year ended 31 December 2016 published by the Company on 27 April 2017 are not substantiated. Hence, the Board has determined that no restatement of figures stated in the accounts contained in these previously issued annual and interim reports is necessary, and no disclosures contained in these accounts need to be amended.

On 30 April 2019, 31 July 2019 and 31 October 2019, the Company announced that the resumption application made by the Company to the SFC under Section 9 of the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) ("**SMLR**") will be considered by the board of the SFC in due course. The Company will continue to communicate with the SFC and seek to resume the trading of its shares on the Stock Exchange as soon as practicable.

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

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

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

- (i) the Stock Exchange's guidance letter states that the Stock Exchange would discuss with the SFC before exercising its right to delist an issuer suspended under Section 8 of the SMLR; and
- (ii) after consultation with the SFC, the Stock Exchange confirms that the Stock Exchange will, until further notice, withhold exercising its right to delist the Company under Rule 6.01A(2)(b)(i) of the Listing Rules should trading in the Company's securities remain suspended on 31 January 2020.

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

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

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

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

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

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

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

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

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

2.1 Impacts on application of Amendments to HKFRS 3 Reference to the Conceptual Framework

The Group has applied the amendments to business combinations for which the acquisition date was on or after 1 January 2022. The amendments update a reference in HKFRS 3 Business Combinations so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (“**Conceptual Framework**”) instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010), add a requirement that, for transactions and events within the scope of HKAS 37 Provisions, Contingent Liabilities and Contingent Assets or HK(IFRIC)-Int 21 Levies, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination and add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

2.2 Impacts on application of Amendments to HKFRSs Annual Improvements to HKFRSs 2018-2020

The Group has applied the amendments for the first time in the current year. The annual improvements make amendments to the following standards:

HKFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the “10 per cent” test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other’s behalf.

In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged on or after 1 January 2022.

HKFRS 16 Leases

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

New and amendments to HKFRSs in issue but not yet effective

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

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

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

² Effective for annual periods beginning on or after 1 January 2024.

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

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

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

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

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

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

In addition, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the provisions for decommissioning and restoration and the corresponding amounts recognised as part of the cost of the related assets.

3. REVENUE

Revenue represents the aggregate of the net amounts received and receivable from third parties for the year. There is no seasonality and cyclicity of the operations of the Group. The performance obligation is part of a contract that has an original expected duration of one year or less. Disaggregation of revenue from contracts with the customers are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue recognised under HKFRS 15		
Hong Kong medical services		
– Medical services	552,091	401,312
– Dental services	<u>65,025</u>	<u>69,135</u>
	617,116	470,447
Hong Kong managed medical network business	429,458	463,284
Mainland hospital management and medical services	<u>476,710</u>	<u>453,503</u>
	<u>1,523,284</u>	<u>1,387,234</u>
Revenue recognised under other accounting standard		
Others		
– Rental income	<u>12,296</u>	<u>96,658</u>
Total	<u><u>1,535,580</u></u>	<u><u>1,483,892</u></u>
Revenue recognised under HKFRS 15		
Timing of revenue recognition		
At point in time	1,422,405	1,274,761
Over time	<u>100,879</u>	<u>112,473</u>
	<u><u>1,523,284</u></u>	<u><u>1,387,234</u></u>

Revenue from Hong Kong medical services (including provision of medical and dental services), majority of Hong Kong managed medical network business and Mainland hospital management and medical services (including selling healthcare and pharmaceutical products and provision of medical and dental services) are recognised at a point in time, whereas other sources of revenue from Mainland hospital management and medical services are recognised over time.

Mainland hospital management services and related services has 180 days to 270 days credit term upon the services provided.

Revenue for the services recognised on gross basis and net basis for the years ended 31 December 2022 and 2021 are as follows (see note below):

	2022	2021
	HK\$'000	HK\$'000
Gross basis	1,519,843	1,378,400
Net basis	3,441	8,834
Total revenue	<u>1,523,284</u>	<u>1,387,234</u>

Note:

Revenue recognised on gross basis relates to revenue from contracts whereby the Group acts as principal and revenue recognised on net basis relates to contracts whereby the Group acts as agent in the trading of medical equipments.

4. SEGMENT INFORMATION

The chief operating decision maker, being the chief executive officer (“CEO”) regularly evaluated the current business units of the Group and the locations of the different types of business which are most relevant for the purposes of resources allocation and assessment of segment performance. The Group has identified four reportable and operating segments, namely Hong Kong medical services, Hong Kong managed medical network business, Mainland hospital management and medical services and others.

Specifically, the Group’s operating and reportable segments are as follows:

Hong Kong medical services	–	Provision of medical and dental services in Hong Kong
Hong Kong managed medical network business	–	Managing healthcare networks & provision of third party medical network administrator services in Hong Kong
Mainland hospital management and medical services	–	Provision of medical and dental services in the People’s Republic of China (“PRC”), provision of hospital management services and related services
Others	–	Leasing of properties

No segment information of assets and liabilities is provided to the CEO for the assessment of performance of different segments. Accordingly, no segment information of assets and liabilities is presented.

Segment revenues and results

For the year ended 31 December 2022

	Hong Kong medical services <i>HK\$'000</i>	Hong Kong managed medical network business <i>HK\$'000</i>	Mainland hospital management and medical services <i>HK\$'000</i>	Others <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue						
External sales	617,116	429,458	476,710	12,296	-	1,535,580
Inter-segment sales	39,066	-	-	-	(39,066)	-
	<u>656,182</u>	<u>429,458</u>	<u>476,710</u>	<u>12,296</u>	<u>(39,066)</u>	<u>1,535,580</u>
Segment results before impairment losses and expected credit loss	<u>8,153</u>	<u>31,115</u>	<u>43,519</u>	<u>57,538</u>	<u>-</u>	<u>140,325</u>
Impairment loss recognised on goodwill	(487)	-	-	-	-	(487)
Impairment loss recognised on right-of-use assets	(1,868)	-	-	-	-	(1,868)
Impairment loss recognised on interest in a joint venture	-	-	-	(97)	-	(97)
Reversal of impairment loss recognised on property, plant and equipment	-	-	-	2,811	-	2,811
Expected credit loss recognised on other receivables	-	-	(979)	(198)	-	(1,177)
Written off of goodwill	-	-	(1,315)	-	-	(1,315)
Segment results	<u>5,798</u>	<u>31,115</u>	<u>41,225</u>	<u>60,054</u>	<u>-</u>	<u>138,192</u>
Unallocated finance costs						(7,196)
Unallocated other income						11,956
Unallocated corporate expenses						<u>(60,449)</u>
Profit before tax						<u>82,503</u>

For the year ended 31 December 2021

	Hong Kong medical services <i>HK\$'000</i>	Hong Kong managed medical network business <i>HK\$'000</i>	Mainland hospital management and medical services <i>HK\$'000</i>	Others <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue						
External sales	470,447	463,284	453,503	96,658	–	1,483,892
Inter-segment sales	43,963	–	–	–	(43,963)	–
	<u>514,410</u>	<u>463,284</u>	<u>453,503</u>	<u>96,658</u>	<u>(43,963)</u>	<u>1,483,892</u>
Segment results before impairment losses and expected credit losses	<u>(1,247)</u>	<u>42,324</u>	<u>94,710</u>	<u>179,577</u>	<u>–</u>	<u>315,364</u>
Impairment loss recognised on goodwill	(3,027)	–	–	–	–	(3,027)
Impairment loss recognised on right- of-use assets	(8,658)	–	–	–	–	(8,658)
Impairment loss recognised on property, plant and equipment	–	–	–	(3,067)	–	(3,067)
Expected credit loss recognised on other receivables	–	–	–	(3,528)	–	(3,528)
Expected credit loss recognised on a promissory note	–	–	–	(117,763)	–	(117,763)
Segment results	<u>(12,932)</u>	<u>42,324</u>	<u>94,710</u>	<u>55,219</u>	<u>–</u>	<u>179,321</u>
Unallocated finance costs						(377)
Unallocated other income						6,530
Unallocated corporate expenses						<u>(58,966)</u>
Profit before tax						<u>126,508</u>

Segment profit or loss represents the profit earned by or loss from each segment without allocation of central administration costs, directors' remuneration, certain finance costs, certain items of other gains and losses and other income. This is the measure reported to the CEO for the purposes of resources allocation and performance assessment.

