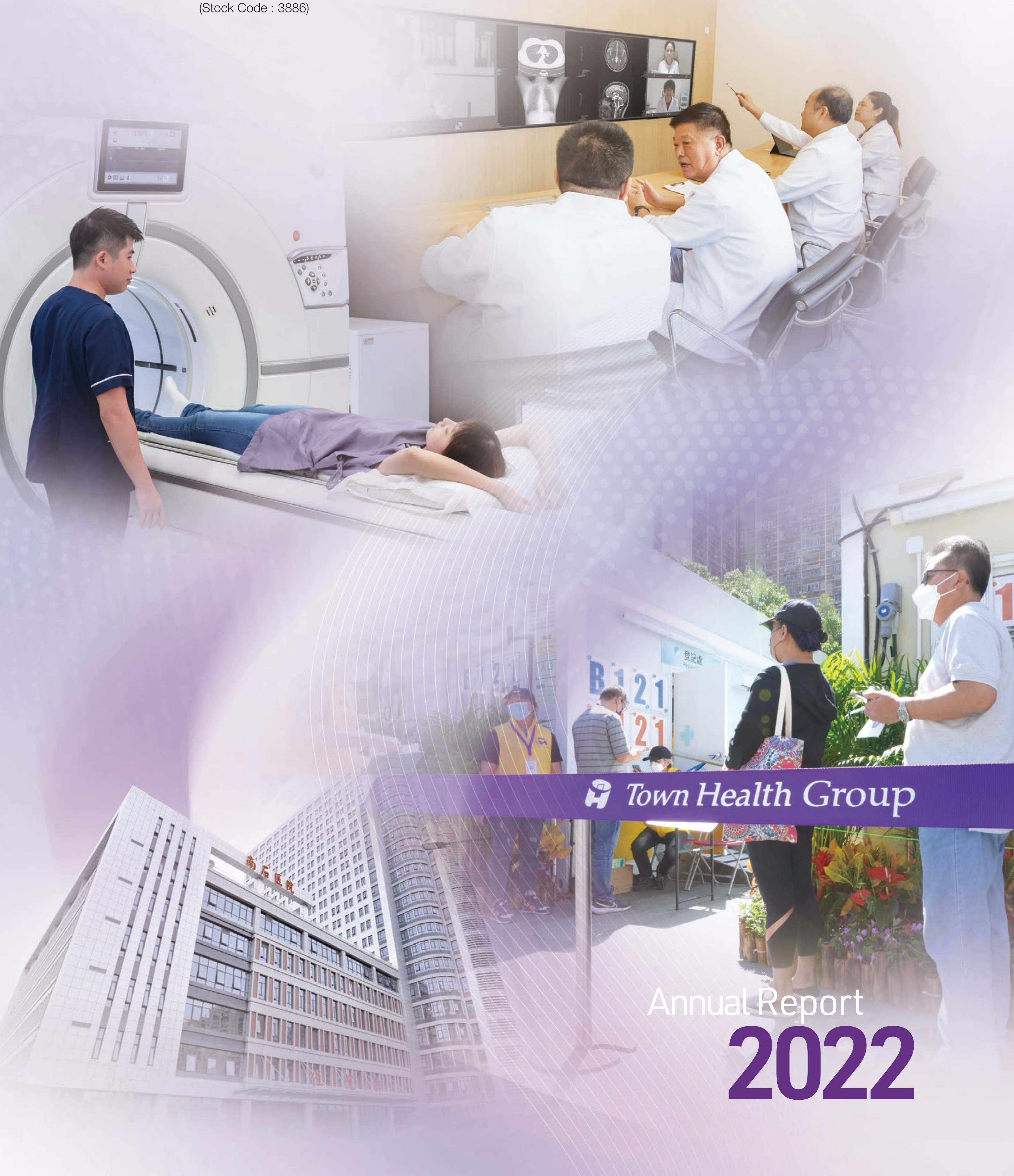
Town Health International Medical Group Limited
康健國際醫療集團有限公司

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

(Stock Code : 3886)



Annual Report 2022

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Jin Zhaogen
(Chief Executive Officer)
Ms. Zhao Xiangke
(Chief Financial Officer)
Dr. Wong Chi Kit Nelson (Note 1)
Dr. Law Kwan Kin (Note 2)
Dr. Wong Chun Wa (Note 3)
Mr. Ng Ting Chi (Note 4)
Ms. Yao Yuan (Note 5)
Ms. Lau Wai Yee, Susanna (Note 6)
Dr. Tsang Wah Tak, Kenneth *(Deputy Chairman)* (Note 7)
Mr. Shiu Shu Ming (Note 8)
Mr. Liu Gefeng *(Deputy Chairman)* (Note 9)
Mr. Chan Chun Hong (Note 10)

Non-executive Directors

Mr. Kong Dechang *(Chairman)*
Mr. Hou Jun

Independent Non-executive Directors

Mr. Ho Kwok Wah, George, *MH*
Mr. Yu Xuezhong
Dr. Xu Weiguo
Mr. Chui Tsan Kit (Note 11)
Mr. Han Wenxin (Note 12)
Mr. Hung Hing Man (Note 13)
Mr. Tang Chi Kong (Note 14)

BOARD COMMITTEES

Audit Committee

Mr. Ho Kwok Wah, George, *MH (Chairman)*
Mr. Yu Xuezhong
Dr. Xu Weiguo

Remuneration Committee

Mr. Ho Kwok Wah, George, *MH (Chairman)*
Mr. Jin Zhaogen
Ms. Lau Wai Yee, Susanna (Note 6)
Dr. Tsang Wah Tak, Kenneth (Note 7)
Mr. Yu Xuezhong
Dr. Xu Weiguo
Mr. Chui Tsan Kit (Note 11)

Nomination Committee

Mr. Kong Dechang *(Chairman)*
Mr. Jin Zhaogen
Dr. Tsang Wah Tak, Kenneth (Note 7)
Mr. Ho Kwok Wah, George, *MH*
Mr. Yu Xuezhong
Dr. Xu Weiguo
Mr. Chui Tsan Kit (Note 11)

COMPANY SECRETARY

Mr. Kwan Chung Man

AUDITORS

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

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKERS

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

CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

www.townhealth.com

Notes:

1. On 28 June 2022, Dr. CK Wong was appointed as an executive Director.
2. On 28 June 2022, Dr. Law was appointed as an executive Director. Dr. Law resigned as an executive Director with effect from 2 March 2023.
3. On 28 June 2022, Dr. CW Wong was appointed as an executive Director.
4. On 28 June 2022, Mr. Ng Ting Chi was appointed as an executive Director.
5. On 28 June 2022, Ms. Yao Yuan was appointed as an executive Director.
6. On 28 June 2022, Ms. Lau Wai Yee, Susanna was appointed as an executive Director. On 12 December 2022, Ms. Lau Wai Yee, Susanna was appointed as a member of the Remuneration Committee.
7. On 11 November 2022, Dr. Tsang was appointed as an executive Director. On 12 December 2022, Dr. Tsang was appointed as a member of each of the Nomination Committee and the Remuneration Committee. On 22 December 2022, Dr. Tsang was appointed as a Deputy Chairman.
8. On 11 November 2022, Mr. Shiu Shu Ming was appointed as an executive Director.
9. On 22 December 2022, Mr. Liu Gefeng was appointed as an executive Director and a Deputy Chairman.
10. On 2 March 2023, Mr. Chan Chun Hong was appointed as an executive Director.
11. On 28 June 2022, Mr. Chui Tsan Kit was appointed as an independent non-executive Director, On 12 December 2022, Mr. Chui Tsan Kit was appointed as a member of each of the Nomination Committee and the Remuneration Committee.
12. On 15 August 2022, Mr. Han Wenxin was appointed as an independent non-executive Director.
13. On 10 February 2023, Mr. Hung Hing Man was appointed as an independent non-executive Director.
14. On 10 February 2023, Mr. Tang Chi Kong was appointed as an independent non-executive Director.

CEO'S STATEMENT

Dear Shareholders,

On behalf of Town Health, I am delighted to present the annual report for the year of 2022.

In 2022, in the context of the repeated outbreaks of the Pandemic of the century, rampant geopolitical conflicts, inflation in major advanced economies was high, monetary policies continued to be tightened and the international political and economic landscape was turbulent and unpredictable. Facing significant external downside risks as well as disturbances by local epidemic, Hong Kong experienced a weak revitalization of domestic economy, sluggish overall consumer demand, and a severe and complex business environment for enterprises.

As one of the largest listed healthcare groups with the longest history in Hong Kong, the Group is sincere and not afraid of difficulties. It continued to provide high-quality medical and healthcare services and proactively shouldered corporate social responsibilities to participate in the fight against the Pandemic, firmly placed health and life in the first place, with a view to achieving the common prosperity of its own economic benefits and social value. During the Year, the Group awarded the "CORPHUB Hong Kong's Most Outstanding Leaders Awards 2022 – Hong Kong's Most Outstanding Healthcare Group", "BusinessFocus Business Award 2022 – Outstanding Integrated Medical Service Company Award" and "Hong Kong 01 Health Excellence Award – Excellent Comprehensive Medical Award". Its high-quality medical services and contributions to the fight against the Pandemic have been widely recognized by the industry and citizens.

The world is undergoing major changes unseen in a century. The medical industry has shown strong resilience in the face of adversity. The Group strives to capture new opportunities in crises and break new ground in changes, and will spare no effort to promote high-quality business development in five aspects, i.e. "excellence", "consolidation of foundation", "bigger and stronger", "improvement of quality and efficiency", and "diversified development".

First, our Hong Kong managed medical network business (Vio) supports the Group's pursuit of "Excellence", as it provides World-class management in medical schemes services to insurance companies, major corporate clients as well as private patients. The medical network management business of Vio is a mature one, and it strives to make continual improvements in service delivery through staff training, workflow simplification and information technology. Due to the 5th wave locally and the engendered anti-Covid restrictions, Vio recorded a drop in gross revenue, while it remains consistently profitable, despite the tough market condition. With tried and trusted I.T. infrastructure providing efficient support to clinical service delivery, Vio has continued its development towards paper-free operations through digitisation of work-flow documentation including expensive treatments pre-authorisation, claims assessment, invoice generation and payment to service providers. During the Year, new doctors joined in various specialties, and it also launched the "Health for Hong Kong" colorectal cancer biomarkers programme targeting those at high risk of such cancers and generously supported by Sunrise Diagnostic Centre. We believe the success of the Group's managed medical network business will drive the continuous growth of the medical service business and customer base in Hong Kong.

CEO'S STATEMENT

Second, for Hong Kong medical services, we practically proceed with the "consolidation of foundation" and provide customers with a full range of medical and healthcare services from primary care to renowned specialist services. The Group is a pioneer in the development of primary care services in Hong Kong, which, in turn, is also the foundation of the Group. Since the establishment of the first clinic serving community residents in Shatin in 1989, the Group has set its presence in the communities where citizens live and work to provide primary care and chronic disease management services for more than 30 years. At present, the Group has established one of the largest and most extensive chain medical service networks in Hong Kong, providing multi-level medical services including general practice services, specialist services and dental services. Meanwhile, in order to meet the growing demand for specialist services, the Group continues to expand the specialist team and the scope of specialist services and increase the number of specialist service points. During the Year, the Group completed the acquisition of Central Medical, an integrated private medical services provider in Hong Kong, which has formed a multi-specialty "Renowned Doctor Centre" in the core business district of Central, gathering specialists with extensive experience in different fields to provide multi-specialty medical and clinical services. The acquisition of Central Medical is well-aligned with the Group's overall development strategy. It expands the Group's medical network and business layout, enhances the Group's high-end specialist service level and capabilities, and lays a solid foundation for the Group's development of medical tourism and cross-border medical treatment. The Group focused on consolidating the operation of medical services in Hong Kong and the segment results for the Year turned loss into profit. Through optimizing the layout of medical centre points, attracting excellent medical talents and developing the multi-specialty "Renowned Doctor Centre", the Group has maintained economies of scale and inherent competitive advantages.

Third, the Group is determined to make its hospital management business in the Mainland China "bigger and stronger" and maintain organic business growth. Nanyang Xiangrui, a subsidiary of the Company, has exported a professional management team and advanced management model to Nanshi Hospital, and the "general hospital + branches" operating model has been effective. As a result, its revenue and net profit continued to record gratifying growth during the Year. Nanshi Hospital is committed to promoting discipline construction, building a professional foundation for burns, neurosurgery, neurology and cardiology, and consolidating the competitive advantages of the Burn Plastic Surgery Centre, the Cerebrovascular Disease Centre, chest pain centre and trauma centre, as well as improving the cardiology treatment level. In addition, Nanyang Ruishi Ophthalmology Hospital has also achieved leapfrog development. With the continuous improvement of the diagnosis and treatment technology and surgical equipment for ophthalmic diseases, the revenue for the Year exceeded RMB30 million. Nanshi Hospital, being granted an Internet Hospital License in March 2022, has become the first internet hospital in Nanyang City. It provides one-stop services such as appointment registration, video consultation and drug delivery, and vigorously develops popularization and publicity of internet hospital services both inside and outside the hospital. It recorded an attendance of nearly 250,000 visitors during the Year. The internet hospital enables Nanshi Hospital to break through geographical restrictions and spread its high-quality medical resources to Nanyang City and surrounding areas. In the future, the advantages of "internet + medical care" will enable Nanshi Hospital to expand its coverage and to provide more accessible, convenient and high-quality medical services for nearly 20 million people in the southwest of Henan Province.

CEO'S STATEMENT

Fourth, the health management business in the Mainland China focuses on "improvement of quality and efficiency" and insists on developing specialty and health check services according to local conditions. The business development strategy has been effective, giving rise to a continuous expansion in the high-quality customer base. The health check, stomatology and beauty services of Town Health International Health Management Centre in Jinan City have developed steadily, and health check remains the main source of income. During the Year, it successfully established a closed loop of "corporate group health check – end user – health check centre" with corporate customers. Yikang, a subsidiary of the Company, has started operation in its own Guangzhou Integrated Clinic in Guangzhou City. Attributable to the cooperation with hospitals and reproductive medicine centres nearby, it has gradually developed peripheral supporting services for assisted reproductive services and life cycle healthcare services for female. Ganghe Clinic in Shenzhen City also plans to cooperate with Guangzhou Integrated Clinic to jointly develop the assisted reproductive services business. Ganghe Clinic in Shenzhen City 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, so that the Group's health management business in the Mainland China and the businesses in Hong Kong can be closely connected and complement each other's advantages to achieve co-ordinated development.

Fifth, other business centres on the "diversified development" of the comprehensive health field. TBM, which is engaged in beauty care and medical beauty, is developing the segments of the comprehensive health industry. Meanwhile, it makes good use of big data and marketing to promote the continuous growth of the beauty and comprehensive health businesses. Its brand system includes "The Beauty Medical", "SH Medical Centre", "Callidora", "CO Health Care" and "DI BEING BEAUTY", and its network of centres covers Hong Kong, Shenzhen, Shanghai and Guangzhou. The vigorous development of other business will further broaden the customer base and source of income.

While fully promoting high-quality business development, the Group continues to stand at the forefront of Pandemic prevention, anti-Pandemic and Pandemic control to cooperate with the government in carrying out Covid vaccination, nucleic acid testing and community isolation facilities management, and proactively undertakes corporate social responsibilities. In Hong Kong, the Group has provided multiple channels for citizens to receive Covid vaccination. From the outbreak of the Pandemic to 31 December 2022, the Group administered over 2.3 million doses of Covid vaccines for Hong Kong citizens, accounting for approximately 11.41% of the total vaccination doses in Hong Kong. In addition, since March 2022, the Group has launched the "Town Health 360" membership program to give out free permanent memberships to citizens, and from April to May 2022, hundreds of thousands of rapid antigen test kits were distributed through the "Town Health 360" membership program to help students returning to school safely. In the Mainland China, Nanyang Xiangrui fully cooperated with the Pandemic prevention and control measures of Henan Province and Zhengzhou High-tech Industrial Development Zone by undertaking tasks such as nucleic acid testing, Covid vaccination, caring for patients and maintaining order, and providing medical treatment 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.

CEO'S STATEMENT

At the intersection of an era unseen in a century, opportunities and challenges are unprecedented, while the opportunities outweigh the challenges. The Group is firmly optimistic about the prospects of the medical and healthcare industry. As the society gradually returns to normal, health awareness is widely raised, and Hong Kong resumes customs clearance with the outside world, the public has a strong demand for medical and healthcare services, the local healthcare industry is expected to resume pickup, and medical tourism will also see a promising future. In 2023, at the beginning of the post-Pandemic era, the Group will definitely undertake reform and innovation and keep forge ahead, to open a new era and a new chapter for the Company's business development.

After more than 30 years of development and growth, the Group has become an industry leader with a strong professional medical team and abundant high-quality medical resources. The Group's medical team is composed of general practitioners and dentists who provide primary care and renowned specialists with extensive clinical experience who provide multi-specialty medical services, as well as auxiliary service personnel including traditional Chinese medicine practitioners, physiotherapists, nutritionists, radiographers and nurses, who provide multi-level medical services. The Group's business scope has already extended to multiple healthcare fields, including managed medical network, general practice services, specialist services and dental services, vaccination, health check and medical imaging diagnosis in Hong Kong, hospital management and health management in the Mainland China, as well as beauty care and medical beauty etc. The Group's diversified businesses span Hong Kong and the Mainland China, and the healthcare industry chain can meet the various health needs of people of different life cycles in the Guangdong-Hong Kong-Macao Greater Bay Area.

In the future, the Group will further integrate and connect all medical resources to build a full-cycle, integrated and one-stop cross-border comprehensive medical and healthcare service ecosystem to satisfy customers' all-round demands from the perspectives of prevention, diagnosis, outpatient, hospitalization, rehabilitation, nursing, and drug delivery. Meanwhile, the Group will invest resources in the development of smart medical care. Medical technology and the Internet of Medical Things will connect multiple medical centres, health management centres, medical imaging centres, hospital and internet hospital of the Group in Hong Kong and the Mainland China. The Group will cooperate with TBM and Hong Kong Health Check and Medical Diagnostic Centre Limited, a related company of the Company, in breaking through geographical boundaries, to provide round-the-clock medical and healthcare services, and realize medical connectivity between Hong Kong and the Mainland China.

CEO'S STATEMENT

In 2022, it was difficult to make progress due to the turbulent situation. I would like to take this opportunity to thank the members of the Board for their solidarity, all the shareholders and business partners for their trust despite the difficulties, and all the staff of the Group for their hard work. After overcoming all the difficulties, we finally achieved a fruitful harvest. In 2023, we will race against time as time waits for no one. We must adhere to integrity and innovation. On the basis of upgrading our development model, expanding business boundaries and introducing high-quality partners, we will work together to build a medical ecological platform, and be committed to building a world-class medical group rooted in Hong Kong and based in the Guangdong-Hong Kong-Macao Greater Bay Area which serves the whole country and connects the world, to create greater value for customers and shareholders.