Other segment information

For the year ended 31 December 2022

	Hong Kong medical services <i>HK\$'000</i>	Hong Kong managed medical network business <i>HK\$'000</i>	Mainland hospital management and medical services <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total for segments <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measure of segment profit (loss):							
Interest income	-	-	-	(29,493)	(29,493)	-	(29,493)
Dividend income	(1,327)	-	-	-	(1,327)	-	(1,327)
Fair value changes on investment properties	-	-	-	6,893	6,893	-	6,893
Share of results of associates	(4,655)	-	-	10,256	5,601	-	5,601
Share of results of joint ventures	-	-	5,200	4,025	9,225	-	9,225
Depreciation of property, plant and equipment	14,915	2,437	18,920	15,655	51,927	37	51,964
Depreciation of right-of-use assets	47,666	10,519	6,603	-	64,788	-	64,788
Amortisation of intangible assets	307	7,251	3,250	-	10,808	-	10,808
Loss (gain) on disposal/written off of property, plant and equipment	239	7	280	(247)	279	-	279
Gain on disposal of a subsidiary	-	-	-	(31,908)	(31,908)	-	(31,908)
Finance costs	4,597	385	506	-	5,488	7,196	12,684
Amounts included in the information regularly provided to the CEO:							
Additions to property, plant and equipment	<u>10,499</u>	<u>2,821</u>	<u>21,613</u>	<u>2,263</u>	<u>37,196</u>	<u>-</u>	<u>37,196</u>

For the year ended 31 December 2021

	Hong Kong medical services <i>HK\$'000</i>	Hong Kong managed medical network business <i>HK\$'000</i>	Mainland hospital management and medical services <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total for segments <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measure of segment profit (loss):							
Interest income	-	-	-	(16,328)	(16,328)	-	(16,328)
Dividend income	(1,285)	-	-	-	(1,285)	-	(1,285)
Fair value changes on investment properties	-	-	-	(47,653)	(47,653)	-	(47,653)
Share of results of associates	(7,538)	-	2,281	(35,227)	(40,484)	-	(40,484)
Share of results of joint ventures	-	-	7,632	8	7,640	-	7,640
Depreciation of property, plant and equipment	11,054	2,141	14,937	14,468	42,600	111	42,711
Depreciation of right-of-use assets	49,860	10,510	8,513	-	68,883	-	68,883
Amortisation of intangible assets	-	7,251	3,376	-	10,627	-	10,627
Loss (gain) on disposal/written off of property, plant and equipment	121	-	278	(115)	284	-	284
Finance costs	2,232	656	638	-	3,526	377	3,903
Amounts included in the information regularly provided to the CEO:							
Additions to property, plant and equipment	<u>6,538</u>	<u>1,822</u>	<u>10,619</u>	<u>387</u>	<u>19,366</u>	<u>579</u>	<u>19,945</u>

Geographical information

The Group's revenue from external customers based on geographical location of operations are detailed below:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Other regions of the PRC	476,710	453,503
Hong Kong	<u>1,058,870</u>	<u>1,030,389</u>
	<u><u>1,535,580</u></u>	<u><u>1,483,892</u></u>

Information about the Group's non-current assets by geographical location of the assets are detailed below:

	Carrying amount of non-current assets	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Other regions of the PRC	516,466	577,755
Hong Kong	<u>2,202,127</u>	<u>1,635,354</u>
Non-current assets (<i>Note</i>)	<u><u>2,718,593</u></u>	<u><u>2,213,109</u></u>

Note: Non-current assets shown above exclude deferred tax assets, loans receivable, fixed bank deposits and equity instruments at fair value through other comprehensive income ("FVTOCI").

Information about a major customer

The major customers which contributed more than 10% of the total revenue for the year ended 31 December 2022 and 2021 are listed as below:

	2022	2021
Customer A	<u><u>22%</u></u>	<u><u>26%</u></u>

5. OTHER INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest income:		
– Bank balances and fixed bank deposits	28,144	16,307
– Loans receivable	1,349	21
	<u>29,493</u>	<u>16,328</u>
Dividend income from equity instruments at FVTOCI:		
– Relating to investments held at the end of the reporting period	1,327	1,285
Rental income	3,202	3,761
Employee Support Scheme income (<i>Note i</i>)	9,412	–
Rental concessions	1,888	3,410
Compensation from termination of management service agreement by a customer and other related proceeds (<i>Note ii</i>)	–	49,333
Sundry income	4,037	2,825
	<u>49,359</u>	<u>76,942</u>

Notes:

- (i) During the year ended 31 December 2022, the Group recognised government grants of HK\$9,412,000 in respect of Covid-related subsidies, all of which were related to Employment Support Scheme provided by the Hong Kong government under which the Group was required to comply with certain conditions under the scheme. There was no unfulfilled conditions or contingencies relating to these grants.
- (ii) During the year ended 31 December 2021, 廣州宜康醫療管理有限公司 (in English for identification purpose only, Guangzhou Yikang Medical Management Company Limited) (“**Yikang**”), a subsidiary of the Company, 中山大學附屬第六醫院 (in English for identification purpose only, The Sixth Affiliated Hospital of Sun Yat-Sen University) (“**Sixth Hospital**”), and 中山大學附屬第六醫院影像檢驗中心 (in English for identification purpose only, the Medical Diagnostic Centre of The Sixth Affiliated Hospital of Sun Yat-Sen University) (“**Medical Diagnostic Centre**”) entered into a termination agreement, pursuant to which the parties thereto have mutually agreed to terminate the management service agreement entered into between, among others, Sixth Hospital and Yikang in February 2008 (as amended and supplemented from time to time) with effect from 10 September 2021 and Yikang was compensated by the Medical Diagnostic Centre in the sum of RMB40,844,000 (equivalent to approximately HK\$49,333,000) for the year ended 31 December 2021.

6. OTHER GAINS AND LOSSES, NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Fair value changes on investment properties	(6,893)	47,653
Fair value changes on financial assets at fair value through profit or loss	(936)	(4,823)
Gain on disposal of a subsidiary (<i>Note</i>)	31,908	–
Gain on derecognition of a promissory note	22,500	–
Loss on disposal of an associate	–	(22)
Loss on disposal/written off of property, plant and equipment	(279)	(284)
Impairment loss recognised on goodwill	(487)	(3,027)
Written off of goodwill	(1,315)	–
Reversal of (impairment loss) recognised on property, plant and equipment	2,811	(3,067)
Impairment loss recognised on right-of-use assets	(1,868)	(8,658)
Impairment loss recognised on interest in a joint venture	(97)	–
Expected credit loss recognised on other receivables	(1,177)	(3,528)
	<u>44,167</u>	<u>24,244</u>

Note:

The disposed subsidiary is an investment property holding company, included in the gain on disposal of a subsidiary, the fair value of the property held by it increased by HK\$31,908,000.

7. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on bank borrowings	2,250	377
Interest on lease liabilities	3,757	3,526
Interest on convertible bonds	6,677	–
	<u>12,684</u>	<u>3,903</u>

8. INCOME TAX EXPENSES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Tax charge comprises:		
Current tax		
– Hong Kong Profits Tax	11,874	26,428
– PRC Enterprise Income Tax	<u>24,201</u>	<u>26,624</u>
	<u>36,075</u>	<u>53,052</u>
Provision in prior years		
– (Over)under provision of Hong Kong Profits Tax	(1,098)	425
– Over provision of PRC Enterprise Income Tax	<u>(109)</u>	<u>–</u>
	<u>34,868</u>	<u>53,477</u>
Deferred tax		
– Current year	<u>(1,887)</u>	<u>(2,041)</u>
	<u><u>32,981</u></u>	<u><u>51,436</u></u>

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

Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

Under the Law of the PRC on Enterprise Income Tax (“**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

9. PROFIT FOR THE YEAR

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit for the year has been arrived at after charging:		
Staff costs		
– Directors' remuneration	12,805	3,751
– Other staff's salaries	602,351	559,961
– Other staff's bonus	90,900	81,806
– Other staff's retirement benefits scheme contributions	12,236	10,820
	<u>718,292</u>	<u>656,338</u>
<i>Less:</i> Staff costs recognised in administrative expenses	<u>(150,757)</u>	<u>(128,443)</u>
Staff costs recognised in cost of sales	<u>567,535</u>	<u>527,895</u>
Auditors' remuneration	4,000	3,825
Cost of inventories recognised in cost of sales:		
– Pharmaceutical supplies	294,872	246,157
– Other inventories	3,561	4,200
	<u>298,433</u>	<u>250,357</u>
Depreciation of property, plant and equipment recognised in administrative expenses	38,241	34,494
Depreciation of property, plant and equipment recognised in cost of sales	<u>13,723</u>	<u>8,217</u>
Total depreciation of property, plant and equipment	<u>51,964</u>	<u>42,711</u>
Loss on disposal/written off of property, plant and equipment	279	284
Depreciation of right-of-use assets recognised in administrative expenses	64,788	68,883
Amortisation of intangible assets, recognised in administrative expenses		
– customer relationship	7,558	7,251
– management services right and consulting services contracts	3,250	3,376
Total amortisation of intangible assets	<u>10,808</u>	<u>10,627</u>
and after crediting:		
Gross rental income from investment properties	12,290	11,927
<i>Less:</i> Direct operating expenses of properties that generated rental income	<u>(1,073)</u>	<u>(1,015)</u>
Net rental income from investment properties	<u>11,217</u>	<u>10,912</u>

10. DIVIDENDS

During the year ended 31 December 2022, a final dividend of Hong Kong 0.15 cent per share for the year ended 31 December 2021 was declared to the owners of the Company. The aggregate amount of the final dividend declared during the year ended 31 December 2022 amounted to approximately HK\$11,289,000 (2021: nil).

The Board recommended the payment of a final dividend of Hong Kong 0.12 cent per share for the year ended 31 December 2022 (2021: Hong Kong 0.15 cent per share).

11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

Profit for the purposes of basic and diluted earnings per share

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit for the year attributable to owners of the Company	<u>15,289</u>	<u>22,013</u>

Number of shares

	2022	2021
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<u>7,340,228,567</u>	<u>7,526,134,452</u>

The computation of diluted earnings per share for the year ended 31 December 2022 does not assume the conversion of the Company's outstanding convertible bonds since their assumed conversion would have anti-dilutive effect. There were no potential ordinary shares in issue for the year ended 31 December 2021.

12. TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables (<i>Note i</i>)	346,313	348,937
Bills receivables (<i>Note i</i>)	<u>89,816</u>	<u>37,715</u>
	436,129	386,652
Deposits	44,724	39,389
Other receivables (<i>Note ii</i>)	13,192	8,304
Prepayments (<i>Note iii</i>)	15,550	8,236
Amount due from a related party (<i>Note iv</i>)	<u>39</u>	<u>–</u>
	<u>509,634</u>	<u>442,581</u>

Notes:

- (i) Most of the patients of the medical and dental practices settle in cash. Payments arising from use of medical cards by patients will normally be settled within 180 days to 240 days whilst settlement by corporate customers for the Group's managed medical network operation is from 60 days to 180 days. The Group allows credit period of 180 days to 270 days and 60 days to 240 days to its customers under mainland hospital management services and related services and trade customers under other business activities, respectively.

The following is an aged analysis of trade and bills receivables, net of allowance, presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 – 60 days	244,171	242,650
61 – 120 days	87,844	85,668
121 – 180 days	50,545	55,017
181 – 240 days	46,865	3,317
Over 240 days	<u>6,704</u>	<u>–</u>
	<u>436,129</u>	<u>386,652</u>

These receivables are related to a number of independent customers that have good repayment history with the Group. The Group does not hold any collateral over these balances.

As at 31 December 2022 and 2021, no trade and bills receivables are past due at the end of the reporting period for which the Group has not provided an allowance for expected credit loss.

- (ii) As at 31 December 2022, the Group's other receivables mainly included the receivables of interest income from fixed bank deposits of HK\$4,317,000 (2021: nil). As at 31 December 2021, the Group's other receivables mainly included the receivables of compensation from termination of management service agreement by a customer and other related proceeds of HK\$2,700,000.

During the year ended 31 December 2022, expected credit loss on other receivables of HK\$1,177,000 was recognised (2021: HK\$3,528,000).

- (iii) As at 31 December 2022, the Group's prepayments mainly included prepayment to suppliers for trading of medicine of HK\$4,610,000 (2021: nil) and prepayment to suppliers for trading of medical equipment of HK\$2,827,000 (2021: HK\$2,297,000).
- (iv) The amount due from a related party was unsecured, interest free and repayable on demand.

13. TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables (<i>Note i</i>)	153,488	143,486
Other payables (<i>Note ii</i>)	27,773	15,670
Deposits received	4,783	4,624
Accruals (<i>Note iii</i>)	102,369	104,715
Amounts due to related parties (<i>Note iv</i>)	3,098	–
	<u>291,511</u>	<u>268,495</u>

Notes:

- (i) The following is an aged analysis of trade payables presented based on invoice dates at the end of the reporting period:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 – 60 days	83,675	95,165
61 – 120 days	29,118	21,555
Over 120 days	40,695	26,766
	<u>153,488</u>	<u>143,486</u>

The average credit period on purchase of goods is 60 days to 120 days.

- (ii) Included in the Group's other payables as at 31 December 2022 are dividend payables of HK\$1,010,000 (2021: nil) and convertible bonds which were redeemed in December 2022 but not yet paid of HK\$4,105,000 (2021: nil).
- (iii) Included in the balance of accruals are the accruals for consultancy service costs payable to affiliated doctors and specialists of HK\$43,044,000 (2021: HK\$34,907,000), accrued staff costs of HK\$11,238,000 (2021: HK\$8,770,000) and provision for bonus of HK\$14,302,000 (2021: HK\$17,379,000).
- (iv) The amounts due to related parties were unsecured, interest free and repayable on demand.

14. BANK BORROWINGS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Secured:		
Revolving loan	30,000	–
Mortgage loans	<u>83,896</u>	<u>15,400</u>
	<u>113,896</u>	<u>15,400</u>
The bank borrowings are repayable as follows:		
On demand and within one year	33,740	1,239
In more than one year but not more than two years	3,931	1,272
In more than two years but not more than three years	4,104	1,303
In more than three years but not more than four years	4,276	1,338
In more than four years but not more than five years	4,454	1,372
Over five years	<u>63,391</u>	<u>8,876</u>
	113,896	15,400
<i>Less:</i> Amounts due within one year shown under current liabilities	(33,740)	(1,239)
Carrying amount of bank borrowing that is not repayable within one year from the end of reporting period but contain a repayment on demand clause (shown under current liabilities)	<u>(12,979)</u>	<u>(14,161)</u>
	<u>67,177</u>	<u>–</u>

As at 31 December 2022, the bank borrowings of the Group carry variable interest rates ranging from Hong Kong Interbank Offered Rate (“**HIBOR**”)+1.65% per annum to HIBOR+2.25% per annum (2021: variable interest rate at HIBOR+2.25% per annum).

The Group’s mortgage loans are secured by the Group’s leasehold land and building with carrying value of HK\$182,628,000 (2021: HK\$39,804,000). In addition, mortgage loan with carrying amount of HK\$14,201,000 was also supported by personal guarantee provided by non-controlling interests of the Company’s non-wholly owned subsidiary which will be released upon repayment of the mortgage.

15. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2021, 31 December 2021 and 2022	30,000,000,000	300,000
Issued and fully paid:		
At 1 January 2021 and 31 December 2021	7,526,134,452	75,261
Cancellation of shares (<i>Note</i>)	(689,760,000)	(6,897)
At 31 December 2022	6,836,374,452	68,364

Note:

During the year ended 31 December 2022, a subsidiary of the Company repurchased the Company's own ordinary shares on the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares repurchased	Consideration per share		Aggregate consideration paid (before expenses) HK\$'000
		Highest HK\$	Lowest HK\$	
2022				
July	150,854,000	0.530	0.500	79,235
September	229,508,000	0.510	0.440	111,910
October	203,200,000	0.390	0.330	75,234
November	112,398,000	0.355	0.285	37,863
December	29,626,000	0.350	0.290	8,923
	<u>725,586,000</u>			<u>313,165</u>

During the year ended 31 December 2022, 725,586,000 ordinary shares were repurchased with aggregate consideration of HK\$315,286,000, including expenses paid amounting to HK\$2,121,000.

During the year ended 31 December 2022, 689,760,000 ordinary shares of the repurchased ordinary shares above with aggregate consideration paid amounting to approximately HK\$304,467,000 were cancelled.