Jin Zhaogen
Chief Executive Officer

28 March 2023

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 outbreak of the Covid Pandemic during the Year.

Significant Decrease in Compensation Received

The Group did not recognise any compensation received from the termination of management service agreement for the Year (2021: compensation received from the termination of management service agreement by a customer of approximately HK$49,333,000). Details of the termination of management service agreement are 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(Continued)*

Annual Business Review *(Continued)*

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**
Total:	**430**

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**
Total:	**111**

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 elderlies 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(Continued)*

Business in Hong Kong *(Continued)*

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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(Continued)*

Business in Hong Kong *(Continued)*

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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(Continued)*

Business in Hong Kong *(Continued)*

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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(Continued)*

Business in Hong Kong *(Continued)*

- 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(Continued)*

Business in Mainland China *(Continued)*

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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(Continued)*

Business in Mainland China *(Continued)*

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 CLIZ, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(Continued)*

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK *(Continued)*

Hong Kong *(Continued)*

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.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK *(Continued)*

Mainland China *(Continued)*

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.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

Details about the Group's financial risk management are set out in note 46 to the consolidated financial statements.

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: approximately HK$15,400,000) of which approximately HK$33,740,000 (2021: approximately 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 35 to the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2022, the Group's net current assets amounted to approximately HK$1,433,526,000 (2021: approximately 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 borrowing 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 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.

As at 31 December 2022, the loans receivable of the Group amounted to HK$58,973,000, details of which are set out in note 19 to the consolidated financial statements. The Group granted such loans mainly taking into account of (i) the borrowers' operational needs, (ii) the financial advantages provided to the Group and (iii) the income to be generated by providing such loans, which is in line with the business strategies of the Group.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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) was 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).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Jin Zhaogen ("Mr. Jin"), aged 42, has been appointed as an executive Director and the Chief Executive Officer since 26 March 2021. Mr. Jin is a member of each of the Nomination Committee and the Remuneration Committee. Mr. Jin is also a director of a number of subsidiaries of the Company.

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

Ms. Zhao Xiangke ("Ms. Zhao"), aged 37, has been appointed as an executive Director since 26 March 2021 and has been appointed as the chief financial officer of the Company since December 2019. Ms. Zhao is also a director of a number of subsidiaries of the Company.

Ms. Zhao was an associate director of the Investment Management Department of CLPE before April 2021. Ms. Zhao had worked in the audit department and financial advisory department of two international accounting firms, serving a number of listed companies and private enterprises, and has extensive experience in the provision of financial, auditing and advisory professional services. Ms. Zhao graduated from Renmin University of China (中國人民大學) with a bachelor's degree in economics in June 2008. Ms. Zhao is a member of CPA Australia.

Dr. Wong Chi Kit Nelson, aged 69, has been appointed as an executive Director since 28 June 2022. Dr. CK Wong is the chief executive of Dr. Vio & Partners Limited, a non-wholly owned subsidiary of the Company.

Dr. CK Wong received his medical education at the University of London on a British Council Scholarship. In 1981, he passed his Diploma of Membership of the Royal Colleges of Physicians of the United Kingdom, MRCP (UK). He subsequently embarked on a self-study course in insurance operations and was awarded the Fellowship Diploma of the Life Management Institute (FLMI) with Distinction in 1987. He was formerly a part-time Consultant of several major insurers.

He is a serial entrepreneur, having built and sold 3 successful medical firms to listed companies. In 1982, he co-founded Allied Medical Practices Guild with an innovative structure and a disruptive business model. He pioneered a unique intranet Point-of-Sale system to facilitate front-line eligibility checking and back-office Electronic Data Interchange in 1998, before e-commerce became fashionable. He tried to retire in 2003, only to be lured out of retirement in 2005 to take the helm at Dr. Vio & Partners Limited.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS *(Continued)*

He was the invited author of a book chapter on Managed Care in The University of Hong Kong position book on Hong Kong's Health System in 2006. He served on the Working Group on Primary Care under the HKSAR Government's Health and Medical Development Advisory Committee from 2008-2016. He is a Vice-Chairman of the Business and Professionals Federation of Hong Kong. His latest innovation is effective Pharmacy Benefit Management.

Dr. Wong Chun Wa, aged 50, has been appointed as an executive Director since 28 June 2022. Dr. CW Wong is also a director of a number of subsidiaries of the Company.

Dr. CW Wong obtained a degree of Bachelor of Medicine and Bachelor of Surgery from the Chinese University of Hong Kong in December 1998. Dr. CW Wong has become a registered medical practitioner by the Medical Council of Hong Kong since July 1999. Dr. CW Wong was admitted to the Membership of the Royal College of Surgeons of Edinburgh in May 2001 and the Fellowship of the Royal College of Surgeons of Edinburg in the Specialty of Orthopaedic Surgery in September 2005. Dr. CW Wong was elected as a Fellow of the Hong Kong College of Orthopaedic Surgeons in July 2005. Dr. CW Wong was elected as a Fellow of the Hong Kong Academy of Medicine in the specialty of Orthopaedic Surgery in December 2005. Dr. CW Wong has been registered as a specialist in the specialty of Orthopaedics & Traumatology by the Medical Council of Hong Kong since April 2006.

Dr. CW Wong worked in the Department of Orthopaedics and Traumatology Department of Queen Elizabeth Hospital from July 1999 to June 2008, and worked in the Orthopaedics & Traumatology Department of Pamela Youde Nethersole Eastern Hospital from July 2008 to December 2008.

Mr. Ng Ting Chi ("Mr. Ng"), aged 35, has been appointed as an executive Director since 28 June 2022. Mr. Ng is the Director – Asset Management of the Group. Mr. Ng is a director of a subsidiary of the Company.

Mr. Ng is a certified public accountant of The Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. Mr. Ng obtained a degree of Bachelor of Economics in Financial Economics and Finance from University of New South Wales in 2009. Mr. Ng has over 12 years of experience in accounting, investment, corporate financial management and financial services. Prior to joining the Company, Mr. Ng has worked in one of the big four audit firms, a number of investment banks including Minerva Advisory Global Capital Limited (a subsidiary of a company listed on the Main Board of the Stock Exchange (stock code: 397)).

Ms. Yao Yuan ("Ms. Yao"), aged 39, has been appointed as an executive Director since 28 June 2022. Ms. Yao is the Director – Health Management of the Group. Ms. Yao is a director of a number of subsidiaries of the Company.

Ms. Yao obtained a degree of Bachelor of Science in Business Administration from Troy University in May 2006, and a degree of Master of Corporate Governance from Hong Kong Metropolitan University in November 2021. Ms. Yao has more than 16 years of experience in management, business development and investor relations.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS *(Continued)*

Ms. Lau Wai Yee, Susanna ("Ms. Lau"), aged 58, has been appointed as an executive Director since 28 June 2022. Mr. Lau has also been appointed as a member of the Remuneration Committee since 12 December 2022. Ms. Lau is the Director – Human Resources & Administration of the Group.

Ms. Lau was awarded the professional diploma in Company Secretaryship and Administration by the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in November 1987. Ms. Lau obtained a degree of Master of Business Administration from The Hong Kong Polytechnic University in December 1999. In September 1994, Ms. Lau was admitted as Associate of The Hong Kong Institute of Company Secretaries (now known as The Hong Kong Chartered Governance Institute) and Associate of The Institute of Chartered Secretaries and Administrators (now known as The Chartered Governance Institute).

Dr. Tsang Wah Tak, Kenneth, aged 61, has been appointed as an executive director since 11 November 2022 and he has also been appointed as a member of each of the Remuneration Committee and the Nomination Committee since 12 December 2022. He has been appointed as a Deputy Chairman since 22 December 2022. Dr. Tsang is also a director of a number of subsidiaries of the Company.

Dr. Tsang obtained the bachelor's degree in Medicine and Surgery in July 1986 and the degree of Doctor of Medicine in December 1995 from the University of Glasgow. Dr. Tsang has become a registered medical practitioner by the Medical Council of Hong Kong since 1996. Dr. Tsang was elected to the Membership of the Royal Colleges of Physicians of the United Kingdom in November 1989, as a Fellow by Hong Kong College of Physicians in January 1996, as a Fellow by the Hong Kong Academy of Medicine in the specialty of Medicine in October 1996, as a Collegiate Member of the Royal College of Physicians and Surgeons of Glasgow in July 2000, as a Physician Fellow of the Royal College of Physicians and Surgeons of Glasgow in March 2001, to the Fellowship of Royal College of Physicians of London in May 2001, as a Fellow of the American College of Chest Physicians in October 1997 and the American College of Clinical Pharmacology in February 1998. Dr. Tsang has been accredited in Respiratory Medicine from August 1993 and in Internal Medicine from July 1994 by the Hong Kong College of Physicians.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS *(Continued)*

Dr. Tsang was an Associate Editor in Respirology. Dr. Tsang was appointed as Adjunct Professor in the Faculty of Health and Social Sciences at The Hong Kong Polytechnic University from November 2005 to October 2007, and was appointed as a Section Head in the Respiratory Disorders Faculty of Faculty of 1000 Medicine. Dr. Tsang was appointed as the Chairman of the Hong Kong Lung Foundation from 2007 to 2009 and has been an Executive Board Member of the Hong Kong Lung Foundation since 2009. Dr. Tsang was appointed as the President of the Hong Kong Thoracic Society from 2001 to 2003, and is currently a Council Member of the Hong Kong Thoracic Society. Dr. Tsang has been appointed as the Vice-President of The Society of Physicians of Hong Kong since 2008. Dr. Tsang has been a member of the Grant Review Board of the Health and Medical Research Fund Research Council since October 2003. Dr. Tsang was a Distinguished Professor at Guangzhou Medical University (formerly known as Guangzhou Medical College) in the PRC from November 2011 to November 2014. Dr. Tsang has been appointed as Honorary Clinical Professor in the Department of Medicine at The University of Hong Kong since 2013. Dr. Tsang has been registered as Specialist in Respiratory Medicine since March 1998.

Mr. Shiu Shu Ming ("Mr. Shiu"), aged 53, has been appointed as an executive Director since 11 November 2022. Mr. Shiu is also a director of a number of subsidiaries of the Company.

He was awarded the Degree of Bachelor of Arts in Accountancy from the City University of Hong Kong (formerly known as City Polytechnic of Hong Kong) in November 1993. He is a qualified member of The Hong Kong Institute of Certified Public Accountants. He was admitted as a Fellow of the Association of Chartered Certified Accountants in October 2002. Mr. Shiu has over 20 years' experience in corporate finance, mergers and acquisitions, initial public offerings and fund raising exercises in various ventures and projects with a deal portfolio covering private entities, PRC state-owned enterprises and publicly listed companies in Hong Kong, PRC, Malaysia, Singapore and Indonesia.

Mr. Shiu was (i) a non-executive director of Golden Century International Holdings Group Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 91) from March 2020 to September 2021; and (ii) a non-executive director of Orient Securities International Holdings Limited, a company whose shares are listed on GEM of the Stock Exchange (stock code: 8001) from June 2022 to July 2022.

Mr. Shiu has been appointed as (i) a non-executive director of Kingkey Intelligence Culture Holdings Limited, a company; whose shares are listed on the Main Board of the Stock Exchange (stock code: 550) since January 2023; (ii) a joint company secretary of China Smartpay Group Holdings Limited, a company whose shares are listed on GEM of the Stock Exchange (stock code: 8325) since October 2020; (iii) a non-executive director of Oriental Payment Group Holdings Limited, a company whose shares are listed on GEM of the Stock Exchange (stock code: 8613) since December 2021; and (iv) an independent non-executive director of Tianyun International Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 6836) since April 2022. Since July 2022, Mr. Shiu has been resigned from a non-executive director to an executive director of Orient Securities International Holdings Limited.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS *(Continued)*

Mr. Liu Gefeng ("Mr. Liu"), aged 56, has been appointed as an executive Director and a Deputy Chairman since 22 December 2022.

Mr. Liu obtained his bachelor's degree in economics and master's degree in economics from the Renmin University of China (中國人民大學) in July 1989 and January 1999, respectively. Mr. Liu worked at 中國青少年讀物發行總公司 (in English, for identification purpose only, China Youngster's Books Publishing Corporation) from October 1989 to June 1992. During the period from June 1992 to May 2000, Mr. Liu worked at various financial institutions in the PRC, including China CITIC Bank (中信實業銀行), Hainan Machinery Trust Investment Company (海南機設信託投資公司), Shenyin & Wanguo Securities Company Limited (申銀萬國證券有限公司) and Zhong Bao Trust Investments Company (中保信託投資公司). Mr. Liu worked at CLIG from May 2000 to September 2003 and CLIC from September 2003 to September 2022, with his last position at the latter being deputy general manager of the investment management center. Mr. Liu has been appointed as a member of the management committee of CLPE since September 2022. As at the date of this annual report, CLPE is a wholly-owned subsidiary of CLIG, a substantial Shareholder.

Mr. Liu was appointed as an assistant to the director of the Development and Reform Commission of Guangxi Zhuang Autonomous Region (廣西壯族自治區發改委) from October 2013 to November 2015. Mr. Liu was appointed as the deputy director of the management committee of the Tianjin Port Free Trade Zone (天津港保稅區管理委員會) from November 2015 to December 2017.

Mr. Chan Chun Hong ("Mr. Chan"), aged 59, has been appointed as an executive Director since 2 March 2023. He graduated from The Hong Kong Polytechnic University with a degree of Bachelor of Arts in Accountancy in November 1997.

Mr. Chan was an executive director and the managing director of Wang On Group Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 1222) from March 1997 to February 2021 and from September 2005 to February 2021, respectively. With respect to Easy One Financial Group Limited, a company whose shares were listed on the Main Board of the Stock Exchange until its listing was withdrawn from the Stock Exchange on 21 October 2020 (former stock code: 221), Mr. Chan was its managing director and executive director from January 2007 to December 2020 and its chairman from June 2008 to December 2020. Mr. Chan was the chairman and an executive director of China Agri-Products Exchange Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 149) from February 2009 to February 2021. He was appointed as the chief executive officer of China Agri-Products Exchange Limited from August 2010 to February 2021. Mr. Chan was the chairman and a non-executive director of Wang On Properties Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code:1243) from December 2015 to February 2021. Mr. Chan was the managing director and an executive director of Wai Yuen Tong Medicine Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 897), from August 2001 to March 2018 and from August 2001 to February 2021, respectively.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Mr. Kong Dechang ("Mr. Kong"), aged 50, has been appointed as a non-executive Director, the chairman of the Company and the chairman of the Nomination Committee since 21 May 2021.

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

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

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

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

Mr. Hou Jun ("Mr. Hou"), aged 45, has been appointed as a non-executive Director since 25 May 2020.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Kwok Wah, George ("Mr. Ho"), *MH*, aged 65, has been appointed as an independent non-executive Director since September 2004. Mr. Ho is also the chairman of each of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee.

Mr. Ho is a Practising Certified Public Accountant in Hong Kong. He is a director of Yong Zheng CPA Limited, Certified Public Accountants and has extensive experience in accounting, auditing, tax planning and business advisory. Mr. Ho is a director of Hong Kong Shatin Industries and Commerce Association Limited and Hong Kong Commerce and Industry Associations Limited. He is also an independent non-executive director of Rykadan Capital Limited, whose shares are listed on the Main Board of the Stock Exchange (stock code: 2288) and PuraPharm Corporation Limited, whose shares are listed on the Main Board of the Stock Exchange (stock code: 1498).

Mr. Yu Xuezhong ("Mr. Yu"), aged 65, has been appointed as an independent non-executive Director since June 2015. Mr. Yu is also a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee.

Mr. Yu has profound knowledge and extensive experience in teaching, scientific research and clinical experience in emergency medicine. Mr. Yu is currently an assistant to the medical superintendent, a professor in emergency medicine and a supervisor of the emergency medicine division of Peking Union Medical College Hospital (北京協和醫院). He is also the chairman of 中國醫師協會急診醫學分會 (in English, for identification purpose only, The Society of Emergency Medicine of Chinese Medical Doctor Association) and the chairman of 中華醫學會急診醫學分會 (in English, for identification purpose only, The Society of Emergency Medicine of Chinese Medical Association). Mr. Yu graduated from The Fourth Military Medical University (第四軍醫大學) in 1984. He obtained a master degree in medicine from 中國協和醫科大學 (in English, for identification purpose only, China Union Medical University) (now known as Peking Union Medical College (北京協和醫學院)) in 1991. Mr. Yu has been appointed as an independent non-executive director of China Bright Culture Group, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 1859) since 31 August 2022.

Dr. Xu Weiguo ("Dr. Xu"), aged 71, has been appointed as an independent non-executive Director since 31 March 2021. Dr. Xu is also a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee.

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

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

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

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

Mr. Chui Tsan Kit ("Mr. Chui"), aged 54, has been appointed as an independent non-executive Director since 28 June 2022. Mr. Chui has also been appointed as a member of each of the Remuneration Committee and the Nomination Committee since 12 December 2022.

Mr. Chui obtained a degree of Master of Science in Engineering (Electronic Commerce) from the University of Hong Kong in November 2000, a degree of Master of Business Administration from the Chinese University of Hong Kong in December 2002, a degree of Master of Science in Investment Management from the Hong Kong University of Science and Technology in November 2004, a degree of Master of Laws in Chinese Business Law from the Chinese University of Hong Kong in December 2010 and a degree of Master of Corporate Governance from the Hong Kong Polytechnic University in September 2018. In September 2011, Mr. Chui was admitted as Chartered Wealth Manager by International Academy of Financial Management. In October 2012, Mr. Chui was awarded as Certified Financial Consultant by The Institute of Financial Consultants. Mr. Chui is an associate member of each of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) and The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries). Mr. Chui is also a member of CPA Australia.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. Chui was (i) an independent non-executive director of GR Properties Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 108) from February 2015 to February 2018; and (ii) an independent non-executive director of GET Holdings Limited ("GET Holdings"), a company whose shares are listed on GEM of the Stock Exchange (stock code: 8100) from April 2015 to April 2022 and the chairman of the audit committee of GET Holdings from September 2015 to November 2017.

Mr. Han Wenxin ("Mr. Han"), aged 48, has been appointed as an independent non-executive Director since 15 August 2022.

Mr. Han obtained a degree of Bachelor of Arts from the University of International Relations in July 1997 and obtained a degree of Master of Science in International Business from the University of Nottingham in December 2007. Mr. Han has been the chairman of CCD Strategy Limited since September 2019. Mr. Han has also been the executive director of Shanghai Hehuang Medical Technology Co., Ltd. since December 2020. Mr. Han is a vice chairman of Hainan Saint Apricot Medical Development Foundation.

Mr. Hung Hing Man ("Mr. Hung"), aged 52, has been appointed as an independent non-executive Director since 10 February 2023.

Mr. Hung obtained his master's degree in Business Administration from the University of Western Sydney in August 2006. Mr. Hung is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants, the Taxation Institute of Hong Kong and the Society of Chinese Accountants and Auditors. Mr. Hung is currently a proprietor of a certified public accountants firm. He has extensive working experience in corporate finance, accounting, auditing and taxation sectors.

Mr. Hung has been appointed as (i) an independent non-executive director of China Information Technology Development Limited, a company whose shares are listed on GEM of the Stock Exchange (stock code: 8178) since April 2015; and (ii) an independent non-executive director of Heng Tai Consumables Group Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 197) since February 2017.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. Tang Chi Kong ("Mr. Tang"), aged 34, has been appointed as an independent non-executive Director since 10 February 2023.

Mr. Tang obtained the Bachelor of Arts degree in Accounting and Finance from the University of Keele in the United Kingdom in July 2010. Mr. Tang has been awarded the Professional Diploma in Tax Advisory by the School of Continuing and Professional Education, City University of Hong Kong in November 2022. Mr. Tang is a certified public accountant of The Hong Kong Institute of Certified Public Accountants, a member of the Association of Chartered Certified Accountants and a certified Financial Risk Manager. Mr. Tang has over 10 years of experience in the field of auditing, accounting, financial management and company secretarial matters.

Mr. Tang has worked as the company secretary of two companies whose shares being listed on the Stock Exchange, including being the company secretary of Bradaverse Education (Int'l) Investments Group Limited (formerly known as Hong Kong Education (Int'l) Investments Limited), a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 1082) since December 2021.

SENIOR MANAGEMENT

Mr. Kwan Chung Man ("Mr. Kwan"), aged 57, has been appointed as the Company Secretary since December 2019. Mr. Kwan is a solicitor of Hong Kong. Mr. Kwan joined the Group in 2009 and is currently the group head of legal & company secretary of the Company. Prior to joining the Group, he had been a practising solicitor for more than 12 years in Hong Kong. He obtained a bachelor's degree in social sciences from The University of Hong Kong.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SCOPE AND REPORTING PERIOD

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

The Group is principally engaged in (i) provision of medical and dental services in Hong Kong; (ii) managing healthcare networks and provision of third party medical network administrator services in Hong Kong; (iii) provision of medical and dental services, as well as hospital management and related services in the PRC; and (iv) others including leasing of properties. In August 2022, the Group acquired Hong Kong Medical Consultants Limited, which brought about significant environmental and social impact. The operation of Hong Kong Medical Consultants Limited is therefore included in the reporting scope for the year under review. This ESG report covered the overall environmental and social performances of its business operations in:

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

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

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

(iv) the office and medical centres of Hong Kong Medical Consultants Limited; and

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

The reporting period covered from 1 January 2022 to 31 December 2022 ("Reporting Period"). The above business operations contributed to approximately 98% of the Group's revenue for the Reporting Period. Other operations that have no significant contribution to the Group's revenue, and environmental and social impacts are excluded from the reporting scope.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Reporting Principles

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

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

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

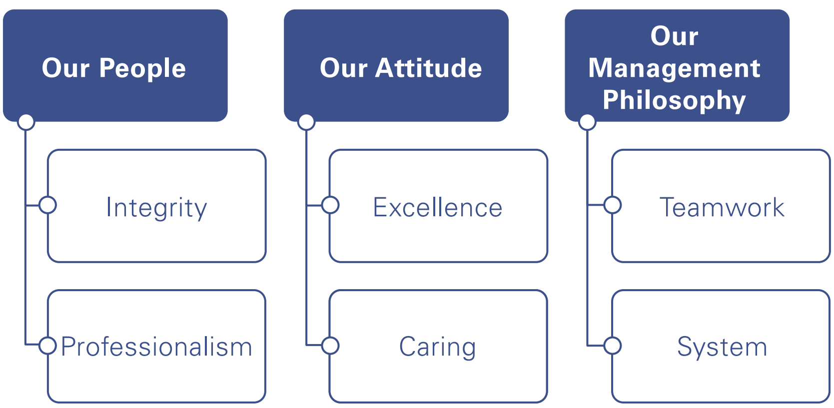
Balance: Performance of the Group was presented impartially, avoiding choices, omissions or presentation formats that may unduly influence readers' decisions or judgments.

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

THE GROUP'S MISSION AND VISION ON SUSTAINABILITY

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

The Group's value lies in its people, its attitude and its management philosophy as shown below.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

THE BOARD'S STATEMENT

The Board understands its responsibility of driving, evaluating and improving ESG performances across the Group's business. It evaluates, prioritises and manages material ESG-related issues based on the materiality assessment conducted by external professional party. In 2021, environmental targets on emission and waste reduction, and energy and water consumption reduction have been set to ensure that the Group's overall objectives in environmental protection will be fulfilled. The Group believes that the environmental targets help the Group to achieve substantial environmental improvements and thus facilitate business growth. The Board reviews the Group's ESG performance, management and targets annually through meetings to ensure effectiveness of the measures implemented. To monitor the achievement of the ESG-related targets, the Board has established a comprehensive measurement system for progress assessments and oversight of the data collection process to ensure accuracy and reliability of the ESG data. The Group's ESG performance during the Reporting Period was compared with the historical data and baselines have been established to measure progress towards the Group's targets. Conclusions of the Board's review on environmental targets have been included in the relevant sections under the section headed "A. Environmental" of this ESG report.

The Board acknowledged that the ESG report had an expanded reporting scope by covering Hong Kong Medical Consultants Limited during the Reporting Period. Therefore, the ESG performance of Hong Kong Medical Consultants Limited was assessed by the Board and the management. A comparison was made between the emissions and resource consumption of Hong Kong Medical Consultants Limited with the Group's overall emissions and resource consumption. In consideration of the relatively low resource consumption of Hong Kong Medical Consultants Limited as compared with that of the Group, and with the plan to review the ESG-related targets in the next reporting period, it has been decided that the targets set will remain unchanged until the next reporting period.

THE GROUP'S CORPORATE SOCIAL RESPONSIBILITY POLICY

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

Protecting the Environment

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

THE GROUP'S CORPORATE SOCIAL RESPONSIBILITY POLICY

(Continued)

Caring for Staff

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

Serving the Community

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

Stakeholder Engagement and Materiality

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

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

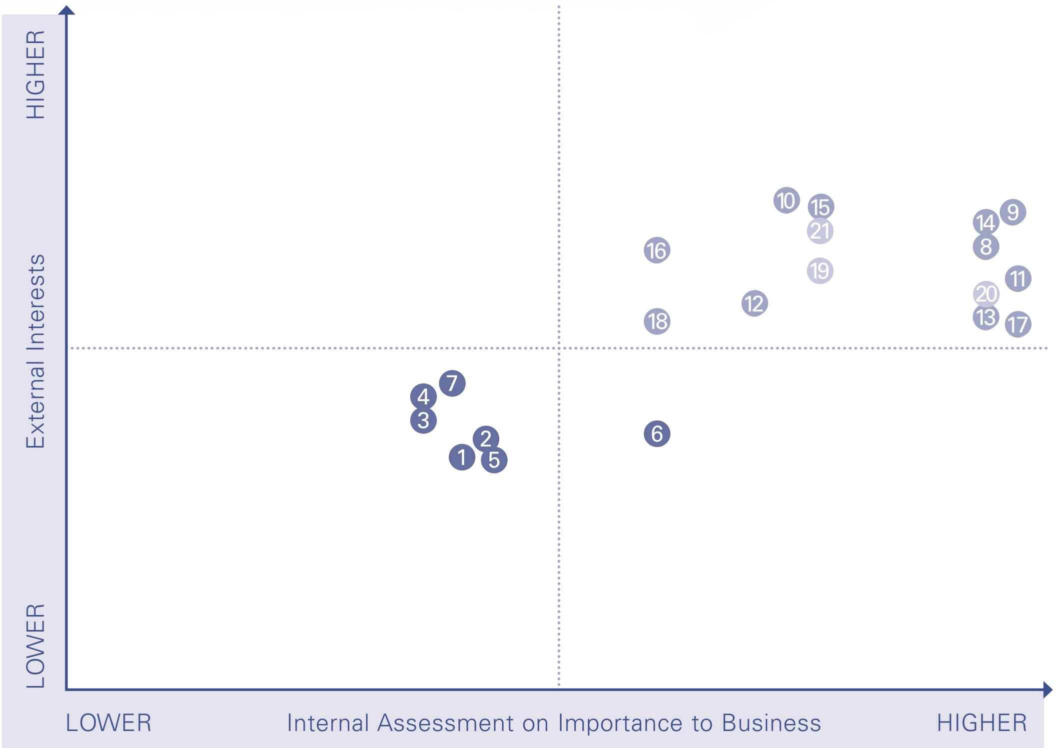
Environmental		Social		Others	
1	Energy	8	Employment	19	Pharmaceuticals Handling
2	Water	9	Occupational Health and Safety	20	Medical Advertising
3	Air Emission	10	Development and Training	21	Safety and Hygiene in Medical Centres
4	Waste and Effluent	11	Labour Standards		
5	Other Raw Materials Consumption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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

THE GROUP'S CORPORATE SOCIAL RESPONSIBILITY POLICY

(Continued)

Materiality of Different Topics from Stakeholder Engagement



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

- Employment
- Occupational Health and Safety
- Labour Standards
- Data Protection
- Customer Service

The top material topics during the Reporting Period were all social topics. The only new topic deemed to be material in this Reporting Period was labour standards, all the other four topics remained unchanged from the previous year. In terms of the identified material aspects, the Group has strictly adhered to the statutory requirements. The Group will continue to identify areas for improvement in the relevant aspects and will maintain close contact with its stakeholders in order to share and exchange ideas for advancing the Group's ESG management.

Stakeholders' Feedback

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

A. ENVIRONMENTAL

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

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

In 2021, environmental targets on emission and waste reduction, and energy and water consumption reduction have been set to ensure that the Group's overall objectives in environmental protection will be fulfilled. The targets and progress performance have been reviewed by the Board and the management during the Reporting Period.

A1. Emissions

A1.1 Air Emissions

Petrol and diesel were used in private cars for business meetings and travels, which contributed to the emission of 0.32 kg of sulphur oxides ("SOx"), 269.55 kg of nitrogen oxides ("NOx"), and 22.15 kg of respiratory suspended particles ("PM") during the Reporting Period[1].

Air Emissions (in kg)	2022	2021
SOx	0.32	0.30
NOx	269.55	78.18
PM	22.15	6.11

Note: There was no change to the calculation methodologies used in 2021 and 2022.

Indoor Air Quality

Although the Group's operation was not involved in polluting air emissions, it strives to enhance indoor air quality for the health of employees, patients, clients and all visitors. The Group has set up air purifiers at its clinics and the filter is replaced regularly throughout the year. Antimicrobial coating was also applied to surfaces of the clinics to minimise the risk of bacterial cross infection.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL *(Continued)*

A1.2 Greenhouse Gas Emissions

Scope of GHG Emissions	Emission Sources	Emission in 2022 (in tonnes of carbon dioxide equivalent "tCO_2e")	Emission in 2021 (in "tCO_2e")
Scope 1			
Direct Emission	Combustion of fuel for mobile sources – Petrol	39.01	36.59
	Combustion of fuel for mobile sources – Diesel	18.25	17.20
Scope 2			
Energy Indirect Emission	Purchased electricity	1,220.53	1,321.34
Scope 3			
Other Indirect Emission	Paper waste disposal at landfills	15.91	11.44
	Electricity used for freshwater processing	1.59	2.10
	Electricity used for sewage processing	0.78	1.01
Total (in tCO_2e)		1,296.07	1,389.69
Emission Intensity (in tCO_2e/million HKD)		0.84	0.95

Note 1: Emission factors were made by reference to Appendix 27 to the Listing Rules and their referred documentation as set out by The Stock Exchange of Hong Kong Limited, unless stated otherwise. Scope 3 emissions were only calculated based on the available emission factors from the referred documentation.

Note 2: Emission factor for purchased electricity from the National Grid of the PRC was made with reference to the National Emission Factors for Mainland China outlined by the Ministry of Ecology and Environment of the PRC. Emission factor of 0.6101 tCO_2e/MWh was used for purchased electricity from the National Grid of the PRC in 2021. Emission factor of 0.5810 tCO_2e/MWh was used for purchased electricity from the National Grid of the PRC in 2022.

Note 3: Electricity and water consumption of some clinics were not included in the calculation as relevant data was managed by the facility office and the data was not available to the Group.

Note 4: There was no change to the calculation methodologies used in 2021 and 2022.

The Group's activities contributed to 1,296.07 tCO_2e, with emission intensity of 0.84 tCO_2e/million HKD, of the Group's total revenue, which included mainly carbon dioxide, methane, nitrous oxide and hydrofluorocarbons emissions, during the Reporting Period.

A. ENVIRONMENTAL *(Continued)*

A1.3. Hazardous Waste

The Group mainly involves in the provision of medical services, which generates clinical waste and expired medication from its operation. The Group complied with the Waste Disposal Ordinance, Chapter 354 of the Laws of Hong Kong, and all applicable regulations and laws of Hong Kong and the PRC when handling and disposing of waste during the Reporting Period. A total of 1.51 tonnes of hazardous waste[2] were generated during the Reporting Period, which included clinical waste, batteries, and computer hardware. The overall hazardous waste generation intensity was 0.98 kg/million HKD of the Group's total revenue.

Clinical Waste

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

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

Different types of clinical waste are placed in appropriate types of containers which are then sealed by proprietary closure or by tape. Wastes with body fluids such as tongue depressors have to be soaked with bleach before disposal at covered bins. All types of clinical waste are collected by licensed clinical waste collectors and the copies of trip tickets are kept for record. A total of 1.48 tonnes of clinical waste, representing an intensity of 0.96 kg/million HKD (2021: 1.13 kg/million HKD) of the Group's total revenue, was generated during the Reporting Period.

Expired Medication

The group follows the "First In, First Out" method when storing and dispensing medicines to ensure that the oldest items are used first to prevent wastage. The medication inventory is checked by assigned senior nurses every month in every individual medical centre. The products that past the expiration date or will expire in the next 60 days are kept in specific collection area and will be sent back to the headquarters' purchasing department for further handling, which will be collected by the regulatory body as chemical waste. During the Reporting Period, a total of 4.31 L and 163.14 kg of chemical wastes (2021: 558.15 L and 195.33 kg of chemical wastes) were collected by the regulatory body.

[2] The total amount of hazardous wastes excluded the expired medication collected by regulatory body.

A. ENVIRONMENTAL *(Continued)*

A1.4. Non-hazardous Waste

Non-hazardous waste from the Group's operation was mainly domestic waste and paper waste from office. A total of 3.31 tonnes of paper, with an intensity of 2.16 kg/million HKD (2021: 1.62 kg/million HKD) of the Group's total revenue, was consumed for the office operation during the Reporting Period. Collection of non-hazardous waste is arranged by the property management companies of the premises.

A1.5. Measures to Mitigate Emissions and Targets

The Group keeps track of its fuel consumption, electricity consumption, water consumption, paper disposal at landfills and business air travels to estimate GHG emissions and strives to reduce related emissions whenever possible. The Group reduces its GHG emissions by reducing energy consumption whenever possible. The Group targets to achieve a 1% reduction in GHG emission by 2023, tracking against the GHG emission in financial year 2021.

Target Performance Review

Indicator	2021 baseline	2023 Target	Reporting Period Performance	Progress
GHG emission	1,389.69 tCO_2e	1,375.79 tCO_2e	1,296.07 tCO_2e	In progress

In terms of GHG emission reduction, the Group has surpassed the target to be achieved by 2023. The Board and the management have reviewed the target. The Group will continue its effort in reducing GHG emission to maintain achievement of the target.

A. ENVIRONMENTAL *(Continued)*

A1.6. *Waste Reduction Initiatives and Targets*

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

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

Employees are also encouraged to reuse whenever possible, such as reusing envelopes, files, stationaries and tableware. The Group targets to achieve a 1% reduction in waste by 2023, tracking against the waste generation data in financial year 2021.

Target Performance Review

Indicator	2021 baseline	2023 Target	Reporting Period Performance	Progress
Waste generation[3]	3.98 tonnes	3.94 tonnes	4.80 tonnes	To be improved

In terms of waste reduction, the Group was currently lagged behind in the progress of achieving the target. The Board and the management have reviewed the target. During the Reporting Period, the Group purchased electronic devices to reduce the use of paper during meetings. The Group will enhance implementation of such measure and continuously monitor the waste generation target.

[3] Waste generation includes clinical waste and non-hazardous wastes generated.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL *(Continued)*

A2. Use of Resources

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

A2.1. Energy Consumption

The Group consumed a total of 3,015 MWh for vehicles and electricity for its daily operation during the Reporting Period. The energy consumption intensity during the Reporting Period was 1.96 MWh/million HKD of the Group's total revenue. The energy consumption details are presented below.

Energy Consumption Sources	Use of Energy	Direct Consumption In 2022	Consumption in 2022 (in MWh)	Consumption in 2021 (in MWh)
Petrol	For vehicles	19,231 L	130	133
Diesel	For vehicles	1,200 L	66	56
Electricity	For daily operation	2,819 MWh	2,819	3,238
TOTAL (in MWh)			3,015	3,427
Energy Consumption Intensity (in MWh/million HKD)			1.96	2.33

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

Note 2: There was no change to the calculation methodologies used in 2021 and 2022.

A. ENVIRONMENTAL *(Continued)*

A2.2. Energy Use Efficiency Initiatives and Targets

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

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

When compared to that of the last reporting period, the energy consumption intensity has reduced by 26% mainly due to an overall reduction of energy consumption and an increase of the Group's revenue during the Reporting Period. The Group targets to achieve a 1% of reduction in energy consumption by 2023, tracking against the energy consumption data in financial year 2021.

Target Performance Review

Indicator	2021 baseline	2023 Target	Reporting Period Performance	Progress
Energy consumption	3,427 MWh	3,393 MWh	3,015 MWh	In progress

In terms of energy use reduction, the Group has surpassed the target to be achieved by 2023. The Board and the management have reviewed the target. The Group will continue its effort in reducing energy consumption to maintain achievement of the target.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL *(Continued)*

A2.3. Water Consumption

3,717 m^3 of water was consumed by the Group during the Reporting Period, with water consumption intensity of 2.42 m^3/million HKD (2021: 3.43 m^3/million HKD) of total revenue. Water consumption included only consumption from headquarter office and key medical centres that directly manage their water consumption data. Water consumption data of a few medical centres were managed by the Property Management Office of the buildings. Therefore, respective data was not available for collection. However, it is noteworthy that the water consumption from these medical centres was insignificant.