The above repurchase and cancellation of ordinary shares of the Company are performed by its subsidiary. No other subsidiaries of the Company purchased, sold or redeemed any of the Company's listed securities during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

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

During the Year, the Group recorded a consolidated profit of approximately HK\$49,522,000 (2021: approximately HK\$75,072,000). The decrease in consolidated profit was mainly attributable to (i) the share of losses of associates recorded for the Year; (ii) the fair value loss of the Group's investment properties recorded for the Year; (iii) the significant decrease in compensation received recorded for the Year; and (iv) the significant decrease in the expected credit loss recognised on a promissory note recorded for the Year.

Share of Losses of Associates

The Group recorded share of losses of associates of approximately HK\$5,601,000 for the Year (2021: share of profits of associates of approximately HK\$40,484,000). Such change from share of profits to losses was mainly attributable to the temporary closure of certain parts of the operations of certain associates of the Group as a result of the outbreak of the Covid Pandemic during the Year.

Fair Value Loss on Investment Properties

The Group recorded a fair value loss on its investment properties of approximately HK\$6,893,000 for the Year (2021: fair value gain of approximately HK\$47,653,000), which was mainly attributable to the contraction in property market conditions as a result of the Covid Pandemic during the Year.

Significant Decrease in Compensation Received

The Group did not recognise any compensation received from termination of management service agreement during the Year (2021: compensation received from termination of management service agreement by a customer of approximately HK\$49,333,000). Details of the termination of management service agreement is set out in the announcement of the Company dated 10 September 2021.

Significant Decrease in the Expected Credit Loss Recognised on a Promissory Note

The Group did not recognise any expected credit loss on a promissory note for the Year (2021: approximately HK\$117,763,000). Details of such promissory note are set out in the announcements of the Company dated 30 December 2016, 17 March 2017, 19 March 2021, 27 April 2021, 26 May 2021, 25 July 2022 and 22 August 2022 and the circular of the Company dated 23 February 2017.

BUSINESS REVIEW

Annual Business Review

The year 2022 was a challenging year due to the complex and changeable global Pandemic situation, intensified geopolitical risks, and continuous pressure over macro economy. In view of the difficulties, the Group forged ahead, persisted in seeking progress while maintaining stability, and focused on business development while coping with challenges calmly. During the Year, the Group continued to provide reliable and high-quality medical and healthcare services as always and achieved a smooth business transition, paving the way for the establishment of a full-cycle, integrated and one-stop cross-border comprehensive medical and healthcare service ecosystem in the post-Pandemic era.

In terms of the businesses in Hong Kong, the fifth outbreak of the epidemic in Hong Kong since the beginning of the Year and strict social distancing measures led to a decrease in the number of citizens who went out and sought for medical treatment, which affected the business performance of the Group in Hong Kong. Nevertheless, in light of the changes in the local epidemic and economic situation, the Group optimized its service network and expanded its business scope in accordance with customers' ever-changing medical and healthcare needs. At the same time, it cooperated with the government in providing anti-Pandemic related services. During the Year, Hong Kong's managed medical network remained consistently profitable while Hong Kong's medical service business also had a better performance, which fully demonstrated the operating resilience and risk resistance capacity of the Group's businesses in Hong Kong.

In terms of the businesses in the Mainland China, the Pandemic disrupted economic growth and consumption activities during the Year, and the lockdown and control measures continued to affect the Group's strategic deployment of "comprehensive health". The business operations of hospital management and health management institutions in various places were put to test. In the face of business adversity, the Group accumulated strength and prepared for opportunities. On the one hand, it continued to strengthen the organic growth momentum of the hospital management business. On the other hand, it continued to promote the diversified and standardized development of the health management business and improve professional standards and service quality, to proactively expand enterprise customers and expand market share. During the Year, the hospital management and health management businesses in the Mainland China improved based on accumulated strength, which demonstrated the vigorous vitality and huge potential of the Group's businesses in the Mainland China.

Healthcare Service Network of the Group

As of 31 December 2022, the Group had 430 healthcare service points covering multiple practices, including 248 general practice service points, 68 specialist service points, 22 dental service points and 92 auxiliary service points. As of 31 December 2022, the Group had 787 doctors, dentists and auxiliary service staff (including 396 general practitioners, 229 specialists, 31 dentists and 131 auxiliary service staff), all of whom provided healthcare services via the Group's network of self-operated and affiliated medical service centres.

The Group's healthcare service network is as follows:

	As of 31 December 2022
Medical services	316
General practice services	248
Specialist services	68
Dental services	22
Auxiliary services	92
Physiotherapy services	48
Diagnostic imaging and laboratory testing services	29
Traditional Chinese medicine services	14
Health management services	1
	<hr/>
Total:	430
	<hr/> <hr/>

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

	As of 31 December 2022
Medical services	74
General practice services	38
Specialist services	36
Dental services	12
Auxiliary services	25
Diagnostic imaging and laboratory testing services	17
Physiotherapy services	7
Health management services	1
	<hr/>
Total:	111
	<hr/> <hr/>

Business in Hong Kong

Managed Medical Network – Vio

No recap of 2022 would be complete without mentioning the 5th wave which ravaged Hong Kong in the Spring. Hong Kong's earlier success with eliminating community transmission strategy had lured many into a false sense of security or vaccine hesitancy. As many unvaccinated elderly caught Covid-19 in the 5th wave, Hong Kong had one of the World's highest Covid-19 mortality rates in the post-vaccine era. The healthcare system was paralysed and distorted into treating mainly Covid-19 while many family breadwinners with cancers, heart diseases or other serious condition had vital treatments delayed.

All these had a direct or indirect negative impact on Vio's medical network management operations: notably staff shortages through lock downs, closed contact quarantine, case isolation, or resignation to join much higher paying publicly funded anti-Covid jobs as well as patients' avoidance of clinics and hospitals for elective treatments. Through collective staff members' efforts, Vio managed to maintain its business operations and its own clinics remained open on all normal business days. Meanwhile mask wearing, good hand hygiene practice, work from home and social distancing had also cut transmission of other respiratory tract infections contributing to low utilisation of its services for several months, while infection control measures and Covid-19 tests added to costs. In 2022, Vio recorded revenue of approximately HK\$429,458,000 (2021: approximately HK\$463,284,000), accounting for approximately 27.97% (2021: approximately 31.22%) of the Group's revenue for the Year; and segment results of approximately HK\$31,115,000 (2021: approximately HK\$42,324,000). Looking back, Vio was perhaps naïve to believe that Covid-19 vaccines would end the Pandemic and expected business to grow in 2022! Little did it know that this RNA virus would mutate with time making the vaccines less effective in preventing infection. The human cost has been enormous and many lives have been ruined.

With lower service volume, Vio was able to spare some resources towards the pursuit of excellence with renewed efforts in improving its internal management and work flow with I.T. systems upgrade to minimise work in repetitive routine functions, reduce paper usage, reduce manuscripts errors and enhance data extraction to guide management. Vio also developed and rolled out multiple new I.T. modules in line with internal and corporate clients' needs. Its infection control measures had prevented major outbreak at work and it was able to maintain both clinical and back-office services throughout the Year with no closure.

During the Year, new specialists joined Vio, including those practising in clinical microbiology and infection, haematology & haematological oncology, clinical oncology, neurosurgery, gastroenterology & hepatology, obstetrics & gynaecology, clinical psychology and psychiatry. In addition, Vio's Business Development team launched a colorectal cancer screening programme called Health for Hong Kong generously sponsored by Sunrise Diagnostic Centre which offered the ColoTect screening Tests. The programme found 118 patients with positive stool DNA methylation tests who were then referred for colonoscopy and allowing early treatment of cancer found on histopathology!

As the only major medical network awarded the ISO 9001:2015 quality management system certification, Vio has never stopped improving its management quality. During the Year, it took multi-pronged approaches to improve service quality and clinic environment. Vio continued to provide on-the-job training and held regular meetings for its staff, put customer service and customer experience at the top of the agenda. Vio required clinic staff to strictly follow infection control guidelines of the Centre for Health Protection throughout the Pandemic. In order to reduce the risk of transmission of Covid-19, Vio continually upgraded infection control measures in its clinics including increasing fresh air intake wherever possible and installing ceiling-mounted ultraviolet air purification systems to optimize clinic ventilation systems to ensure that clients can receive medical services in a clean and hygienic environment.