A2.4. Water Use Efficiency Initiatives and Targets

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

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

No issue in sourcing water that is fit for purpose had been identified during the Reporting Period. The Group targets to achieve a 1% reduction in water consumption by 2023, tracking against the water consumption data in financial year 2021.

Target Performance Review

Indicator	2021 baseline	2023 Target	Reporting Period Performance	Progress
Water consumption	5,043 m^3	4,993 m^3	3,717 m^3	In progress

In terms of water use reduction, the Group has surpassed the target to be achieved by 2023. The Board and the management have reviewed the target. The Group will continue its effort in reducing water consumption to maintain achievement of the target.

A. ENVIRONMENTAL *(Continued)*

A2. Use of Resources *(Continued)*

A2.5. Packaging Materials

Medicinal bottles, pill pouches, ointment jars, ointment bottles, dropper bottles and plastic bags have been used for packaging of medicine, pills or topical ointment. During the Reporting Period, the total pieces of packaging materials consumed were 1,499,078 pieces and the consumption intensity was 976.23 pieces/million HKD of the Group's total revenue. Since the weight of packaging materials were not recorded, the consumption amount was presented in unit of pieces.

Type of Packaging Materials	Consumption in 2022 (pieces)	Consumption in 2021 (pieces)	Consumption in 2020 (pieces)
Pill pouches	1,228,600	1,081,000	1,638,500
Medicinal bottles	162,050	116,100	170,500
Plastic bags	32,500	48,000	40,000
Topical medicine jars	63,128	76,856	64,100
Topical medicine and drug bottles	6,200	6,200	3,200
Medicine spoons	1,000	5,000	NA
Sample containers and measuring cups	1,600	3,600	NA
Others (e.g. plastic card holders and paper bags)	4,000	3,000	NA
Consumption TOTAL (pieces)	1,499,078	1,339,756	1,916,300
Consumption Intensity (pieces/ million HKD of total revenue)	976.23	911.42	NA

A3. The Environment and Natural Resources

A3.1. Significant Impacts of Activities on the Environment

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

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

A. ENVIRONMENTAL *(Continued)*

A4. Climate Change

Climate change-induced extreme weather events pose physical risks to healthcare facilities and can create challenges in serving affected populations. In addition, these events can lead to the spread of infectious diseases and cause food and water scarcity, which could have material implications for the health care delivery industry. The Group has no policy regarding climate change but it was aware of the physical and inherent transition risks caused by changing policies and strategies in response to climate change. The climate risks identified and their potential financial impacts affecting the Group are shown below.

	Climate Risks	Potential financial impact
Physical Risks	Acute	Extreme weather events with increased severity during cyclones, hurricanes, storm surges and floods can cause supply chain interruption by bringing damage to healthcare facilities, disruption to human resources and disruption to delivery of services to patients.
	Chronic	Longer-term shifts in climate patterns can increase capital costs, operating costs, costs of human resources and insurance premium.
Transition Risks	Policy and Legal	Implementation of tightened environmental laws may increase the cost of energy and water, which could increase the compliance costs and operating costs of health care centres.
	Technology	Investments in new technologies such as energy-efficient equipment and infrastructure will reduce the Group's carbon footprint and maintain competitiveness in the healthcare delivery industry. Failure to adopt new technologies could result in increased costs and reduced efficiency.
	Market	Increased competition from companies with better environmental and sustainability performance could lead to loss in market share and revenue.
	Reputation	Failure to adequately address climate change risks could damage the Company's reputation and lead to a loss of investor confidence. Negative publicity related to environmental issues could impact the Company's brand and customer loyalty.

A. ENVIRONMENTAL *(Continued)*

A4. Climate Change *(Continued)*

The Group is aware of the potential impacts brought by the above identified risks to its operation. It remains adaptive to changes and believes that such risks can spark innovation among businesses and bring about a smooth transition to a low-carbon economy. The Group has taken the following actions to mitigate climate risks:

- Regularly reminds employees to avoid unnecessary use of energy, water, paper and plastic through the circulation of its guidance memorandum regarding environmental protection practices;
- Monitors the latest regulatory and legal risks related to climate change;
- Explores new technologies and solutions to reduce its carbon footprint and increase energy efficiency; and
- Monitors changes in consumer behaviour and preferences related to sustainability to ensure the Group's competitiveness and responsiveness to market trends.

B. SOCIAL

1. Employment and Labour Practices

B1. Employment

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

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

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

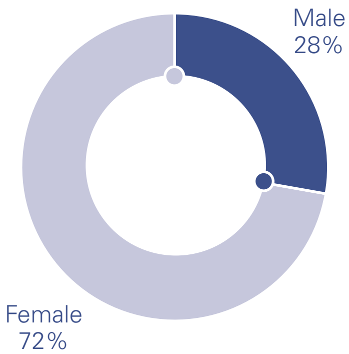
The Remuneration Committee was formed and is responsible for formulating remuneration policies and recommending specific remuneration packages of all directors and senior management to the Board for approval. The Group has implemented policies on recruitment, training, equal opportunity and occupational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

B. SOCIAL *(Continued)*

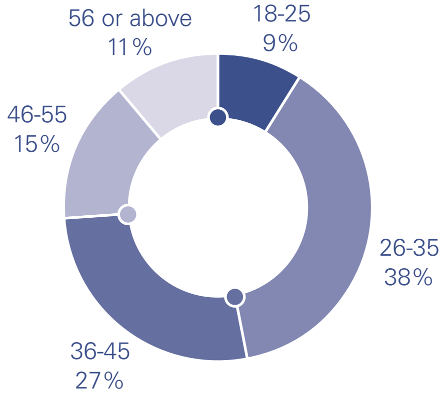
Total Workforce

The Group had a total of 1,239 employees as of 31 December 2022, 89% of them were full time employees and 11% of them were part time employees. Details of the employees' distribution are shown below.

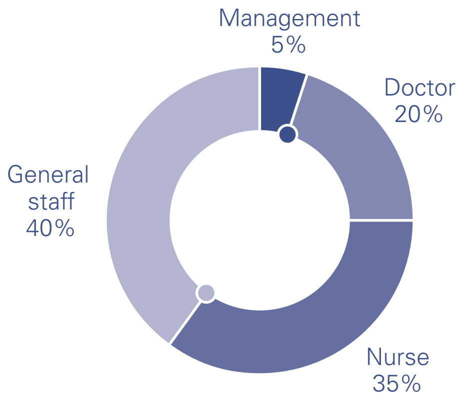
Total Workforce by Gender



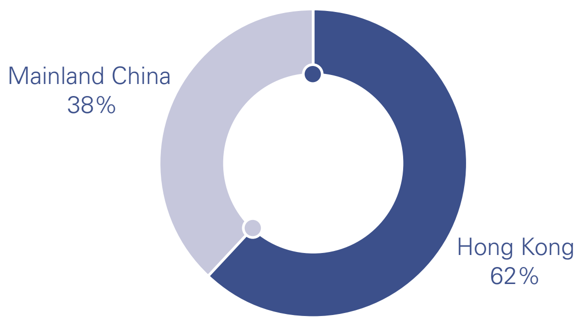
Total Workforce by Age Group



Total Workforce by Employment Category



Total Workforce by Geographical Region



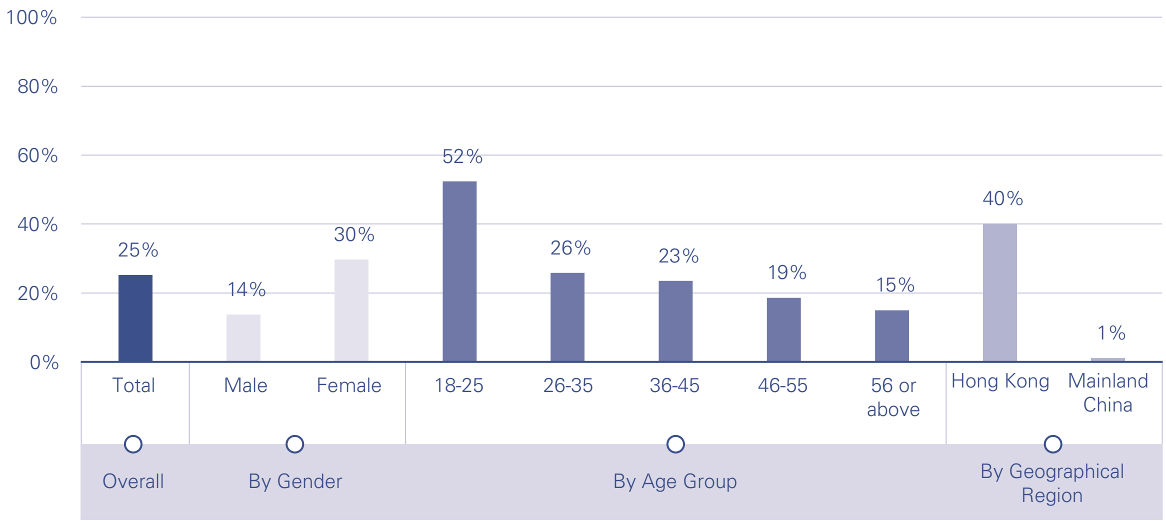
The total number of employees of the Group as shown in the Group's Annual Report 2022 was 1,395 since it includes the number of visiting doctors and specialists of the Group, personal data of whom was not collected.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL *(Continued)*

During the Reporting Period, a total of 312 employees left the Group. The overall turnover rate was 25%[4]. The employee turnover by category[5] rates are shown below.

Turnover Rates



Recruitment

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

4 The overall turnover rate was calculated by the employees who left the Group within the Reporting Period/the total number of employees as of 31 December of the Reporting Period* 100%.

5 The turnover rates were calculated by the employees who left the Group in a specific category within the Reporting Period/the total number of employees in a specific category as of 31 December of the Reporting Period* 100%.

B. SOCIAL *(Continued)*

Employee Benefits and Welfare

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

Equal Opportunity

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL *(Continued)*

Communication with Employees

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

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

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

B2. Employee Health and Safety

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

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

B. SOCIAL *(Continued)*

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

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

The occupational health and safety data during the Reporting Period is shown below. The work injuries cases were mainly fall from height. The cases have been followed up and evaluated to avoid recurrence. The management will continue to put effort in strengthening the Group's occupational health and safety performance. There were no work-related fatalities in the past three years including the Reporting Period.

Occupational Health and Safety Data

	2022	2021	2020
Work related fatality	0	0	0
Work related fatality rate	0%	0%	0%
Work injury cases >3 lost days	3	3	2
Work injury cases ≤3 lost days	7	4	5
Lost days due to work injury	18.5	15.5	10

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL *(Continued)*

B3. Development and Training

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

During the Reporting Period, the Group provided internal training to its staff covering topics of anti-corruption, occupational health and safety, fire safety, communication in healthcare and other professional knowledge in the healthcare sector.

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

Every employee needs to attend the 334 New Joiner Training organised by the Group to be familiarised with necessary knowledge, technical skills and procedures. The training lasts for 10 weeks and employees will be examined after training to ensure that they have acquired necessary knowledge and have met the professional standards. Existing employees are also provided with reinforcement training to enhance operational efficiency. During the Reporting Period, 73 employees had received training with a total training hour of 255.5 hours.

Overall Training Data of the Group

		Percentage of Employees Trained	Average Hours of Training Received by Each Employee
Overall	**Group total**	19%	0.33
Employee Category	**Management**	30%	0.43
	Doctors	1%	0.01
	Nurse including Health Care Assistants ("HCA")	18%	0.61
	General staff	28%	0.25
Gender	**Male**	5%	0.07
	Female	25%	0.44

Note 1: The above training data only included internal training provided by the Group during the Reporting Period. External training data was not collected.

B. SOCIAL *(Continued)*

Basic Customer Service Training for Health Care Assistants

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

B4. Labour Standards

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL *(Continued)*

2. Operating Practices

B5. Supply Chain Management

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

To identify environmental and social risks along its supply chain, the Group also engages with its suppliers to understand their practices and ensure they align with its own standards. The Group monitors industry trends and best practices to identify areas where it may need to improve its own practices. To implement and monitor these practices, the Group maintains regular monitoring to ensure compliance with its standards and identify areas for improvements. The Group also welcomes stakeholders' feedback and raise concerns related to its supply chain practices. When selecting suppliers, the Group will consider environmentally preferable products and services from suppliers. Preference is placed to suppliers providing environmentally preferable products and services.

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

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

B. SOCIAL *(Continued)*

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

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

During the Reporting Period, the Group engaged 433 suppliers, 379 of which were from Hong Kong and 54 of were from Mainland China. The majority of the suppliers from Hong Kong was pharmaceutical distributors. All engaged suppliers have passed the Group's assessment and evaluation.

B6. Product Responsibility

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

Pharmaceuticals Handling

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

B. SOCIAL *(Continued)*

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

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

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

Risk Management and Contingency Measures

The Group's work manual for clinic operations clearly stated the emergency handling process in case of drug or malpractice incidents, injuries and incidents without injuries. In case of such incidents, District Clinic Supervisor/Senior Healthcare Assistant ("DCS/SHCA") will be notified before reporting to the operation managers. If a doctor is required to deal with the incident, the doctor will be notified for further treatment. Medical malpractice form will be filled in by health care assistants in case of drug of malpractices. Incidents with no injuries involved will be followed up by the customer service department. The incident will then be reported to the operations department and the management for evaluation.

Medical Advertisement

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

B. SOCIAL *(Continued)*

Safety and Hygiene

Employees exercise strict disinfection procedures to ensure machines and equipment to be used are uncontaminated. Blood, especially blood with infectious diseases, is handled with special precautions. New employees are trained and examined on the knowledge and practice of safety and hygiene as administrative controls of hazards. The Group also hired a cleaning contractor to maintain cleanliness and hygiene of all clinic offices. All cleaning procedures, guidelines and quality requirements are standardised across the Group. The clinical environment is kept clean and tidy constantly to avoid unnecessary accidents. Cleaning staff of the Group thoroughly clean the clinic every day before opening and after the clinic is closed. The clinic floor is mopped with 1:49 diluted bleach during the lunch break. The Group's operation involves hospital management and the provision of medical services. There are no tangible products to be recalled. Therefore, there were no products recalled due to safety and health reasons during the Reporting Period. If any pharmaceuticals from suppliers are subject to recall, the Group will immediately remove the defective pharmaceutical products from its operations upon notice from suppliers.

Customer Service

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL *(Continued)*

Complaints

The Group also has systematic channels for enquiries and complaints. Complaints can be lodged by phone, email, fax and mail, and are dealt with in accordance with the Group's guidelines on clinic complaints stipulated in the Group's clinical standard operation procedure ("CSOP"). All personal data submitted will only be used for the purposes which are directly related to the complaint. Upon receipt of complaints, the complaints will be handled by the customer services department and investigated by the clinical manager. Investigation progress and results will be reported to the general manager. The Group commits to respond to the complainer within three days. Record of complaints is maintained to monitor the progress of complaints. To achieve continuous service improvement, improvement proposals will be formulated according to complaint investigation and findings. The CSOP will be updated when necessary and updates will be discussed in customer services meetings which will be held regularly. Some medical centres of the Group have complied with the requirements of ISO 9001:2008 Quality Management System. The Group monitored its quality assurance processes on pharmaceutical handling, safety and hygiene, and complaint handling from time to time. Details of the quality assurance processes are described in the sections "Pharmaceuticals Handling", "Medical Advertisement", and "Customer Service" of Section B6 of this report. If any deviation from the Group's objective is discovered, the Group will take corrective actions immediately.

During the Reporting Period, a total of 54 complaints were received. 98% of which was general complaints and 2% were related to medical issues. All complaints have been resolved according to the CSOP procedures.

Intellectual Property Rights

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

B. SOCIAL *(Continued)*

Data Protection and Privacy

The Group register and collect patients/customers' personal data according to the Group's Standard Registration Procedures. Security measures are in place to ensure adequate protection and confidentiality of all corporate data and information. Directors and all staff shall not access any confidential information of the Group or personal data of customers without authorisation. Authorised personnel who have access to or are in control of such information, including information in the company's computer system and in clinics, shall protect the information from unauthorised disclosure or misuse. Special care should be taken in the use of any personal data, including personal data of directors, staff and patients/customers. The management and HCA implement the Group's Standard Registration Procedures. The 334 New Joiner Training provides HCA with the necessary training regarding the procedures. The procedures are regularly monitored by the operation department and will be evaluated when necessary.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL *(Continued)*

B7. Anti-corruption

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

The Group's Code of Conduct clearly states that:

- All directors and employees should avoid conflicts of personal interest and their professional duties;
- Employees should not exercise authority, make influenced decisions and actions or gain access to the Group's assets and information through their employment in the Group to achieve private and personal gain;
- Employees are required to declare any conflict of interest by completing the required form as instructed by the Group's human resource department;
- Neither directors nor employees shall obtain or provide benefits to the regulatory body, patients, suppliers, or people with business relationship with the Group;
- Any acceptance of voluntary gifts over a prescribed value must be declared and have undergone the approval process as administered by the Group's human resource department; and
- In cases of suspected corruption or other criminal offences, a report should be made to the appropriate authority.

B. SOCIAL *(Continued)*

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

To facilitate enforcement, the Group also has clear disciplinary procedures for employees who violate any established regulations or other applicable laws or rules. During the Reporting Period, the Group complied with the Prevention of Bribery Ordinance, Chapter 201 of the Laws of Hong Kong and other applicable laws and regulations of the PRC relating to anti-corruption.

The Group believes that enhancing employees' awareness and strengthening their understanding of anti-corruption laws is vital to preventing corruption and misconduct in its business operation. Anti-corruption training was provided to directors and staff annually. During the Reporting Period, all directors of the Company and relevant staff attended the anti-corruption training provided by the Independent Commission Against Corruption ("ICAC") of the HKSAR. The training was conducted through physical and online seminars. The training covered topics of business and profession ethics, integrity and corruption prevention. There was no concluded legal case regarding corrupt practices brought against the Group or its employees during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SOCIAL *(Continued)*

B8. Community Investment

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

Focus Areas	Activities	Details
Education	Town Health Charity Foundation Scholarship	Launched scholarship schemes in the Chinese University of Hong Kong. The scheme aims to ease financial burden of awardees and to encourage grass root students who are ambitious in the medical field. A total of HK$195,000 was awarded to the awardees from the Chinese University of Hong Kong.
Health	Free vision and cataract screening test	Provided free vision and cataract screening test for the neighbour community, schools, and corporates. A total of 81 staff of the Group has participated in the event as volunteers. A total of 104 hours were spent on this event.