Medical Services

During the Year, the Group operated a total of 38 general practice medical centres, 36 specialist centres and 12 dental centres. Revenue from medical services in Hong Kong was approximately HK\$617,116,000 (2021: approximately HK\$470,447,000), accounting for approximately 40.19% (2021: approximately 31.70%) of the Group's revenue for the Year; segment results was approximately HK\$5,798,000 (2021: loss of approximately HK\$12,932,000), turning loss into profit for the Year. The fifth outbreak of epidemic in Hong Kong since the beginning of 2022 severely hit the local economy and consumption activities; the epidemic was mitigated from the peak since the second quarter, but the society was crawling forward due to the ups and downs in the development of the epidemic. The operation of the Group's medical services in Hong Kong was fraught with difficulties. Nevertheless, as a result of the success of the Group's strategy of continuous optimization of the service points, as well as cooperation with the government's anti-Pandemic measures to start the businesses of nucleic acid testing, Covid vaccination and community isolation facilities management, the Group successfully turned around disadvantages in business difficulties and recorded significant improvement in the annual results.

In respect of general practice and dental services, the Group continues to provide comprehensive primary care services and chronic disease management services through one of the largest and most extensive medical service networks in Hong Kong. Medical centres spreading across Hong Kong Island, Kowloon and the New Territories have penetrated in the communities where clients live and work, serving as the first point of contact for individuals and family clients in the continuous care process. During the Year, the Group made adjustments to the medical centre network layout in response to factors such as market conditions, operating conditions and customer needs, and effectively integrated and allocated primary care and dental resources to achieve the goal of optimizing the service network and improving the operational efficiency of medical centres.

In respect of specialist services, the Group attaches great importance to and is optimistic about the development prospects of the specialist services market. During the Year, the acquisition of specialist brand and the expansion of popular departments further increased the market share of local specialist services and consolidated the Group's position in the private medical services sector in Hong Kong.

In August 2022, the Group completed the acquisition of Central Medical, an integrated private medical services provider in Hong Kong. The medical specialty centres of Central Medical in the core business district of Central gather specialists from different fields to form a multi-specialty "Renowned Doctor Centre" in the area, providing 14 kinds of specialist medical and clinical services, including respiratory medicine, cardiology, neurology and geriatrics medicine and complemented by medical management services and various allied health services such as clinical psychology, speech therapy, nutritional therapy, psychological counselling and pharmacy. The acquisition of Central Medical is well-aligned with the Group's growth and consolidation strategy in the private medical services sector in Hong Kong. It will help the Group expanding its specialist medical team and the scope of specialist services and increasing its specialist service points and market share, thus further consolidating the position of the Group in the private medical services sector in Hong Kong.

The Group's orthopaedics and cardiology businesses are also maturing. For orthopaedics, the Group has incubated the brands of "Hong Kong Traumatology & Orthopaedics Institute" and "TOI Physiotherapy Centre", providing one-stop diagnosis and treatment of spine and limb pain and trauma. For cardiology, the Group has built "Hong Kong Cardiac Centre" brand and has become a substantial shareholder of the operator of "Hong Kong Cardiac Diagnostic Centre (Jordan)" since June 2022. In addition, in October 2022, the long-prepared new outlet of Hong Kong Cardiac Centre was opened in Kwun Tong, to provide comprehensive cardiology consultation and medical imaging services to meet the medical needs of patients in the elderly community.

During the Year, the Group implemented multiple measures simultaneously for attraction of medical talents, improvement of service experience, and marketing and promotion, to prepare for the challenges and opportunities in the post-Pandemic era. In terms of attraction of medical talents, the Group has established a partnership system to invite excellent doctors to join the Group for joint development, they will make joint decisions and share responsibilities and results with the Group in the management and operation of the medical centres. In respect of improvement of service experience, the Group continued to optimize the environment of medical centres, upgrade the IT system of medical centres, strengthen customer relationship management, and regularly conduct on-the-job training with frontline staff to create a better medical experience for customers. For marketing and promotion, the Group continued to provide free medical information and life health knowledge through its websites, various social platforms and the "Town Health 360" membership program to enhance public awareness of disease prevention and treatment.

In the nearly three years when the Pandemic lasted, the Group, on the one hand, insisted on providing high-quality medical and healthcare services, and on the other hand, cooperated with the government to carry out Covid vaccination, nucleic acid testing and community isolation facilities management, benefiting countless citizens.

- In terms of Covid vaccination, from the outbreak of the Pandemic to 31 December 2022, the Group administered over 2.30 million doses of Covid vaccines for Hong Kong citizens, accounting for approximately 11.41% of the total vaccination doses in Hong Kong. Through its designated medical centres, private clinic vaccination stations, outreach vaccination teams and mobile vaccination stations, as well as community vaccination centres, community vaccination stations and vaccination stations of public hospitals of which the Group participated in the management and operation, the Group provided citizens with multiple channels for Covid vaccination.
- In terms of nucleic acid testing, on 11 March 2022, Sure Metro Limited, a wholly-owned subsidiary of the Company and Sunrise Diagnostic Centre established Hong Kong Medical Test Centre Limited as a joint venture to operate a medical laboratory in Hong Kong to carry out diversified testing services including Covid nucleic acid testing, to assist early identification of infected cases to prevent the spread of the Pandemic in the community.
- In terms of community isolation facilities management services, the Group has successively participated in the management and operation of several quarantine centres and holding centres since March 2022, and dispatched medical staff to provide round-the-clock medical support services.
- In terms of support for the community's fight against the Pandemic, the Group set up distribution points in more than 30 medical centres in Hong Kong Island, Kowloon and the New Territories through the "Town Health 360" membership program from April to May 2022, and provided children's families with five rapid antigen test kits free of charge every week, and hundreds of thousands of rapid antigen test kits were distributed to help students returning to school safely which was well received and recognized by parents and benefited tens of thousands of families.

Business in Mainland China

Hospital Management Business

During the Year, Nanyang Xiangrui, a subsidiary of the Company, made steady progress in the development of its hospital management business, and all business segments advanced steadily and orderly during the Pandemic. The operation model of “general hospital + branches” of Nanshi Hospital under its management showed strong vitality. The general hospital of Nanshi Hospital, Nanshi Hospital’s Youtian Branch, Nanyang Ruishi Ophthalmology Hospital, Nanshi Chinese Medicine Rehabilitation Hospital, Henan Youtian Nanyang Community Health Service Station and several community family clinics achieved organic growth, with stable increase in the number of overall outpatient visits, inpatients and surgeries, driving the growth of revenue from medical services and pharmaceuticals. In addition, Nanyang Jianke Medical Technology Co., Ltd., which was engaged in the sales of medical devices, and Henan Hengyixiang Pharmaceuticals Co., Ltd., which was engaged in the trading of medicines, also recorded outstanding operating performance. The joint efforts of all parties resulted in the gratifying growth of revenue and net profit of Nanyang Xiangrui for the Year, which fully reflected the Group’s outstanding governance capabilities in respect of hospital management business.

In terms of the general hospital, during the Year, Nanshi Hospital was committed to promoting discipline construction, and insisted on building a professional foundation and improving the medical service system. In respect of cardiology, Nanshi Hospital established cooperative relationships with large-scale comprehensive Grade III Level A hospitals to establish a cardiac surgery department, resulting in an increase of the number of cardiac surgeries. The cardiology team of Nanshi Hospital which went to other places for exchanges also came back with fruitful results. As to neurosurgery and neurology, the Cerebrovascular Disease Centre of Nanshi Hospital, as a national advanced stroke centre, showed its advantages in disciplines and continued to rank among the top in the evaluation of advanced stroke centres nationwide and in Henan Province. As regards to the burns department, the Burn Plastic Surgery Centre of Nanshi Hospital hosted the award ceremony of the 17th National Academic Conference of Burns, Wounds and Ulcers of the Burn Professional Committee of the Chinese Association of the Integration of Traditional and Western Medicine by virtue of its role as a national key clinical specialty and a key medical discipline of Henan Province. In addition, in response to the national call for the penetration of high-quality medical resources into grassroots level, Nanshi Hospital proactively promoted the construction and development of medical alliances. During the Year, medical experts from various disciplines were dispatched to provide technical assistance and management support, and the Group cooperated closely with dozens of county-level hospitals and township health centres of Nanyang City to connect high-quality medical resources to promote the development of medical market in Nanyang City and meet the public’s demand for high-quality medical services.