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company acts as an investment holding company. The activities of the Company's principal subsidiaries, associates and joint ventures are respectively set out in notes 50, 22 and 23 to the consolidated financial statements.

Further discussion and analysis of these activities (including a discussion of the principal risks and uncertainties faced by the Group and an indication of likely future developments in the Group's business) and a review of the performance of the Group for the Year can be found in the section headed "Management Discussion and Analysis" on pages 9 to 24 of this annual report. These discussions form part of this report of the Directors.

Key relationships

Employees

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

Customers

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

Suppliers

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

REPORT OF THE DIRECTORS

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW *(Continued)*

Environmental policies and performance

The Group is committed to building an environmentally-friendly corporate environment that pays close attention to conserving natural resources. The Group strives to minimise its impact on the environment by reducing its electricity consumption and encouraging recycle of office supplies and other materials. Further discussion on the environmental performance of the Group during the Year are set out in the Environmental, Social and Governance Report on pages 35 to 67 of this annual report.

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

(i) Medical Registration Ordinance and Dentists Registration Ordinance

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

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

(ii) Waste Disposal Ordinance

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

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

(iii) Undesirable Medical Advertisements Ordinance

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

REPORT OF THE DIRECTORS

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW *(Continued)*

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

Further discussion on the Group's compliance with laws and regulations during the Year are set out in the Environmental, Social and Governance Report on pages 35 to 67 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 135 of this annual report.

DIVIDEND

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) which is subject to Shareholders' approval at the forthcoming AGM.

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

CLOSURE OF REGISTER OF MEMBERS

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

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last five financial years is set out on page 273 of this annual report.

DONATIONS

Charitable donations made by the Group during the Year amounted to approximately HK$195,000 (2021: HK$497,500).

SUBSIDIARIES

Details of the Company's principal subsidiaries are set out in note 50 to the consolidated financial statements.

INVESTMENT PROPERTIES

The Group has revalued all of the investment properties it held as at 31 December 2022 using the fair value of the investment properties as at 31 December 2022. The net decrease in fair value of investment properties, which was recorded in the consolidated statement of profit or loss and other comprehensive income, amounted to approximately HK$6,893,000.

Details of movements in the investment properties of the Group are set out in note 16 to the consolidated financial statements. Further details of the Group's major properties are set out on page 272 of this annual report.

REPORT OF THE DIRECTORS

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Issue of subscription shares and convertible preference shares

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

As at 1 January 2022, the unutilised net proceeds from the Ordinary Shares Subscription and the CPS Subscription amounted to approximately HK$605 million. During the Year, the net proceeds from the Ordinary Shares Subscription and the CPS Subscription of approximately HK$293 million have been utilised under the planned use category of acquisition, investment and development of hospitals and medical institutions in the PRC, and medical or healthcare related business in Hong Kong. The use of the net proceeds and the expected timeline for utilisation of the unutilised net proceeds from the Ordinary Shares Subscription and the CPS Subscription are as follows:

Use of net proceeds	Planned use of net proceeds (HK$ million)	Actual use of net proceeds as at 31 December 2022 (HK$ million)	Unutilised balance of net proceeds as at 31 December 2022 (HK$ million)	Expected timeline for utilisation of unutilised net proceeds
Acquisition, investment and development of hospitals and medical institutions in the PRC, and medical or healthcare related business in Hong Kong	650	537	113	End of 2023
Investment and development of several medical specialty centres in Hong Kong and one dental chain in the PRC	150	13	137	End of 2023
Developing a "one-stop, IT O2O platform" to integrate the Group's growing variety of healthcare and well-being business segments	80	18	62	End of 2023
Total	880	568	312	

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

REPORT OF THE DIRECTORS

SHARE CAPITAL *(Continued)*

Issue of shares to CLIG

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

As at 1 January 2022 and 31 December 2022, the unutilised net proceeds from the CLG Subscription amounted to approximately HK$996 million. During the Year, the Group did not utilise any net proceeds from the CLG Subscription. The use of the net proceeds and the expected timeline for utilisation of the unutilised net proceeds from the CLG Subscription are as follows:

Use of net proceeds	Planned use of net proceeds (HK$ million)	Actual use of net proceeds as at 31 December 2022 (HK$ million)	Unutilised balance of net proceeds as at 31 December 2022 (HK$ million)	Expected timeline for utilisation of unutilised net proceeds
Developing a dental chain in the PRC and investing in or acquiring dental clinics and/or hospitals in the PRC; developing or acquiring medical clinics in the PRC; developing hospitals, investing in or acquiring public or private hospitals in the PRC; and developing or acquiring rehabilitation hospitals and where appropriate in conjunction with nursing and/or aged care homes in the PRC	1,500	646	854	End of 2023
Developing or acquiring business in provision of health check, laboratory testing and medical diagnostic services in the PRC	150	104	46	End of 2023
Developing managed care business in the PRC and cross border healthcare platform for medical tourism business	96	–	96	End of 2023
Total	1,746	750	996	

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

REPORT OF THE DIRECTORS

SHARE CAPITAL *(Continued)*

Issue of the Convertible Bonds

On 11 July 2022 (after trading hours), the Buyer and the Seller entered into the Share Purchase Agreement in relation to the Central Medical Acquisition at the consideration of HK$476,000,000, which will be settled:

(i) as to HK$356,000,000 by the issue of the Convertible Bonds by the Company to the Seller Nominees; and

(ii) as to HK$120,000,000 in cash payable by the Buyer to the Seller.

Conditions precedent to the Acquisition Completion

The Acquisition Completion was conditional upon:

(a) the Listing Committee of the Stock Exchange having granted listing of, and permission to deal in, the Conversion Shares (subject to the issue of the Conversion Shares);

(b) the Shares remaining listed and traded on the Stock Exchange and not having been withdrawn or suspended from trading on the Stock Exchange for more than ten (10) consecutive trading days prior to the Acquisition Completion; no written notification having been received from the Stock Exchange or the SFC prior to the Acquisition Completion in respect of any failure by the Company to carry on a business as required under Rule 13.24 of the Listing Rules;

(c) the relevant member of the Target Group having received the written consent from the lender of such member of the Target Group approving the change of the ultimate beneficial owners of Central Medical contemplated under the Share Purchase Agreement on terms that are reasonably satisfactory to the Buyer, and such consent not having been revoked or modified prior to the Acquisition Completion;

(d) the relevant members of the Target Group (i) having notified the relevant landlords under the relevant leases of the members of the Target Group in writing of the change of the ultimate beneficial owners of the relevant members of the Target Group contemplated under the Share Purchase Agreement; and (ii) not having been notified by the relevant landlords of their intention to terminate or not to renew the relevant leases;

(e) the settlement agreements entered into by the Seller, Central Medical, the Seller Guarantors (except CHG) and certain pre-IPO investors in respect of their pre-IPO investments in the Seller pursuant to which the Seller has agreed to pay the pre-IPO investors a settlement amount in cash and procure that the Company issue the Convertible Bonds to pre-IPO investors who are Seller Nominees having been duly executed by the parties thereto;

REPORT OF THE DIRECTORS

SHARE CAPITAL *(Continued)*

Conditions precedent to the Acquisition Completion *(Continued)*

(f) any and all consents, approvals and clearances required of (a) the Seller Parties, (b) the affiliates of the Seller Parties and the shareholders of the Seller and CHG and any of their respective affiliates, and (c) the members of the Target Group in connection with the execution, delivery and performance of the Share Purchase Agreement and the consummation of the transactions contemplated under the Share Purchase Agreement having been obtained and remaining in full force and effect as at the Acquisition Completion, and no such consent, approval or clearance having been revoked or modified prior to the Acquisition Completion;

(g) there being no litigation, regulatory action or other legal, regulatory, or other administrative proceedings that may prohibit, enjoin, challenge, interfere or delay the consummation of any of the transactions contemplated under the Share Purchase Agreement;

(h) the Seller being, and remaining as, the sole shareholder of Central Medical at all times between the date of the Share Purchase Agreement and the Acquisition Completion;

(i) no material adverse effect having occurred between the date of the Share Purchase Agreement and the Acquisition Completion;

(j) there having been no material breach by any Seller Party of its obligations under the transaction documents (as set out in the Share Purchase Agreement) between the date of the Share Purchase Agreement and the Acquisition Completion;

(k) each of the warranties given by the Seller Parties remaining true, accurate and not misleading in all material respects as at the Acquisition Completion;

(l) each of the warranties given by the Buyer remaining true, accurate and not misleading in all material respects as at the Acquisition Completion; and

(m) the service agreements between Dr. Tsang, Dr. Leung Wing Hung, Dr. Fong Ka Yueng, Dr. Chu Leung Wing, Dr. Lee Pui Yin Clement, Dr. Cheng Cheung Wah Boron, Dr. Ng Ma Tai Matthew, Dr. Lo Wai Kei, Dr. Cheung Wai Yin Eddie, Dr. Yuen Mae Ann Michele, Dr. Yu Ka Tung Stanley, Dr. Chau Kwok On, Gordon, Dr. Ng Wing Ho, Kenneth, Dr. Tam Sau Man, Barbara, Dr. Yuen Ka Yan Catherine, Dr. Lee Kim Bing, Dr. Brigitte Elisabeth Schlaikier, Dr. Wang Kin Fong Teresa, Dr. Choi Wai Lok, Dr. Ng Kei Yan Andrew and Dr. Lo Wing Sim Anita or their controlled companies as employees or contractors and a member of the Target Group as employer or service recipient having been duly executed by the parties thereto.

If any of the conditions precedent to the Acquisition Completion has not been satisfied or waived (other than (a) above which is not waivable) on or before 31 August 2022 or such later date as may be agreed in writing by the Buyer and the Seller, the Share Purchase Agreement shall be automatically terminated with immediate effect.

SHARE CAPITAL *(Continued)*

Conditions precedent to the Acquisition Completion *(Continued)*

All conditions precedent to the Acquisition Completion above had been fulfilled and the Acquisition Completion took place on 26 August 2022. Pursuant to the terms of the Share Purchase Agreement, the Company had (i) paid the balance in the amount of HK$120,000,000 in cash to the Seller and (ii) issued the Convertible Bonds. Following the Acquisition Completion, Central Medical and its subsidiaries have become indirect wholly-owned subsidiaries of the Company; and the financial results of Central Medical and its subsidiaries will be consolidated into the consolidated financial statements of the Company.

Profit guarantee

Each Seller Party guarantees to the Buyer that the Adjusted Net Profit for each of the three financial years ending on 31 March 2022, 31 March 2023 and 31 March 2024 shall be no less than HK$30,000,000, being the Performance Target. In the event that the Adjusted Net Profit for any of the three financial years ending on 31 March 2022, 31 March 2023 and 31 March 2024 falls below the amount stated above, the Seller Parties shall jointly and severally pay to the Buyer in cash an amount calculated in accordance with the formula below:

$$A = (B - C) \times D$$

where

A = the amount payable by the Seller Parties

B = the Performance Target

C = the Adjusted Net Profit of the Target Group for each of the three financial years ending on 31 March 2022, 31 March 2023 and 31 March 2024 (which, for the avoidance of doubt, will be a negative number in the event of a net loss)

D = the agreed price earnings multiple, being 15 times

The Seller Parties shall settle the payment by transfer of funds in HK$ for same day value to the Buyer within five Business Days after the date of receiving a notice from the Buyer demanding payment as a result of the Performance Target not being met.

The Company confirmed that the Adjusted Net Profit for the financial year ended 31 March 2022 meets the Performance Target, which is no less than HK$30,000,000, and therefore the profit guarantee for the financial year ended 31 March 2022 has been fulfilled.

SHARE CAPITAL *(Continued)*

Reason for entering into the Share Purchase Agreement

Central Medical and its subsidiaries are well-known integrated private medical services providers in Hong Kong with specialist doctors renowned in their respective fields of expertise, providing specialist medical services and complemented by medical management services and various allied health services such as clinical psychology, speech therapy, nutritional therapy, psychological counselling, and imaging and diagnostic services. The Central Medical Acquisition will allow the Group to increase its market share, expand its medical team and further solidify the position of the Group in the private medical services sector in Hong Kong.

Principal terms of the Convertible Bonds

The Convertible Bonds were issued by the Company to the Seller Nominees in three tranches as follows:

(i) Tranche A in the sum of HK$120,000,000, with maturity date falling on 12 months from the date of issue of the Convertible Bonds;

(ii) Tranche B in the sum of HK$120,000,000, with maturity date falling on 24 months from the date of the issue of the Convertible Bonds; and

(iii) Tranche C in the sum of HK$116,000,000, with maturity date falling on 36 months from the date of issue of the Convertible Bonds.

The Convertible Bonds do not bear any interest. The Seller Nominees included Peak Summit Development Limited, a company wholly controlled by Dr. Tsang (an executive Director and a Deputy Chairman) and Wealth Basin Limited, a company wholly owned by Mr. Shiu Shu Ming (an executive Director).

The Convertible Bonds carry the Conversion Rights to convert the outstanding principal amount of the Convertible Bonds into the Conversion Shares at the Conversion Price.

Each Bondholder should have the right to convert the whole or any part of the outstanding principal amount of the Convertible Bonds held by it into Conversion Shares (in integral multiples of 1,000,000 Shares) at any time from (and excluding) the date of issue of the Convertible Bonds to, in the case of the Tranche A Convertible Bonds and the Tranche B Convertible Bonds, each of their Maturity Dates, or in the case of the Tranche C Convertible Bonds, the date falling 12 months after its Maturity Date at the Conversion Price (which shall initially be HK$0.76 but might be adjusted from time to time as further described below and shall in no event be less than the par value of a Share). No fraction of a Share should be issued on conversion.

REPORT OF THE DIRECTORS

SHARE CAPITAL *(Continued)*

Principal terms of the Convertible Bonds *(Continued)*

The Conversion Price of HK$0.76 per Conversion Share represents:

1. a premium of approximately 53.54% over the closing price of HK$0.495 per Share as quoted on the Stock Exchange on the date of the Share Purchase Agreement (i.e. 11 July 2022);

2. a premium of approximately 63.09% over the average closing price of approximately HK$0.466 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately before the date of the Share Purchase Agreement; and

3. a premium of approximately 64.86% over the average closing price of approximately HK$0.461 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately before the date of the Share Purchase Agreement.

The Conversion Price was determined after arm's length negotiation between the Company and the Seller Parties after taking into consideration the historical market price of the Shares as quoted on the Stock Exchange and future prospects of the Group. Accordingly, the Directors consider that the Conversion Price is fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

No Conversion Rights may be exercised to the extent that (i) as a result of such exercise, the Bondholders and/or their respective parties acting in concert (as defined under the Hong Kong Code on Takeovers and Mergers) were required by any regulatory authority to make a mandatory general offer to other Shareholders in accordance with the Hong Kong Code on Takeovers and Mergers; or (ii) as a result of such exercise, the public float of the Company as prescribed under the Listing Rules could not be maintained.

SHARE CAPITAL *(Continued)*

Principal terms of the Convertible Bonds *(Continued)*

Each Bondholder shall have the right to request the Company to repay 100% of the outstanding principal amount of the Convertible Bonds, unless previously converted into Shares or repaid in accordance with the terms and conditions of the Convertible Bonds by providing written notice to the Company in the following periods for each tranche:

(1) in respect of the Tranche A Convertible Bonds: from and including the date falling 3 months from the issue date of the Convertible Bonds to and including the date falling 12 months from the issue date of the Convertible Bonds

(2) in respect of the Tranche B Convertible Bonds: from and including the date falling 18 months from the issue date of the Convertible Bonds to and including the date falling 24 months from the issue date of the Tranche B Convertible Bonds

(3) in respect of the Tranche C Convertible Bonds: from and including the date falling 36 months from the issue date of the Convertible Bonds to and including the date falling 12 months after such date.

The Convertible Bonds cannot be redeemed at the option of the Company before the Maturity Date. Unless previously redeemed, converted or repaid as provided in the terms and conditions of the Convertible Bonds, the Company may, at its election by providing written notice to a Bondholder, redeem all the outstanding Convertible Bonds held by such Bondholder by repaying the outstanding principal amount of the Convertible Bonds, unless previously converted into Shares or repaid within 15 Business Days after, in the case of the Tranche A Convertible Bonds and the Tranche B Convertible Bonds, the relevant Maturity Date, or in the case of the Tranche C Convertible Bonds, the date falling 12 months after the relevant Maturity Date, without the need for such Bondholder to serve any redemption notice, either by transferring funds to the bank account of such Bondholder (to the extent that the bank account details of such Bondholder have previously been provided to the Company) or by cheque.

The Convertible Bonds constitute general, unsecured obligations of the Company and rank equally among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable law.

No application will be made by the Company for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange. An application was made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares to be allotted and issued upon exercise of the Conversion Rights attaching to the Convertible Bonds.

REPORT OF THE DIRECTORS

SHARE CAPITAL *(Continued)*

Redemption of the Convertible Bonds

During the Year, there was redemption of the Tranche A Convertible Bonds in the principal amount of HK$115,895,000. As at 31 December 2022, the outstanding principal amount of the Tranche A Convertible Bonds was reduced from HK$120,000,000 to HK$4,105,000 and the outstanding principal amount of the Convertible Bonds was HK$240,105,000.

Dilutive impact of the Convertible Bonds

Assuming the Convertible Bonds are converted in full at the Conversion Price of HK0.76 per Conversion Share, a maximum of 307,000,000 Conversion Shares will be issued, representing (i) approximately 4.53% of the issued share capital of the Company as at the date of this annual report; and (ii) approximately 4.34% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares (assuming that there is no change in the issued share capital of the Company from the date of this annual report up to the full conversion of the Conversion Shares). Such allotment and issue of the Conversion Shares will result in the respective shareholdings of the Shareholders being diluted by approximately 4.34%.

Assuming that there is no other change in the shareholding of the substantial shareholders of the Company since the date of this annual report, the shareholding of the substantial shareholders of the Company as at the date of this annual report immediately before and after the exercise of the Conversion Rights is set out below for illustration purposes:

	Shareholding immediately before the exercise of the Conversion Rights		Shareholding immediately after the exercise of the Conversion Rights	
Name of Shareholder	Number of Shares held	Approximate percentage of shareholding	Number of Shares held	Approximate percentage of shareholding
CLIG	1,785,098,644	26.35	1,785,098,644	25.21
Broad Idea	1,418,576,764	20.94	1,418,576,764	20.03
Dr. Cho	1,418,576,764	20.94	1,418,576,764	20.03
Dr. Choi	1,420,776,764	20.98	1,420,776,764	20.07
Classictime	790,442,000	11.67	790,442,000	11.16
Power Financial	790,442,000	11.67	790,442,000	11.16

SHARE CAPITAL *(Continued)*

Dilutive impact of the Convertible Bonds *(Continued)*

Taking into account that as at 31 December 2022, the Group had total net assets of approximately HK$3,853,590,000 and total net current assets of approximately HK$1,433,526,000 and the measures taken by the Group to maintain its financial position, the Company expects that it will be able to meet its redemption obligations under the Convertible Bonds.

An analysis of the Company's share price at which it would be equally financially advantageous for the holders of the Convertible Bonds to convert or redeem the Convertible Bonds based on their implied internal rate of return on the respective Maturity Date is set out below:

	Share price (HK$)
26 August 2023 (i.e. the maturity date of the Tranche A Convertible Bonds) for the Tranche A Convertible Bonds	0.76 per Share
26 August 2024 (i.e. the maturity date of the Tranche B Convertible Bonds) for the Tranche B Convertible Bonds	0.76 per Share
26 August 2025 (i.e. the maturity date of the Tranche C Convertible Bonds) for the Tranche C Convertible Bonds	0.76 per Share

Further details of the Central Medical Acquisition are set out in the announcements of the Company dated 11 July 2022, 15 August 2022 and 26 August 2022.

PROMISSORY NOTES

WL Promissory Note

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

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

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

REPORT OF THE DIRECTORS

PROMISSORY NOTES *(Continued)*

WL Promissory Note *(Continued)*

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

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

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

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

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

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

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

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

(2) the Counterclaim shall be dismissed;

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

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

REPORT OF THE DIRECTORS

PROMISSORY NOTES *(Continued)*

WL Promissory Note *(Continued)*

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

On 13 October 2022, TH (BVI) and Mr. U Man Iong, an individual who is a third party independent of the Company and its connected persons, entered into the Assignment Deed pursuant to which TH (BVI) has assigned to Mr. U Man Iong, and Mr. U Man Iong has accepted and assumed, the rights, interests, benefits, obligations, duties and risks of TH (BVI) in the Relevant Matters at the consideration of HK$22,500,000. Completion of the assignment took place immediately after execution of the Assignment Deed. Further details of the WL Promissory Note are set out in the announcements of the Company dated 4 November 2016, 12 April 2019, 10 May 2019, 3 May 2021, 6 October 2021, 5 November 2021 and 13 October 2022.

BB Promissory Note

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

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

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

REPORT OF THE DIRECTORS

PROMISSORY NOTES *(Continued)*

BB Promissory Note *(Continued)*

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

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

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

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

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

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

Oasis Beauty has filed defence and counterclaim to the Action against the Plaintiffs. On 21 July 2021, Oasis Beauty issued the summons for summary judgment and striking out of the claims of Profit Castle and Dr. Ip.

On 22 July 2022, the High Court of Hong Kong issued the judgment ("BB Judgment") in relation to Oasis Beauty's application for summary judgment and striking out of the claims of the Plaintiffs in July 2021, pursuant to which, among others, final judgment be entered against the Plaintiffs for:

(a) HK$330,000,000, being the outstanding principal sum of the BB Promissory Note;

(b) HK$13,755,068.49, being the outstanding interest on the BB Promissory Note as at 30 June 2021;

(c) accrued interest on HK$330,000,000 at a rate of 6% per annum (being the rate agreed in the BB Promissory Note) for the period from 1 July 2021 to the date of the BB Judgment;

(d) claims in such statement of claim are struck out; and

(e) costs order nisi that the Plaintiffs do pay Oasis Beauty's costs to be taxed if not agreed.

REPORT OF THE DIRECTORS

PROMISSORY NOTES *(Continued)*

BB Promissory Note *(Continued)*

On 18 August 2022, Oasis Beauty was served with a notice of appeal issued by the Plaintiffs that the Plaintiffs seek for an order by the Court of Appeal that (i) the BB Judgment be set aside; and (ii) Oasis Beauty do pay to the Plaintiffs their costs of the appeal and below.

Further details of the BB Promissory Note are set out in the announcements of the Company dated 30 December 2016, 17 March 2017, 19 March 2021, 27 April 2021, 26 May 2021, 25 July 2022 and 22 August 2022 and the circular of the Company dated 23 February 2017.

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

PRE-EMPTIVE RIGHTS

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

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves during the Year and reserves available for distribution to the shareholders of the Group are set out on pages 138 and 139 of this annual report and in note 49 to the consolidated financial statements.

The Company's reserves available for distribution to shareholders as at 31 December 2022, comprised share premium, capital redemption reserve, contributed surplus, distributable reserve and accumulated profits of approximately HK$3,666,657,000 (2021: approximately HK$4,003,639,000).

DIRECTORS

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

Executive Directors:

Mr. Jin Zhaogen *(Chief Executive Officer)*
Ms. Zhao Xiangke *(Chief Financial Officer)*
Dr. CK Wong *(appointed on 28 June 2022)*
Dr. Law *(appointed on 28 June 2022 and resigned with effect form 2 March 2023)*
Dr. CW Wong *(appointed on 28 June 2022)*
Mr. Ng Ting Chi *(appointed on 28 June 2022)*
Ms. Yao Yuan *(appointed on 28 June 2022)*
Ms. Lau Wai Yee, Susanna *(appointed on 28 June 2022)*
Dr. Tsang *(Deputy Chairman) (appointed on 11 November 2022)*
Mr. Shiu Shu Ming *(appointed on 11 November 2022)*
Mr. Liu Gefeng *(Deputy Chairman) (appointed on 22 December 2022)*
Mr. Chan Chun Hong *(appointed on 2 March 2023)*

Non-executive Directors:

Mr. Kong Dechang *(Chairman)*
Mr. Hou Jun

REPORT OF THE DIRECTORS

DIRECTORS *(Continued)*

Independent non-executive Directors:

Mr. Ho Kwok Wah, George, *MH*
Mr. Yu Xuezhong
Dr. Xu Weiguo
Mr. Chui Tsan Kit *(appointed on 28 June 2022)*
Mr. Han Wenxin *(appointed on 15 August 2022)*
Mr. Hung Hing Man *(appointed on 10 February 2023)*
Mr. Tang Chi Kong *(appointed on 10 February 2023)*

DIRECTORS' SERVICES CONTRACTS

Dr. CK Wong, Dr. CW Wong, Mr. Ng Ting Chi, Ms. Yao Yuan and Ms. Lau Wai Yee, Susanna have been appointed as executive Directors for a term from 28 June 2022 to 31 December 2024. Dr. Law was appointed as an executive Director for a term from 28 June 2022 to 31 December 2024 and he resigned as an executive Director with effect from 2 March 2023. Dr. Tsang has been appointed as an executive Director for a term from 11 November 2022 to 31 December 2024; and has been appointed as a Deputy Chairman for a term from 22 December 2022 to 31 December 2024. Mr. Shiu Shu Ming has been appointed as an executive Director for a term from 11 November 2022 to 31 December 2024. Mr. Liu Gefeng has been appointed as an executive Director and a Deputy Chairman for a term from 22 December 2022 to 31 December 2024. Mr. Chan Chun Hong has been appointed as an executive Director for a term from 2 March 2023 to 31 December 2024.

Mr. Chui Tsan Kit has been appointed as an independent non-executive Director for a term from 28 June 2022 to 31 December 2024. Mr. Han Wenxin has been appointed as an independent non-executive Director for a term from 15 August 2022 to 31 December 2024.

Mr. Hung Hing Man and Mr. Tang Chi Kong have been appointed as independent non-executive Directors for a term from 10 February 2023 to 31 December 2024.

As at 31 December 2022 and up to the date of this annual report, no service contract or appointment letter entered into between a Director and the Group is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

CHANGES IN DIRECTORS' INFORMATION

Updated biographical details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 25 to 34 of this annual report.

There was the following information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

(1) Mr. Shiu Shu Ming, an executive Director, has been appointed as a non-executive director of Kingkey Intelligence Culture Holdings Limited on 6 January 2023.

(2) Mr. Tang Chi Kong, an independent non-executive Director, is the company secretary of Hong Kong Education (Int'l) Investments Limited ("HK Education"). However, the English name of HK Education has been changed from "Hong Kong Education (Int'l) Investments Limited" to "Bradaverse Education (Int'l) Investments Group Limited" and the Chinese name of HK Education has been changed from "香港教育(國際)投資集團有限公司" to "源宇宙教育(國際)投資集團有限公司" with effect from 6 January 2023.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

As at 31 December 2022, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(i) Long positions in the Shares

Name of Director	Capacity	Number of Shares held	Total number of Shares held	Approximate % of shareholding of the Company (Note 1)
Dr. Law (Note 2)	Beneficial owner	4,000	4,000	0.00006%
Dr. CW Wong	Beneficial owner	20,000	20,000	0.00029%
Ms. Yao Yuan	Beneficial owner	120,000	120,000	0.00176%
Ms. Lau Wai Yee, Susanna	Beneficial owner	8,000	8,000	0.00012%
Mr. Chui Tsan Kit	Beneficial owner	4,000	4,000	0.00006%

Notes:

1. The total number of Shares as at 31 December 2022 (that was, 6,836,374,452 Shares) has been used for the calculation of the approximate percentage.

2. Dr. Law resigned as an executive Director with effect from 2 March 2023.

(ii) Long positions in the underlying Shares

Name of Director	Capacity	Number of Underlying shares held	Total	Approximate % of shareholding of the Company (Note 1)
Dr. Tsang	Interest of a controlled corporation	141,879,000 (Note 2)	141,879,000	2.07535%
Mr. Shiu Shu Ming	Interest of a controlled corporation	31,304,000 (Note 3)	31,304,000	0.45790%

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

(ii) Long positions in the underlying Shares *(Continued)*

Notes:

1. The total number of Shares as at 31 December 2022 (that was, 6,836,374,452 Shares) has been used for the calculation of the approximate percentage.

2. Such 141,879,000 underlying Shares were held by Peak Summit Development Limited, which is wholly owned by Dr. Tsang. As such, Dr. Tsang was deemed to be interested in the 141,879,000 underlying Shares held by Peak Summit Development Limited under Part XV of the SFO. These 141,879,000 underlying Shares represent (i) 72,142,000 unlisted derivatives-convertible instruments, the conversion right of which may be exercised from 27 August 2022 to 26 August 2024 at an exercise price of HK$0.76 per Share; and (ii) 69,737,000 unlisted derivatives-convertible instruments, the conversion right of which may be exercised from 27 August 2022 to 26 August 2026 at an exercise price of HK$0.76 per Share.

3. Such 31,304,000 underlying Shares were held by Wealth Basin Limited, which is wholly owned by Mr. Shiu Shu Ming. As such, Mr. Shiu Shu Ming was deemed to be interested in the 31,304,000 underlying Shares held by Wealth Basin Limited under Part XV of the SFO. These 31,304,000 underlying Shares represent (i) 15,917,000 unlisted derivatives-convertible instruments, the conversion right of which may be exercised from 27 August 2022 to 26 August 2024 at an exercise price of HK$0.76 per Share; and (ii) 15,387,000 unlisted derivatives-convertible instruments, the conversion right of which may be exercised from 27 August 2022 to 26 August 2026 at an exercise price of HK$0.76 per Share.

(iii) Long positions in the debentures of the Company

Name of Director	Capacity	Amount of debentures
Dr. Tsang	Interest of a controlled corporation	HK$107,828,000 (Note 1)
Mr. Shiu Shu Ming	Interest of a controlled corporation	HK$23,791,000 (Note 2)

Notes:

1. Such debentures in the amount of HK$107,828,000 were held by Peak Summit Development Limited, which is wholly owned by Dr. Tsang. As such, Dr. Tsang was deemed to be interested in these debentures in the amount of HK$107,828,000 held by Peak Summit Development Limited under Part XV of the SFO. These debentures in the amount of HK$107,828,000 represent (i) debentures in the amount of HK$54,828,000, the conversion right of which may be exercised from 27 August 2022 to 26 August 2024 at an exercise price of HK$0.76 per Share; and (ii) debentures in the amount of HK$53,000,000, the conversion right of which may be exercised from 27 August 2022 to 26 August 2026 at an exercise price of HK$0.76 per Share.

2. Such debentures in the amount of HK$23,791,000 were held by Wealth Basin Limited, which is wholly owned by Mr. Shiu Shu Ming. As such, Mr. Shiu Shu Ming was deemed to be interested in these debentures in the amount of HK$23,791,000 held by Wealth Basin Limited under Part XV of the SFO. These debentures in the amount of HK$23,791,000 represent (i) debentures in the amount of HK$12,097,000, the conversion right of which may be exercised from 27 August 2022 to 26 August 2024 at an exercise price of HK$0.76 per Share; and (ii) debentures in the amount of HK$11,694,000, the conversion right of which may be exercised from 27 August 2022 to 26 August 2026 at an exercise price of HK$0.76 per Share.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

(iv) Long positions in the ordinary shares of associated corporations

Name of Director	Name of associated corporation	Capacity	Number of shares held	Approximate % of shareholding
Dr. CK Wong	Easton Flame Global Limited	Beneficial owner	13	13.00%
Dr. Law (Note 1)	Easy Result	Interest of a controlled corporation	49 (Note 2)	49.00%
Dr. Law (Note 1)	Pearl Rich International Limited	Interest of controlled corporations	51 (Note 3)	51.00%
Dr. Law (Note 1)	Modern Ascent Limited	Interest of controlled corporations	1 (Note 4)	100.00%
Dr. CW Wong	Best Tree	Beneficial owner	49	49.00%
Dr. CW Wong	HKTOIL	Interest of a controlled corporation	850 (Note 5)	85.00%
Dr. CW Wong	TOI Anaesthesiology and Pain Centre Limited	Interest of controlled corporations	6 (Note 6)	60.00%

Notes:

1. Dr. Law resigned as an executive Director with effect from 2 March 2023.

2. Such 49 shares of Easy Result Limited were held by Hong Kong Cardiac Center Limited, which is wholly owned by Dr. Law. As such, Dr. Law was deemed to be interested in the 49 shares of Easy Result held by Hong Kong Cardiac Center Limited under Part XV of the SFO.

3. Such 51 shares of Pearl Rich International Limited were held by Easy Result, which is beneficially owned as to 49% by Hong Kong Cardiac Center Limited, which in turn is wholly owned by Dr. Law. As such, Dr. Law was deemed to be interested in the 51 shares of Pearl Rich International Limited held by Easy Result under Part XV of the SFO.

4. Such 1 share of Modern Ascent Limited was held by Pearl Rich International Limited, which is beneficially owned as to 51% by Easy Result, which in turn is beneficially owned as to 49% by Hong Kong Cardiac Center Limited, which in turn is wholly owned by Dr. Law. As such, Dr. Law was deemed to be interested in the 1 share of Modern Ascent Limited held by Pearl Rich International Limited under Part XV of the SFO.

5. Such 850 shares of HKTOIL was held by Best Tree, which is beneficially owned as to 49% by Dr. CW Wong. As such, Dr. CW Wong was deemed to be interested in the 850 shares of HKTOIL held by Best Tree under Part XV of the SFO.

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

(Continued)

(ii) Long positions in the ordinary shares of associated corporations

Notes: *(Continued)*

6. Such 6 shares of TOI Anaesthesiology and Pain Centre Limited was held by HKTOIL, which is beneficially owned as to 85% by Best Tree, which in turn is beneficially owned as to 49% by Dr. CW Wong. As such, Dr. CW Wong was deemed to be interested in the 6 shares of TOI Anaesthesiology and Pain Centre Limited held by HKTOIL under Part XV of the SFO.

Save as disclosed above, as at 31 December 2022, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2022, the following persons (other than the Directors or chief executives of the Company) had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Substantial Shareholders' long positions in the Shares

Name of Shareholder	Capacity	Number of Shares held	Total number of Shares held	Approximate % of shareholding of the Company (Note 1)
CLIG	Beneficial owner	1,785,098,644	1,785,098,644	26.11%
Broad Idea	Beneficial owner	1,418,576,764 (Note 2)	1,418,576,764	20.75%
Dr. Cho	Interest of a controlled corporation	1,418,576,764 (Note 2)	1,418,576,764	20.75%
Dr. Choi	Interest of a controlled corporation Beneficial owner	1,418,576,764 (Note 2) 2,200,000	1,420,776,764	20.78%
Classictime	Beneficial owner	790,442,000 (Note 3)	790,442,000	11.56%
Power Financial	Interest of a controlled corporation	790,442,000 (Note 3)	790,442,000	11.56%

REPORT OF THE DIRECTORS

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

Substantial Shareholders' long positions in the Shares *(Continued)*

Notes:

1. The total number of Shares as at 31 December 2022 (that was, 6,836,374,452 Shares) has been used for the calculation of the approximate percentage.

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

3. Such 790,442,000 Shares were held by Classictime, a wholly-owned subsidiary of Power Financial. Accordingly, Power Financial was deemed to be interested in the 790,442,000 Shares held by Classictime under Part XV of the SFO.

Save as disclosed above, as at 31 December 2022, the Company has not been notified by any persons (other than the Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the percentages of revenue attributable to the Group's largest customer and the five largest customers were approximately 22% and 40% of the Group's total revenue respectively. The Group's largest supplier and five largest suppliers accounted for approximately 10% and 35% of the Group's total purchases respectively.

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

DIRECTOR'S INTEREST IN COMPETING BUSINESS

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

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

As at 31 December 2022, Dr. Tsang was deemed to be interested in the 141,879,000 underlying Shares and the debentures in the amount of HK$107,828,000 held by Peak Summit Development Limited under Part XV of the SFO and Mr. Shiu Shu Ming was deemed to be interested in the 31,304,000 underlying Shares and the debentures in the amount of HK$23,791,000 held by Wealth Basin Limited under Part XV of the SFO. Further details of the above are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures". Save as disclosed above, at no time during the Year was the Company, its subsidiaries, its fellow subsidiaries or its holding companies, a party to any arrangement to enable the Directors or chief executives of the Company or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

MANAGEMENT CONTRACTS

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

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

Save as disclosed above, 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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES *(Continued)*

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.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 109 to 125 of this annual report.

MATERIAL ACQUISITIONS AND DISPOSAL

On 11 July 2022 (after trading hours), the Buyer and the Seller entered into the Share Purchase Agreement, pursuant to which the Buyer has conditionally agreed to acquire, and the Seller has conditionally agreed to sell, 100% of the issued share capital of Central Medical at the consideration of HK$476,000,000. Further details of which are set out in the paragraph headed "Issue of the Convertible Bonds" above.