In terms of branch hospitals, Nanyang Ruishi Ophthalmology Hospital achieved rapid development, and recorded revenue exceeding RMB30 million for the Year for the first time, a double-digit growth rate. During the Year, Nanyang Ruishi Ophthalmology Hospital continued to improve and optimize the diagnosis and treatment technology of ophthalmic diseases. By introducing advanced femtosecond laser cataract surgery equipment, it offered safe and effective treatment for customers, led the sustainable development of ophthalmology business, and strived to become the ophthalmology specialist hospital with top technologies, the most comprehensive services and the most advanced equipment in Nanyang City.

In terms of internet hospital, Nanshi Hospital became the first internet hospital in Nanyang City since it obtained an Internet Hospital License from the Health Commission of Nanyang City in March 2022. It officially provided services including online consultation, medication consultation, follow-up consultation and prescription, appointment booking and registration, online payment, report query, drug delivery and electronic medical record etc., and recorded an attendance of nearly 250,000 visitors during the Year. In order to expand the popularity of internet hospital, Nanshi Hospital proactively conducted marketing inside and outside the hospital. Inside the hospital, promotional posters containing the QR codes of internet hospital were pasted at conspicuous places; outside the hospital, Nanshi Hospital continued to popularize the guidelines for using internet hospital through social platforms. The internet hospital integrates the online and offline medical resources of Nanshi Hospital, promotes the coordinated development of telemedicine, drug delivery, chronic disease management and other fields, and meets the round-the-clock medical needs of residents in Nanyang City and surrounding areas.

During the Year, the outbreak of the epidemic in many places in the Mainland China resulted in a large number of infections. Adhering to the professional principle of putting human life first, Nanyang Xiangrui fully cooperated with the Pandemic prevention and control measures of Henan Province and Zhengzhou High-tech Industrial Development Zone. It undertook nucleic acid testing, Covid vaccination, taking care of patients and maintaining order, and provided medical support for local quarantine facilities and shelter hospitals. During the Year, it assisted in collecting more than 3.4 million nucleic acid testing samples and vaccinating nearly 120,000 doses of Covid vaccines.

Health Management Business

During the Year, due to the repeated outbreaks of the epidemic in the Mainland China, the strict Pandemic prevention policies implemented by the government and the lockdown measures in many places to restrict public activities, the business operations of the Group's health management institutions in Jinan City in Shandong Province and Guangzhou City, Shenzhen City and Zhongshan City in Guangdong Province were affected to varying degrees. The local management teams continued to formulate business strategies and develop high-quality customer bases according to local conditions, to maintain the stable operation of business.

In Jinan City, Shandong Province, the health check, stomatology and beauty services of Town Health International Health Management Centre developed steadily. During the Year, it continuously reviewed various business processes and the quality of medical reports, and established a team of part-time doctors with medical alliance units to effectively improve the overall service quality and operational efficiency. The health check segment remained the main source of income for Town Health International Health Management Centre, which made several new business attempts during the Year, including arrangement of customers to take health check items without fasting requirements in the afternoon, and building a closed loop of “corporate group health check – end user – health check centre” with corporate customers to provide end users with targeted services including health check packages, medical consultation, online consultation, first aid training, etc. at the cost of corporate group health check fees. For the stomatology and beauty segments, it continued to strengthen marketing and external cooperation, and attracted customers to the centre through word-of-mouth marketing and online and offline promotional activities.

In Guangzhou City, Guangdong Province, Yikang, a subsidiary of the Company, after obtaining a practicing license for medical institution issued by the Tianhe District Health Committee of Guangzhou City in January 2022, established its own integrated clinic to provide services including routine color Doppler ultrasound and electrocardiogram examination. Attributable to the cooperation with hospitals and reproductive medicine centres nearby, it started from the provision of differentiated gynecological services and gradually developed peripheral supporting services for assisted reproductive services and life cycle healthcare services for female, laying a solid business foundation for the integrated clinic. During the Year, Yikang also opened Ganghe Convenience Store and Yikang Rouji Pharmacy next to the integrated clinic to sell medicines and health care products, further expanding its business scope and broadening its source of income.

In Shenzhen City, Guangdong Province, Ganghe Clinic found a suitable location in the central area of Futian and completed relocation. It continued to mainly serve the insurance customers of Shenzhen Branch of China Life Group, and was committed to providing special services including reproductive services and Helicobacter pylori screening, etc. During the Pandemic, Ganghe Clinic invited experts from well-known Grade III Level A hospitals to cooperate with the doctors from Ganghe Clinic in online and offline integrated diagnosis and treatment services. In order to allow customers to enjoy convenient and personal services, Ganghe Clinic also provided door-to-door sample collection services for Helicobacter pylori screening, to win the favour of group customers with high-quality services.

Other Business

During the Year, TBM which was engaged in beauty care and medical beauty business employed 14 full-time or part-time doctors (2021: 12), and had 15, 11, 9 and 3 centres in Hong Kong, Shenzhen, Shanghai and Guangzhou, respectively (2021: 14, 9, 8 and 3). In 2022, the anti-Pandemic measures against the continued Pandemic including mandatory business closures and lockdown controls sharply reduced the flow of people in the market, seriously disrupted consumer activities and further aggravated the depression of the beauty industry. The business operations of TBM were inevitably impacted, with a year-on-year decrease in revenue and net profit during the Year.

In terms of business in Hong Kong, in light of the difficulties arising from the Pandemic, TBM developed the segments of the comprehensive health industry. During the Year, the brand “CO Health Care” opened a new centre in Tsim Sha Tsui, and it cooperated with the operation of “SH Medical Centre” which provided health check services, to meet the different needs of various consumers, and continued to explore diversified development opportunities for the comprehensive health industry. In terms of business in the Mainland China, the centre at Shanghai Fuxing Plaza obtained a medical beauty license in the Year, with a view to diverting existing beauty care customers to the medical beauty segment and developing local potential medical beauty customers.

During the Year, TBM was committed to promoting digitalization, hoping to empower the development of beauty and comprehensive health businesses with technology. For customers, big data is applied to analyze customer consumption behaviour which can help TBM gain insight into the needs of consumers, so as to formulate precise marketing strategies and enhance overall profitability. For store management, big data can help centres conduct refined management and operation, arrange appropriate store management training for employees, and further optimize customer experience, to increase stickiness and loyalty of customers.

In addition, TBM also continued to increase online and offline marketing efforts in order to attract new and old customers to centres. In respect of online marketing, the long-term publicity and marketing activities on social platforms direct customers to offline physical centres; for offline marketing, the customer service centre cooperates with online promotion to provide customers with high-quality consumption experience, consolidate customer base, and expand customer network to tap more business opportunities.

OUTLOOK

In 2023, opportunities outweigh challenges. As the Pandemic of the century is gradually coming to an end, Hong Kong and the Mainland China have gradually resumed customs clearance with the outside world and the government has further relaxed social distancing measures. Thus, the society and economy are ready for a full recovery. In the critical transition period, the Group remains cautiously optimistic about the development prospects of the medical and healthcare industry. It will seize the growth momentum of economic and industry recovery and proactively leverage its own advantages, to accelerate the development of the Group's cross-border medical business between the Mainland China and Hong Kong to help the development of the Group leap to a new level.

The Group's diversified businesses span Hong Kong and the Mainland China. In the future, it will further improve its medical service chain by considering the opportunities of investments, mergers and acquisitions. Also, it will comprehensively integrate all medical and healthcare resources to build a full-cycle, integrated and one-stop cross-border comprehensive medical and healthcare service ecosystem, covering prevention, diagnosis, outpatient, hospitalization, rehabilitation, nursing, drug delivery and other aspects to meet the various medical and healthcare needs of more than 86 million permanent residents of different life cycles in the cities of the Guangdong-Hong Kong-Macao Greater Bay Area.

The Group seeks to promote the continuous development of medical services through the two-way referral mechanism of primary care services and specialist services; the managed medical network business with the support of medical services will be used to serve the medical and healthcare needs of insurance companies and corporate clients; the managed medical network will increase the business volume of medical services; customers will be diverted by medical services to beauty care and medical beauty and health check brands; smart medical technology will be the bond connecting businesses in Hong Kong and the Mainland China, to open up the comprehensive health layout of health management and hospital management businesses in the Mainland China with all aspects connecting to each other and multidirectional diversion, thus to achieve connectivity, mutual benefit and a win-win situation of the medical and healthcare businesses in Hong Kong and the Mainland China.