On 13 October 2022 (after trading hours), TH (BVI) and Mr. U Man Iong entered into the Assignment Deed pursuant to which TH (BVI) has assigned to Mr. U Man Iong, and Mr. U Man Iong has accepted and assumed, the rights, interests, benefits, obligations, duties and risks of TH (BVI) in the Relevant Matters at the consideration of HK$22,500,000. Completion of the assignment has taken place immediately after execution of the Assignment Deed. Further details of the above assignment are set out in the announcements of the Company dated 4 November 2016, 12 April 2019, 10 May 2019, 3 May 2021, 6 October 2021, 5 November 2021 and 13 October 2022.

Save for the transactions mentioned above, the Company did not have any significant investments, material acquisition or disposal during the Year.

REPORT OF THE DIRECTORS

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Continuing connected transactions: the Framework Agreements and the Framework Cooperation Agreement

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

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

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

As the applicable percentage ratios relating to the maximum aggregate annual transaction values in respect of the CLG CCTs for each of the year ended 31 December 2021, the Year and the year ending 31 December 2023 exceed 0.1% but are less than 5%, the CLG CCTs are subject to the reporting, announcement and annual review requirements but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions: the Framework Agreements and the Framework Cooperation Agreement *(Continued)*

As the applicable percentage ratios relating to the continuing connected transactions in relation to the procurement of the CL Products by the Group from CL Group under the Framework Agreements on annual basis are less than 5% and the estimated total sales of the CL Products from CL Group to the Group for each of the year ended 31 December 2021, the Year and the year ending 31 December 2023 are less than HK$3,000,000, the continuing connected transactions in relation to the procurement of the CL Products by the Group from CL Group under the Framework Agreements are exempt from the reporting, announcement, annual review, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

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

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

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

Continuing connected transactions: the Consultancy Agreements

On 27 June 2022, (i) Easy Result, a non wholly-owned subsidiary of the Company, entered into the HKCCL Consultancy Agreement with HKCCL, a company wholly-owned by Dr. Law (a director of Easy Result as at the date of the HKCCL Consultancy Agreement and an executive Director from 28 June 2022 to 1 March 2023) in respect of the provision of the HKCCL Services by HKCCL to Easy Result; and (ii) HKTOIL, a non wholly-owned subsidiary of the Company, entered into the EWC Consultancy Agreement with EW Clinic, a business operated and wholly-owned by Dr. CW Wong (a director of HKTOIL as at the date of the EWC Consultancy Agreement and an executive Director) in respect of the provision of the EWC Services by EW Clinic to HKTOIL.

REPORT OF THE DIRECTORS

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions: the Consultancy Agreements *(Continued)*

As at the date of the Consultancy Agreements, as each of Dr. Law and Dr. CW Wong was a director of a subsidiary of the Company, each of Dr. Law, Dr. CW Wong, HKCCL (a company wholly-owned by Dr. Law) and EW Clinic (a business wholly-owned by Dr. CW Wong) was a connected person of the Company at the subsidiary level. As disclosed in the announcement of the Company dated 28 June 2022, each of Dr. Law and Dr. CW Wong has become an executive Director with effect from the announcement of the Company dated 28 June 2022. Thus, each of Dr. Law, Dr. CW Wong, HKCCL and EW Clinic has become a connected person of the Company at the issuer level, with the HKCCL CCTs and the EWC CCTs constituting the continuing connected transactions of the Company with connected persons at the issuer level for the purpose of Chapter 14A of the Listing Rules with effect from 28 June 2022.

Taking into consideration that the applicable percentage ratios relating to each of the maximum aggregate annual transaction values in respect of the HKCCL CCTs for each of the Year, Year 2023 and Year 2024 and the maximum aggregate annual transaction values in respect of the EWC CCTs for each of the Year, Year 2023 and Year 2024 exceed 0.1% but are less than 1%, the respective HKCCL CCTs and the EWC CCTs (i) were fully exempt from the reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules as at the date of the Consultancy Agreements respectively; and (ii) are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules with effect from the announcement of the Company dated 28 June 2022.

The major terms of the Consultancy Agreements are as follows:

The term of the HKCCL Consultancy Agreement and the EWC Consultancy Agreement are from 27 June 2022 to 31 December 2024.

Pursuant to the HKCCL Consultancy Agreement, HKCCL shall, through the HKCCL Physicians, provide the HKCCL Services to Easy Result. In consideration of the HKCCL Services provided by HKCCL, Easy Result shall pay to HKCCL a monthly consultancy fee consisting of (1) a monthly basic fee of HK$280,000, payable on or before the last working day of each month; and (2) a monthly performance bonus (if any) equivalent to a predetermined percentage range of the net profit of the HKCCL Practice (which is calculated by deducting from the total gross income of the HKCCL Practice certain agreed costs and expenditure related to the provision of the HKCCL Services), which is linked to the performance of HKCCL and payable within the next two months.

Pursuant to the EWC Consultancy Agreement, EW Clinic shall, through Dr. CW Wong and/or such other Registered Medical Practitioner(s) and Registered Specialist(s) employed or otherwise engaged by EW Clinic and acceptable to HKTOIL, provide the EWC Services to HKTOIL. In consideration of the EWC Services provided by EW Clinic, HKTOIL shall pay to EW Clinic a monthly consultancy fee consisting of (1) a monthly basic fee of HK$300,000, payable on or before the last working day of each month; and (2) a monthly performance bonus (if any) equivalent to a predetermined percentage of the net profit of the EWC Practice (which is calculated by deducting from the sum of the total gross income of EW Clinic and certain gross income of the EWC Practice certain agreed costs and expenditure, plus the net profit/loss of the Registered Specialists of the EWC Practice), which is linked to the performance of EW Clinic and payable within the next two months.

Further details of the Consultancy Agreements are set out in the announcement of the Company dated 28 June 2022.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions: the Service Agreement

On 11 July 2022, HKMC, a company which has become a wholly-owned subsidiary of the Company with effect from the date on which the Acquisition Completion took place (i.e. 26 August 2022), entered into the Service Agreement with KTAL, a company owned by Dr. Tsang (a director of HKMC and other subsidiaries of the Company as at 26 August 2022, and an executive Director) and his spouse in equal shares, in respect of (i) the provision of the KTAL Services by KTAL to HKMC; and (ii) the provision of the HKMC Services by HKMC to KTAL.

With effect from 26 August 2022, Dr. Tsang, who holds 50% of the issued share capital of KTAL, has become a director of a number of subsidiaries of the Company and thus a connected person of the Company at the subsidiary level. Accordingly, KTAL, being an associate of Dr. Tsang, has become a connected person of the Company at the subsidiary level since 26 August 2022. The transactions contemplated under the Service Agreement therefore constituted the continuing connected transactions of the Company with connected person at the subsidiary level for the purposes of Chapter 14A of the Listing Rules with effect from 26 August 2022.

Following the appointment of Dr. Tsang as an executive Director with effect from 11 November 2022, Dr. Tsang and KTAL have become connected persons of the Company at the issuer level for the purposes of Chapter 14A of the Listing Rules with effect from 11 November 2022.

Taking into consideration that the applicable percentage ratios relating to the maximum aggregate annual transaction values in respect of the KTAL CCTs for each of Period 2022, Year 2023, Year 2024 and Period 2025 exceed 0.1% but are less than 1%, the KTAL CCTs (i) were fully exempt from the reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules as at the date on which the Acquisition Completion took place, i.e. 26 August 2022; and (ii) are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules with effect from the announcement of the Company dated 11 November 2022.

Taking into consideration that the applicable percentage ratios relating to the maximum aggregate annual transaction values in respect of the HKMC CCTs for each of Period 2022, Year 2023, Year 2024 and Period 2025 exceed 0.1% but are less than 1%, the HKMC CCTs (i) were fully exempt from the reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules as at 26 August 2022; and (ii) are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules with effect from 11 November 2022.

REPORT OF THE DIRECTORS

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions: the Service Agreement *(Continued)*

The major terms of the Service Agreement are as follows:

The term of the Service Agreement is three years commenced from 26 August 2022 and ending on 25 August 2025.

Pursuant to the Service Agreement, (a) KTAL shall procure each of the Key Individuals to provide the KTAL Services to HKMC; and (b) HKMC shall provide the following HKMC Services to KTAL:

(i) providing to the Key Individual such facilities and equipment as mutually agreed by KTAL and HKMC for provision of the KTAL Services; and

(ii) providing to the Key Individual nursing, pharmacy, billing, administrative and other support services for provision of the KTAL Services.

In consideration of the provision of the KTAL Services by KTAL, HKMC shall pay to KTAL a performance fee, determined with reference to the operating profit generated from the KTAL Services provided by KTAL and/or the Key Individual to the Group, which shall be the aggregate of: (i) 60% of the operating profit generated from the service in relation to medical consultation and treatment, and hospitalised services and interpretation (which is calculated as the operating profit attributable to the Key Individual less the gross profit for medication and investigation services); (ii) 40% of the operating profit generated from the service in relation to medication (which is calculated as the medication revenue less the cost of inventories consumed); and (iii) 40% of the operating profit generated from the service in relation to investigation (which is calculated as the investigation revenue less the laboratory test cost).

KTAL shall be responsible for its share of the costs and expenses arising from HKMC's provision of the HKMC Services and/or relating to the setup, upkeep and management of the clinics operated by HKMC and offices Such costs and expenses include the direct costs and expenses relevant to the provision of the medical services by the Key Individual carrying out the KTAL Services, shall be determined with reference to the relevant monthly management accounts of HKMC and payable in arrears on a monthly basis.

Further details of the Service Agreement are set out in the announcement of the Company dated 11 November 2022.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions: the ERG Framework Agreement and the BTG Framework Agreement

On 11 November 2022, TH (BVI), a wholly-owned subsidiary of the Company entered into (i) the ERG Framework Agreement with Easy Result, a company owned as to 51% indirectly by the Company and 49% by a company wholly-owned by Dr. Law (an executive Director from 28 June 2022 to 1 March 2023), in respect of the provision of the ERG Specialist Medical Services, the ERG Diagnostic Services, the ERG BO Support Services and the ERG Medical and Diagnostic Services between the Relevant Group (ex ERG) and the ER Group; and (ii) the BTG Framework Agreement with Best Tree, a company owned as to 51% indirectly by the Company and 49% by Dr. CW Wong (an executive Director), in respect of the provision of the BTG Specialist Medical Services, the BTG Clinical Support Services, the BTG BO Support Services, the BTG Medical and Diagnostic Services, the grant of the BTG Licenses and the entering into of the BTG Leases between the Relevant Group (ex BTG) and the BT Group. As at the announcement of the Company dated 11 November 2022, as (i) each of Easy Result and Best Tree is a non wholly-owned subsidiary of the Company; and (ii) each of Dr. Law and Dr. CW Wong is an executive Director who holds more than 10% interest in Easy Result and Best Tree respectively, each member of the ER Group and the BT Group is a connected subsidiary of the Company and thus a connected person of the Company pursuant to the Listing Rules. Accordingly, the transactions contemplated under the ERG Framework Agreement and the BTG Framework Agreement constitute the continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Taking into consideration that the applicable percentage ratios relating to each of (1) the maximum aggregate annual transaction values in respect of the ERG Diagnostic Services under the ERG Framework Agreement for each of the Year, Year 2023 and Year 2024; (2) the maximum aggregate annual transaction values in respect of the ERG Specialist Medical Services under the ERG Framework Agreement for each of the Year, Year 2023 and Year 2024; (3) the maximum aggregate annual transaction values in respect of the BTG Specialist Medical Services under the BTG Framework Agreement for each of the Year, Year 2023 and Year 2024; and (4) the maximum aggregate annual transaction values in respect of the BTG Licences and the BTG Leases under the BTG Framework Agreement for each of the Year, Year 2023 and Year 2024, exceed 0.1% but are less than 5%, the continuing connected transactions with respect to (a) the ERG Diagnostic Services and the ERG Specialist Medical Services under the ERG Framework Agreement; and (b) the BTG Specialist Medical Services, the BTG Licences and the BTG Leases under the BTG Framework Agreement, are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

REPORT OF THE DIRECTORS

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions: the ERG Framework Agreement and the BTG Framework Agreement *(Continued)*

As the applicable percentage ratios relating to the continuing connected transactions with respect to each of (i) the ERG BO Support Services under the ERG Framework Agreement; (ii) the ERG Medical and Diagnostic Services under the ERG Framework Agreement; (iii) the BTG Clinical Support Services under the BTG Framework Agreement; (iv) the BTG BO Support Services under the BTG Framework Agreement; and (v) the BTG Medical and Diagnostic Services under the BTG Framework Agreement on annual basis are less than 5%, and the estimated transaction amounts of each of such services for each of the Year, Year 2023 and Year 2024 are less than HK$3,000,000, the continuing connected transactions with respect to (a) the ERG BO Support Services and the ERG Medical and Diagnostic Services under the ERG Framework Agreement; and (b) the BTG Clinical Support Services, the BTG BO Support Services and the BTG Medical and Diagnostic Services under the BTG Framework Agreement, are exempt from the reporting, announcement, annual review, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The major terms of the ERG Framework Agreement and the BTG Framework Agreement are as follows:

The term of the ERG Framework Agreement and the BTG Framework Agreement are from 11 November 2022 to 31 December 2024.

Pursuant to the ERG Framework Agreement,

(1) the ER Group shall provide (i) the ERG Diagnostic Services; and (ii) the ERG Specialist Medical Services to the Relevant Group (ex ERG); and

(2) the Relevant Group (ex ERG) shall provide (i) the ERG BO Support Services; and (ii) the ERG Medical and Diagnostic Services to the ER Group.

The payment terms of the fees payable by the Relevant Group (ex ERG) to the ER Group for the ERG Diagnostic Services and the ERG Specialist Medical Services shall be on normal commercial terms and negotiated on arm's length basis between the parties, provided that the payment terms shall be no less favourable to the Relevant Group (ex ERG) than those offered by independent third parties to the Relevant Group (ex ERG) for providing the same or substantially similar services in the same period.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions: the ERG Framework Agreement and the BTG Framework Agreement *(Continued)*

Pursuant to the BTG Framework Agreement,

(1) the BT Group shall provide (i) the BTG Clinical Support Services; and (ii) the BTG Specialist Medical Services to the Relevant Group (ex BTG); and

(2) the Relevant Group (ex BTG) shall provide or grant (as the case may be) (i) the BTG BO Support Services; (ii) the BTG Medical and Diagnostic Services; (iii) the BTG Licences; and (iv) the BTG Leases, to the BT Group.

The rates and the payment terms of the fees payable by the Relevant Group (ex BTG) to the BT Group for the BTG Specialist Medical Services shall be on normal commercial terms and negotiated on arm's length basis between the parties, provided that the rates and the payment terms shall be no less favourable to the Relevant Group (ex BTG) than those offered by independent third parties to the Relevant Group (ex BTG) for providing the same or substantially similar services in the same period.

The rates and the payment terms of (i) the fees payable by the BT Group to the Relevant Group (ex BTG) for the BTG Licences and (ii) the fees payable by the BT Group to the Relevant Group (ex BTG) for the BTG Leases shall be on normal commercial terms and negotiated on arm's length basis between the parties, provided that the rates and the payment terms shall be no less favourable to the Relevant Group (ex BTG) than the terms offered by the Relevant Group (ex BTG) to independent third parties for licensing and leasing similar properties.

Further details of the ERG Framework Agreement and the BTG Framework Agreement are set out in the announcement of the Company dated 11 November 2022.

Continuing connected transactions: the CGB Framework Agreement

On 14 November 2022, the Company entered into the CGB Framework Agreement with CGB (HK) in respect of (i) the provision of the Medical & Healthcare Services by the Group to the staff of CGB (HK); and (ii) the provision of the Banking Services by CGB (HK) to the Group.

As at 14 November 2022, (i) CGB (HK) was a branch of CGB which is owned as to approximately 43.69% by CLIC; (ii) CLIC was owned as to approximately 68.4% by CLIG; and (iii) CLIG held approximately 24.98% of the Shares and is a substantial shareholder and thus a connected person of the Company. As such, CGB (HK), being an associate of CLIG, is also a connected person of the Company and the transactions contemplated under the CGB Framework Agreement constitute the continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

REPORT OF THE DIRECTORS

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions: the CGB Framework Agreement *(Continued)*

Pursuant to Rule 14A.81 of the Listing Rules, the CGB CCTs are required to be aggregated with the continuing connected transactions contemplated under the Framework Agreements and the Framework Cooperation Agreement as the CGB Framework Agreement, the Framework Agreements and the Framework Cooperation Agreement were all entered into between the Group and associates of CLIG.

As the applicable percentage ratios relating to the maximum aggregate annual transaction values in respect of the continuing connected transactions in relation to the provision of the Medical & Healthcare Services by the Group under the CGB Framework Agreement for the Year, Year 2023 and Year 2024, aggregated with the maximum aggregate annual transaction values in respect of the continuing connected transactions in relation to the provision of the Medical Related Services by the Group under the Framework Agreements and the Framework Cooperation Agreement for the Year and Year 2023 as disclosed in the announcement of the Company dated 2 July 2021 in relation to the Framework Cooperation Agreement, and the continuing connected transactions contemplated thereunder, exceed 0.1% but are less than 5%, the continuing connected transactions in relation to the provision of the Medical & Healthcare Services by the Group under the CGB Framework Agreement are subject to the reporting, announcement and annual review requirements but are exempt from the circular and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The provision of the Loan Services by CGB (HK) to the Group under the CGB Framework Agreement will constitute financial assistance to be provided by a connected person for the benefit of the Group. As the Loan Services will be conducted on normal commercial terms or better to the Group and no security over the assets of the Group will be required, the provision of the Loan Services under the CGB Framework Agreement is exempt under Rule 14A.90 of the Listing Rules from the reporting, annual review, announcement, circular and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the applicable percentage ratios relating to the maximum daily balance of the deposits (including any interest accrued thereon) placed by the Group with CGB (HK) during the term of the CGB Framework Agreement exceed 0.1% but are less than 5%, the continuing connected transactions in relation to the provision of the Deposit Services by CGB (HK) to the Group under the CGB Framework Agreement are subject to the reporting, announcement and annual review requirements but are exempt from the circular and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions: the CGB Framework Agreement *(Continued)*

As the applicable percentage ratios relating to the continuing connected transactions in relation to the provision of the Other Banking Services by CGB (HK) to the Group under the CGB Framework Agreement on an annual basis are less than 5% and the estimated total amount of the Other Banking Services to be provided by CGB (HK) to the Group for each of the Year, Year 2023 and Year 2024 is less than HK$3,000,000, the continuing connected transactions in relation to the provision of the Other Banking Services by CGB (HK) to the Group under the CGB Framework Agreement are exempt from the reporting, announcement, annual review, circular and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The major terms of the CGB Framework Agreement are as follows:

The term of the CGB Framework Agreement is from 14 November 2022 to 31 December 2024.