Hong Kong

For the medical network business, Vio intends to support the Government's Primary Healthcare Blueprint and is working with other major medical groups to explore ways to co-develop primary healthcare which is the first point of contact for people seeking medical care and promote the shift of focus from curative treatment to prevention of organ damage from chronic conditions such as hypertension and diabetes. In response to service demand, Vio has started to operate the clinic at Shatin Citylink Plaza. It is opposite a diagnostic centre, which should bring service synergy. Vio will deploy resources towards further integration with other business units of the Group in Hong Kong while upgrading both its proprietary software and the I.T. infrastructure, which should lead to efficiency gain. It is in discussion with consultants to study the feasibility of getting certified in ISO 27001 information security management system. It will continue to promote paperless documentation to insurance companies and corporate clients.

In terms of medical services, since the establishment of its first community medical centre in Shatin in 1989, the Group has not changed its original intention to continue to provide primary care to community residents. Faced with the medical and health challenges brought about by the aging population and the rising prevalence of chronic diseases, the Group, as a medical service provider rooted in Hong Kong, provides a full range of medical care from primary care services to renowned specialist services. In the future, the general practice, dental and specialist medical resources will be connected to proactively cooperate with the government's blueprint for primary care and play a role in management and control, to consolidate the two-way referral mechanism between primary care and specialist services. Therefore, customers can control chronic diseases through family doctors in community medical centres and be referred to specialists in case of serious diseases, and after the condition being stable, the family doctors can continue to monitor and follow up the physical conditions. The multi-level medical services in Hong Kong have laid a solid foundation for the Group to develop medical tourism and a one-stop cross-border medical ecosystem.

Mainland China

In terms of hospital management in the Mainland China, Nanyang Xiangrui will advance both online and offline efforts. By strengthening discipline construction, expanding the scope of rehabilitation medical services, and expanding the scope of services provided by internet hospital, Nanshi Hospital will further consolidate its leading position as a comprehensive Grade III Level A hospital in Nanyang City. In terms of strengthening discipline construction, Nanshi Hospital will continue to upgrade medical equipment, and seek cooperation with large-scale comprehensive Grade III Level A hospitals, to continuously improve the professional level of various disciplines through knowledge sharing, maintain the competitive advantages of Burn Plastic Surgery Centre, Cerebrovascular Disease Centre, chest pain centre and trauma centre, and improve the cardiology treatment. In terms of expanding the scope of rehabilitation medical services, Nanshi Hospital will establish technical and management cooperation with provincial hospitals in Henan Province to set up a comprehensive rehabilitation center, to share the resources and experience of Nanshi Chinese Medicine Rehabilitation Hospital and the rehabilitation centre of Nanshi Hospital's Youtian Branch to the west of Nanyang City, thus further strengthening the layout of rehabilitation medical services. In terms of expanding the scope of services provided by internet hospital, Nanshi Hospital will use video consultation, striving to provide expert consultation services with external medical institutions, and at the same time it will strive to achieve mutual recognition of medical records and examinations as soon as possible, thus saving customers' time and cost for repeated inspections and improving medical level and service experience.

In respect of health management in the Mainland China, the Group will take advantage of people's raised awareness of health in the post-Pandemic era to accelerate the promotion of the comprehensive health strategy. In Shandong Province, Town Health International Health Management Centre in Jinan City, relying on the cooperation platform of medical alliances, will invite doctors from public hospitals to attend consultations to improve the professional level and realize the sharing of high-quality medical resources. Town Health International Health Management Centre will also develop a number of new businesses, including provision of customers with cancer and tumor genetic testing that can be performed at home, which breaks through the previous limitation of in-store testing, improves medical efficiency and reduces costs; with the aid of cardiopulmonary exercise equipment, patients recovered from Covid will be provided with special health check services including lung screening and cardiorespiratory fitness tests. In Guangdong Province, the integrated clinic established by Yikang in Guangzhou City has gradually launched peripheral supporting services for assisted reproductive services and sales of related medicines. Ganghe Clinic in Shenzhen City will also carry out assisted reproductive services business, and work together with the integrated clinic in Guangzhou City to provide customers with one-stop assisted reproductive services, integrate the resources of the two places and attract customers from each other, to increase the overall business volume of the health management segment. Ganghe Clinic will also serve as the Group's bridgehead in the Guangdong-Hong Kong-Macao Greater Bay Area and as a hub connecting the Mainland China and Hong Kong, to promote business exchanges between the Mainland China and Hong Kong and to facilitate medical tourism and implement cross-border medical treatment.

Others

In terms of other businesses, with the relaxation of Pandemic prevention measures, the comprehensive customs clearance of the Mainland China and Hong Kong, and other favourable policies, TBM, which is engaged in beauty care and medical beauty, finally ushers in the long-awaited peak of business development. TBM will seize the opportunities in the beauty and comprehensive health industry in the post-Pandemic era to further expand its business territory. It will continue to look for locations with high traffic flow and high consumption power in first-tier and new first-tier cities in the Mainland China to open more centres, in order to increase its market share and revenue. In addition, TBM will also proactively seek opportunities for potential mergers and acquisitions in Hong Kong and the Mainland China, so as to further expand its advantage of scale. Meanwhile, TBM will leverage on the geographical advantage of Hong Kong's proximity to the Mainland China and the opportunity of the gradual subsidence of the Pandemic, to undertake the huge medical and healthcare needs of the Mainland China. In Hong Kong, it will expand the comprehensive health business, continue to develop the "SH Medical Centre" health check brand, and develop traditional Chinese medicine and pain treatment services.

LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a prudent cash and financial management policy. As at 31 December 2022, the Group held bank balances and cash of approximately HK\$971,939,000 (2021: HK\$910,458,000) and fixed and pledged bank deposits of approximately HK\$398,653,000 (2021: HK\$1,086,559,000). In order to achieve better cost control and minimise the costs of funds, the Group's treasury activities are centralized and substantial cash is generally deposited with banks in Hong Kong and the PRC and denominated mostly in HK\$, RMB and US\$. As at 31 December 2022, the Group had bank borrowings of approximately HK\$113,896,000 (2021: HK\$15,400,000) of which approximately HK\$33,740,000 (2021: HK\$1,239,000) are repayable within one year. The Group's loans were arranged on a floating interest rate basis. As at 31 December 2022, the Group had available unutilised banking facilities of HK\$270,000,000 (2021: HK\$20,000,000). Details of the bank borrowings of the Group are set out in note 14 to the consolidated financial statements for the Year.

As at 31 December 2022, the Group's net current assets amounted to approximately HK\$1,433,526,000 (2021: HK\$1,955,767,000) and the Group had a current ratio (defined as total current assets divided by total current liabilities) of 3.90 (2021: 5.64). As at 31 December 2022, the Group's gearing ratio (defined as total bank borrowings divided by equity attributable to owners of the Company) was 3.26% (2021: 0.40%). The Group considers the level of liabilities of a company reflects its financial health. The Group strives to keep the level of borrowings at a minimum and to maintain ample internal resources to support its business operations, not only to reduce interest burden, but also to enable the Group to respond to changes and capture business opportunities in a timely manner when they arise. As such, both current ratio and gearing ratio are useful in assessing the Group's financial positions. While higher current ratio reflects sufficiency of the Group's assets and the capability of the Group to meet its debt repayment obligations, lower gearing ratio represents lesser reliance on debt financing and greater financial stability of the Group. During the Year, the Group's liquidity position was well-managed and the Group's financial resources were sufficient to support its business operations. Where necessary, the Group may also consider other fund raising activities when opportunity arises under favourable market conditions.

Major currencies used for the Group's transactions were HK\$, RMB and US\$. As HK\$ are pegged to the US\$ and the fiscal policy of the Central Government of the PRC in relation to RMB was stable throughout the Year, the Group considers that the foreign exchange exposure of the Group was manageable. The Group regularly reviews the currency exchange risks and closely monitors the fluctuation of foreign currencies. The Group will take appropriate measures to avoid excessive foreign exchange rate risks when necessary.

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

CAPITAL STRUCTURE

As at 31 December 2022, the Group had equity attributable to owners of the Company of approximately HK\$3,491,416,000 (2021: HK\$3,855,035,000).

HUMAN RESOURCES AND TRAINING SCHEME

As at 31 December 2022, the Group employed 1,395 staff (2021: 1,170 staff). Total employee costs for the Year, including directors' remuneration, amounted to approximately HK\$718,292,000 (2021: HK\$656,338,000). The salary and benefit levels of the employees of the Group are competitive and individual performance is rewarded through the Group's salary and bonus system. Remuneration packages are reviewed annually.

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

CONTINGENT LIABILITIES

As at 31 December 2022, the Group had no significant contingent liabilities (2021: Nil).

PLEDGE OF ASSETS

As at 31 December 2022, certain of the Group's assets of approximately HK\$330,914,000 (2021: HK\$39,804,000) were pledged to secure the Group's mortgage loans and general banking facilities granted.

CAPITAL COMMITMENTS

As at 31 December 2022, the Group did not have capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment (2021: Nil).

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

During the Year, a subsidiary of the Company repurchased a total of 725,586,000 Shares on the Stock Exchange, with the aggregate consideration paid (before expenses) amounting to HK\$313,165,490. The 689,760,000 Shares repurchased on the Stock Exchange from 26 July 2022 to 18 November 2022 were cancelled during the Year while the 35,826,000 Shares repurchased on the Stock Exchange from 21 November 2022 to 30 December 2022 were not cancelled during the Year but were subsequently cancelled on 20 January 2023. As at 31 December 2022, the total number of Shares in issue was 6,836,374,452.

Particulars of the repurchases of the Shares during the Year are as follows:

	Number of Shares repurchased	Price per Share		Aggregate consideration (before expenses)
		Highest	Lowest	HK\$
		HK\$	HK\$	
July 2022	150,854,000	0.530	0.500	79,235,480
September 2022	229,508,000	0.510	0.440	111,910,020
October 2022	203,200,000	0.390	0.330	75,234,430
November 2022	112,398,000	0.355	0.285	37,863,020
December 2022	29,626,000	0.350	0.290	8,922,540

The repurchases of the Shares during the Year were effected by the Directors, pursuant to the mandate granted by the Shareholders at the annual general meeting of the Company held on 28 June 2022. The Board was confident in the Company's prospect and the repurchases of the Shares could increase Shareholders' value by reducing the number of outstanding Shares and boosting earnings per Share.

Further details of the above share repurchases are set out in the next day disclosure returns of the Company dated 26 July 2022, 28 July 2022, 29 July 2022, 1 September 2022, 8 September 2022, 9 September 2022, 13 September 2022, 15 September 2022, 19 September 2022, 20 September 2022, 21 September 2022, 22 September 2022, 23 September 2022, 27 September 2022, 28 September 2022, 29 September 2022, 10 October 2022, 11 October 2022, 12 October 2022, 13 October 2022, 21 October 2022, 24 October 2022, 26 October 2022, 27 October 2022, 28 October 2022, 31 October 2022, 4 November 2022, 7 November 2022, 8 November 2022, 9 November 2022, 10 November 2022, 11 November 2022, 14 November 2022, 15 November 2022, 16 November 2022, 17 November 2022, 18 November 2022, 21 November 2022, 22 November 2022, 23 November 2022, 25 November 2022, 28 November 2022, 29 November 2022, 30 November 2022, 1 December 2022, 2 December 2022, 5 December 2022, 6 December 2022, 7 December 2022, 8 December 2022, 9 December 2022, 12 December 2022, 13 December 2022, 14 December 2022, 15 December 2022, 16 December 2022, 19 December 2022, 20 December 2022, 21 December 2022, 30 December 2022 and 20 January 2023.

Save as disclosed above, during the Year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed shares of the Company.

DIVIDEND

The Board recommended the payment of a final dividend (“**Final Dividend**”) of Hong Kong 0.12 cent per share for the Year (2021: Hong Kong 0.15 cent per share) to the Shareholders which is subject to Shareholders’ approval at the forthcoming AGM.

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

CLOSURE OF REGISTER OF MEMBERS

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

COMPLIANCE WITH THE CG CODE

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

During the Year, the Company complied with the respective code provisions of the CG Code.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as the Company's code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, all the Directors have complied with the required standard set out in the Model Code throughout the Year.

AUDITORS

Moore Stephens CPA Limited has been the auditors of the Group with effect from 15 February 2018. Moore Stephens CPA Limited was re-appointed as the auditors of the Company in the AGMs held on 29 June 2018, 27 June 2019, 29 June 2020, 28 June 2021 and 28 June 2022.

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

REVIEW BY AUDIT COMMITTEE

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

SCOPE OF WORK OF MOORE STEPHENS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Year as set out in the preliminary announcement have been agreed by the Group's auditor, Moore Stephens CPA Limited, to the amounts set out in the audited consolidated financial statements of the Group for the Year. The work performed by Moore Stephens CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no opinion or assurance conclusion has been expressed by Moore Stephens CPA Limited on the preliminary announcement.

ACKNOWLEDGEMENT

The Company would like to thank the Board, the management and all of its staff for their hard work and dedication, as well as the Shareholders and customers for their support to the Group.

By Order of the Board

Town Health International Medical Group Limited

Jin Zhaogen

Executive Director and Chief Executive Officer

Hong Kong, 28 March 2023

As at the date of this announcement, the executive Directors are Mr. Jin Zhaogen (Chief Executive Officer), Ms. Zhao Xiangke (Chief Financial Officer), Dr. Wong Chi Kit Nelson, Dr. Wong Chun Wa, Mr. Ng Ting Chi, Ms. Yao Yuan, Ms. Lau Wai Yee, Susanna, Dr. Tsang Wah Tak, Kenneth (Deputy Chairman), Mr. Shiu Shu Ming, Mr. Liu Gefeng (Deputy Chairman) and Mr. Chan Chun Hong; the non-executive Directors are Mr. Kong Dechang (Chairman) and Mr. Hou Jun; and the independent non-executive Directors are Mr. Ho Kwok Wah, George, MH, Mr. Yu Xuezhong, Dr. Xu Weiguo, Mr. Chui Tsan Kit, Mr. Han Wenxin, Mr. Hung Hing Man and Mr. Tang Chi Kong.

GLOSSARY

AGM	annual general meeting of the Company
Audit Committee	audit committee of the Board
Board	the board of Directors
CG Code	Corporate Governance Code as contained in Appendix 14 to the Listing Rules then in force during the Year
China or Mainland China or PRC	the People's Republic of China excluding, for the purpose of this announcement only, Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan
China Life Group	中國人壽保險(集團)公司 (in English, for identification purpose only, China Life Insurance (Group) Company) and its subsidiaries
Company	Town Health International Medical Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability whose Shares are listed on the Main Board of the Stock Exchange
Director(s)	the director(s) of the Company
Ganghe Clinic	深圳港和診所 (in English, for identification purpose only, Shenzhen Ganghe Clinic)
Group	the Company and its subsidiaries
HK\$	Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange

Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules then in force during the Year
Nanshi Hospital	南陽南石醫院 (in English, for identification purpose only, Nanshi Hospital of Nanyang)
Nanyang Ruishi Ophthalmology Hospital	南陽瑞視眼科醫院有限公司 (in English, for identification purpose only, Nanyang Ruishi Ophthalmology Hospital Co., Ltd.), a subsidiary of the Company
Nanyang Xiangrui	南陽祥瑞醫院管理諮詢有限公司 (in English, for identification purpose only, Nanyang Xiangrui Hospital Management Advisory Co., Ltd.), a subsidiary of the Company
RMB	Renminbi, the lawful currency of the PRC
Share(s)	ordinary share(s) of HK\$0.01 each in the share capital of the Company
Shareholders	holders of the Shares
Stock Exchange	The Stock Exchange of Hong Kong Limited
Sunrise Diagnostic Centre	Sunrise Diagnostic Centre Limited
TBM	The Beauty Medical
US\$	United States dollars, the lawful currency of the United States of America
Vio	Dr. Vio & Partners Limited, a subsidiary of the Company
Year	year ended 31 December 2022
Yikang	廣州宜康醫療管理有限公司 (in English, for identification purpose only, Guangzhou Yikang Medical Management Co., Ltd.), a subsidiary of the Company