Pursuant to the CGB Framework Agreement, the Group shall provide the Medical & Healthcare Services to the staff of CGB (HK) on terms and conditions (including the service fees and the payment terms) to be determined in the ordinary course of business and on normal commercial terms, provided that the terms shall be no less favourable to the Group than those offered by the Group to independent third parties for providing the same or substantially similar services in the same period.

Pursuant to the CGB Framework Agreement, CGB (HK) shall provide the Deposit Services on terms and conditions (including the deposit interest rates for the Deposit Services) to be determined in the ordinary course of business and on normal commercial terms, provided that the terms shall be no less favourable to the Group than those offered by independent third parties to the Group for providing the same or substantially similar services in the same period.

Further details of the CGB Framework Agreement are set out in the announcement of the Company dated 14 November 2022.

REPORT OF THE DIRECTORS

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS *(Continued)*

Amount of the Renewed CCTs

	Maximum aggregate annual transaction values during the Year	Actual aggregate annual transaction values during the Year
CLG CCTs	HK$14,300,000	HK$2,013,000
HKCCL CCTs	HK$10,000,000	HK$7,930,000
EWC CCTs	HK$10,000,000	HK$8,316,000
Provision of the ERG Diagnostic Services	HK$5,100,000	HK$2,299,000
Provision of the ERG Specialist Medical Services	HK$4,900,000	HK$4,895,000
Provision of the BTG Specialist Medical Services	HK$6,100,000	HK$4,431,000
Grant of the BTG Licences and entering into of the BTG Leases	HK$4,900,000	HK$3,720,000
Provision of the Medical & Healthcare Services under the CGB Framework Agreement	HK$500,000	HK$nil

	Maximum aggregate annual transaction values for Period 2022	Actual aggregate annual transaction values for Period 2022
KTAL CCTs	HK$4,800,000	HK$2,202,000
HKMC CCTs	HK$2,100,000	HK$803,000

	Maximum daily balance during the Year	Actual daily balance during the Year
The Deposits (including any interest accrued thereon) to be placed by the Group with CGB (HK)	HK$120,000,000 (or its equivalent)	HK$10,229,000

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS *(Continued)*

Annual Review of the Renewed CCTs

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

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

(ii) on normal commercial terms or better; and

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

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

(i) have not been approved by the Board;

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

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

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

Internal control measures of the Group in respect of the Renewed CCTs

The Group will undertake the following internal control measures to monitor the terms and conditions of the CCTs contemplated under the CCT Agreements and ensure that:

(i) the respective prices and terms of (a) the Medical Related Services offered by the Group to CL Group and CLIZ, (b) the HKMC Services offered by the Group to KTAL, (c) the Relevant Group (ex ERG) Services offered by the Relevant Group (ex ERG) to the ER Group, (d)the Relevant Group (ex BTG) Services offered by the Relevant Group (ex BTG) to the BT Group and (e) the Medical & Healthcare Services offered by the Group to CGB (HK), will be no less favourable to the Group or (as the case may be) to the Relevant Group (ex ERG) or (as the case may be) to the Relevant Group (ex BTG) than the prices and terms offered by the Group or (as the case may be) by the Relevant Group (ex ERG) or (as the case may be) by the Relevant Group (ex BTG) to independent third parties;

REPORT OF THE DIRECTORS

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS *(Continued)*

Internal control measures of the Group in respect of the Renewed CCTs *(Continued)*

(ii) the respective prices and terms of (a) the CL Products offered by CL Group to the Group, (b) the HKCCL Services offered by HKCCL to the Group, (c) the EWC Services offered by EW Clinic to the Group, (d) the KTAL Services offered by KTAL to the Group, (e) the ER Group Services offered by the ER Group to the Relevant Group (ex ERG), (f) the BT Group Services offered by the BT Group to the Relevant Group (ex BTG) and (g) the Banking Services offered by CGB (HK) to the Group, will be no less favourable to the Group or (as the case may be) to the Relevant Group (ex ERG) or (as the case may be) to the Relevant Group (ex BTG) than the prices and terms offered by independent third parties to the Group or (as the case may be) to the Relevant Group (ex ERG) or (as the case may be) to the Relevant Group (ex BTG);

(iii) in respect of the ERG CCTs and the BTG CCTs, their prices and terms will be determined in accordance with the terms and conditions of the relevant ERG Framework Agreement and the relevant BTG Framework Agreement;

(iv) the maximum aggregate annual transaction values in respect of the Renewed CCTs will not be exceeded:

(1) comparing the prices and terms of the provision/supply of (a) the Medical Related Services by the Group to CL Group and CLIZ, (b) the HKMC Services by the Group to KTAL, (c) the Relevant Group (ex ERG) Services by the Relevant Group (ex ERG) to the ER Group, (d)the Relevant Group (ex BTG) Services by the Relevant Group (ex BTG) to the BT Group and (e) the Medical & Healthcare Services by the Group to CGB (HK) with the prices and terms of the same or substantially similar services provided by the Group or (as the case may be) by the Relevant Group (ex ERG) or (as the case may be) by the Relevant Group (ex BTG) as agreed with independent third parties on a regular basis;

(2) comparing the prices and terms of the provision/supply of (a) the CL Products by CL Group to the Group, (b) the HKCCL Services by HKCCL to the Group, (c) the EWC Services by EW Clinic to the Group, (d) the KTAL Services offered by KTAL to the Group, (e) the ER Group Services by the ER Group to the Relevant Group (ex ERG), (f) the BT Group Services by the BT Group to the Relevant Group (ex BTG) and (g) the Banking Services by CGB (HK) to the Group with the prices and terms the same or substantially similar products or services offered by independent third parties to the Group or (as the case may be) to the Relevant Group (ex ERG) or (as the case may be) to the Relevant Group (ex BTG) on a regular basis;

(3) adhering to the relevant internal control policy of the Group on connected transactions in monitoring the prices and terms of the provision of (a) the Medical Related Services by the Group to CL Group and CLIZ, (b) the HKMC Services by the Group to KTAL, (c) the Relevant Group (ex ERG) Services by the Relevant Group (ex ERG) to the ER Group, (d)the Relevant Group (ex BTG) Services by the Relevant Group (ex BTG) to the BT Group and (e) the Medical & Healthcare Services by the Group to CGB (HK) to ensure that they shall be no less favourable to the Group or (as the case may be) to the Relevant Group (ex ERG) or (as the case may be) to the Relevant Group (ex BTG) than those offered by the Group or (as the case may be) by the Relevant Group (ex ERG) or (as the case may be) by the Relevant Group (ex BTG) to independent third parties;

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS *(Continued)*

Internal control measures of the Group in respect of the CCTs *(Continued)*

(4) adhering to the relevant internal control policy of the Group on connected transactions in monitoring the prices and terms of the provision of (a) the CL Products by CL Group to the Group, (b) the HKCCL Services by HKCCL to the Group, (c) the EWC Services by EW Clinic to the Group, (d) the KTAL Services by KTAL to the Group, (d) the ER Group Services by the ER Group to the Relevant Group (ex ERG), (e) the BT Group Services by the BT Group to the Relevant Group (ex BTG) and (f) the Banking Services by CGB (HK) to the Group to ensure that they shall be no less favourable to the Group or (as the case may be) to the Relevant Group (ex ERG) or (as the case may be) to the Relevant Group (ex BTG) than those offered by independent third parties to the Group or (as the case may be) to the Relevant Group (ex ERG) or (as the case may be) to the Relevant Group (ex BTG);

(5) in respect of the CGB CCTs, the Group will closely monitor the aggregate balance of the Group's deposits (including any interest accrued thereon) placed with CGB (HK) to ensure that such aggregate balance does not exceed the maximum daily balance of the deposits (including any interest accrued thereon) placed by the Group with CGB (HK) during the term of the CGB Framework Agreement;

(6) information on all the CCTs carried out by the Group or (as the case may be) to the Relevant Group (ex ERG) or (as the case may be) to the Relevant Group (ex BTG) under the CCT Agreements will be reported to the management of the Company on a quarterly basis;

(7) the independent non-executive Directors will review and confirm on an annual basis whether the Renewed CCTs are (i) in the Group's ordinary and usual course of business; (ii) on normal commercial terms or better; and (iii) on terms that are fair and reasonable to the Group and in the interests of the Group and the Shareholders as a whole; and

(8) the auditors of the Company will review the pricing and terms of the Renewed CCTs and the annual caps of the Renewed CCTs in compliance with the annual reporting and review requirements under the Listing Rules on an annual basis.

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

Connected transaction: Renewal of Tenancy Agreement

On 28 December 2022, Jinan Likang, an indirect non wholly-owned subsidiary of the Company as tenant, entered into the 2023 Tenancy Agreement with CLIS as landlord, to renew the tenancy in respect of Units 01-06, 5/F, South Block of the Building for a term of one year from 1 January 2023 to 31 December 2023.

REPORT OF THE DIRECTORS

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS *(Continued)*

Connected transaction: Renewal of Tenancy Agreement *(Continued)*

As at 28 December 2022, (i) CLIS is a branch of CLIC and CLIG is a controlling shareholder of CLIC; and (ii) CLIG holds approximately 26.11% of the issued shares of the Company and is a substantial shareholder and thus a connected person of the Company. As such, CLIS (being a branch of CLIC) is also a connected person of the Company and the transaction contemplated under the 2023 Tenancy Agreement constitutes a connected transaction of the Company for the purpose of Chapter 14A of the Listing Rules.

Pursuant to the 2023 Tenancy Agreement, the rental of RMB292,004.43 per month (inclusive of tax but exclusive of the premises service fee, utility fees (including but not limited to water, electricity and telephone fees) and additional charges from the Building) would be payable to CLIS and the premises service fee of RMB35,337.96 per month would be payable to the property service company designated by CLIS. The rentals and the premises service fee for every 6 months shall be prepaid 5 days in advance at the beginning of the relevant 6-month period. The rentals and the premises service fee of the first 6 months shall be paid within 5 days after the signing of the 2023 Tenancy Agreement.

The premises are currently used by Jinan Likang for the operation of a health management centre in Jinan City, Shandong Province in the PRC.

Further details of the 2023 Tenancy Agreement are set out in the Company's announcement dated 28 December 2022.

Details of significant related party transactions undertaken by the Group during the Year in the ordinary course of business are set out in note 48 to the consolidated financial statements. Save for the transactions entered into by the Group with CLIO, CLIC, CLIS, CLPI, EW Clinic, KTAL, HKCCL, China Life Trustees Limited, Early Light International (Holdings) Limited, Platform Healthcare Limited and Prestige Medical Centre (HK) Ltd. respectively, none of the significant related party transactions set out in note 48 to the consolidated financial statements fall under the definition of "connected transaction" or "continuing connected transaction" under Chapter 14A of the Listing Rules during the Year. The Directors confirm that the Company has complied with the disclosure requirements (if any) in accordance with Chapter 14A of the Listing Rules.

EMOLUMENT POLICY

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

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

PERMITTED INDEMNITY PROVISION

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

SUFFICIENCY OF PUBLIC FLOAT

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

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 Company for the Year have been reviewed by the Audit Committee.

On behalf of the Board

Jin Zhaogen
Chief Executive Officer

28 March 2023

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE PRACTICES

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

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

Directors' securities transactions

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

Board of Directors

As at the date of this annual report, the Board comprises twenty members, eleven of which are executive Directors, namely Mr. Jin Zhaogen who is the Chief Executive Officer, Ms. Zhao Xiangke who is the chief financial officer of the Company, Dr. CK Wong, Dr. CW Wong, Mr. Ng Ting Chi, Ms. Yao Yuan, Ms. Lau Wai Yee, Susanna, Dr. Tsang who is a Deputy Chairman, Mr. Liu Gefeng who is a Deputy Chairman, Mr. Shiu Shu Ming and Mr. Chan Chun Hong. Two members are non-executive Directors, namely Mr. Kong Dechang who is the chairman of the Company and Mr. Hou Jun. The other seven members are independent non-executive Directors, namely 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. The biographical details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 25 to 34 of this annual report.

During the Year, (a) the Company appointed eleven Directors: (i) each of Dr. CK Wong, Dr. Law, Dr. CW Wong, Mr. Ng Ting Chi and Ms. Yao Yuan was appointed as an executive Director with effect from 28 June 2022; (ii) Ms. Lau Wai Yee, Susanna was appointed as an executive Director with effect from 28 June 2022 and a member of the Remuneration Committee with effect from 12 December 2022; (iii) Dr. Tsang was appointed as an executive Director with effect from 11 November 2022, a member of each of the Nomination Committee and the Remuneration Committee with effect from 12 December 2022 and a Deputy Chairman with effect from 22 December 2022; (iv) Mr. Shiu Shu Ming was appointed as an executive Director with effect from 11 November 2022; (v) Mr. Liu Gefeng was appointed as an executive Director and a Deputy Chairman with effect from 22 December 2022; (vi) Mr. Chui Tsan Kit was appointed as an independent non-executive Director with effect from 28 June 2022 and a member of each of the Nomination Committee and the Remuneration Committee with effect from 12 December 2022; and (vii) Mr. Han Wenxin was appointed as an independent non-executive Director with effect from 15 August 2022.

On 10 February 2023, the Company appointed each of Mr. Hung Hing Man and Mr. Tang Chi Kong as an independent non-executive Director. Also, on 2 March 2023, Dr. Law resigned as an executive Director and Mr. Chan Chun Hong appointed as an executive Director.

CORPORATE GOVERNANCE PRACTICES *(Continued)*

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

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

The Board held 14 meetings and passed 4 written resolutions during the Year. The Board is responsible for the formulation of the Group's business strategies and overall policies, and monitoring the performance of the management and corporate governance functions. The executive Directors and the Senior Management Team are delegated with the power to execute the business strategies, develop and implement the policies in the daily operation of the Group. The independent non-executive Directors provide their professional advice to the Group whenever necessary.

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

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

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

1. *Objective*

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES *(Continued)*

2. *Selection Criteria*

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

(i) professional and personal integrity and reputation;

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

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

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

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

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

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

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

3. *Nomination Procedures*

(A) Nomination by the Board members

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

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

CORPORATE GOVERNANCE PRACTICES *(Continued)*

3. Nomination Procedures (Continued)

(B) Nomination by the Shareholders

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

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

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

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

(C) General

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

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

Board diversity policy

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

The Board has reviewed its composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the business and development of the Company.

CORPORATE GOVERNANCE PRACTICES *(Continued)*

Board diversity policy *(Continued)*

As at the date of this annual report, the Board comprised three female members and seventeen male members and achieved gender diversity in respect of the Board.

The Board also recognises the importance of diversity at the workforce level. As at 31 December 2022, the gender ratio of the workforce of the Group (including senior management) was 28%:72% male to female.

To ensure independent views and input are available to the Board, the Company has established mechanisms under which the Board must include at least three independent non-executive Directors; and at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise. The Company must appoint independent non-executive Directors representing at least one-third of the Board. The independent non-executive Directors are required to, among others,(i) bring an independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct, (ii) take the lead where potential conflicts of interests arise, (iii) serve on the audit, remuneration, nomination and other governance committees, if invited, (iv) scrutinise the Company's performance in achieving agreed corporate goals and objectives and monitor performance reporting, (v) give the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation, (vi) attend general meetings to gain and develop a balanced understanding of the views of the Shareholders, and (vii) make a positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments. The independent non-executive Directors should also make sufficient time available to discharge their responsibilities and should not accept an invitation to serve as an independent non-executive Director on the Board unless they can devote adequate time and effort to the work involved. Further, independent non-executive Directors sitting on multiple boards of directors of listed companies will need to ensure that they devote sufficient time to each board and board committee.

The chairman of the Company would at least annually hold meetings with the independent non-executive Directors without the presence of other Directors to ensure independent views and input are available to the Board. In addition, the Board ensures that all the Directors (including the independent non-executive Directors) obtain external independent legal, financial, governance or other expert advice, as may be required, at the Company's expense. The Company is required to review the mechanisms and its implementation and effectiveness on an annual basis. The Company has reviewed the mechanism(s) and its implementation and effectiveness during the Year and considered the results of such review satisfactory.

CORPORATE GOVERNANCE PRACTICES *(Continued)*

Directors' continuous professional development

The Directors during the Year, namely Mr. Jin Zhaogen, Ms. Zhao Xiangke, Dr. CK Wong, Dr. Law, Dr. CW Wong, Mr. Ng Ting Chi, Ms Yao Yuan, Ms. Lau Wai Yee, Susanna, Dr. Tsang, Mr. Shiu Shu Ming, Mr. Liu Gefeng, Mr. Kong Dechang, Mr. Hou Jun, Mr. Ho Kwok Wah, George, *MH*, Mr. Yu Xuezhong, Dr. Xu Weiguo, Mr. Chui Tsan Kit and Mr. Han Wenxin had confirmed that they had complied with the code provision C.1.4 of the CG Code then in force during the Year by participating in continuous professional development. The Company had arranged seminars to develop and refresh the Directors' knowledge and skills.

Chairman and Chief Executive Officer

During the Year and as at the date of this annual report, Mr. Kong Dechang was the chairman of the Company and Mr. Jin Zhaogen was the Chief Executive Officer.

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

Independent non-executive Directors

From 1 January 2022 to 27 June 2022, the Company had three independent non-executive Directors among seven Directors, representing at least one-third of the Board as required under Rule 3.10(A) of the Listing Rules.

Following the appointment of each of Mr. Ng Ting Chi, Dr. CK Wong, Dr. Law, Dr. CW Wong, Ms. Yao Yuan and Ms. Lau Wai Yee, Susanna as an executive Director and Mr. Chui Tsan Kit as an independent non-executive Director with effect from 28 June 2022, the number of the independent non-executive Directors fell below one-third of the Board as required under Rule 3.10(A) of the Listing Rules.

The non-compliance was rectified after the appointment of Mr. Han Wenxin as an independent non-executive Director on 15 August 2022. Following the appointment of Mr. Han Wenxin, the Board had five independent non-executive Directors, representing at least one-third of the Board as required under Rule 3.10(A) of the Listing Rules.

Following the appointment of Dr. Tsang and Mr. Shiu Shu Ming as executive Directors on 11 November 2022, the number of the independent non-executive Directors fell below one-third of the Board as required under Rule 3.10(A) of the Listing Rules. Following the appointment of Mr. Liu Gefeng as an executive Director on 22 December 2022, the number of independent non-executive Directors further fell below one-third of the Board as required under Rule 3.10(A) of the Listing Rules.

Following the appointment of each of Mr. Hung Hing Man and Mr. Tang Chi Kong as an independent non-executive Director on 10 February 2023, the Board has seven independent non-executive Directors, representing at least one-third of the Board and the Company has complied with Rule 3.10(A) of the Listing Rules.

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES *(Continued)*

Term of appointment of non-executive Directors

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

Each of Mr. Ho Kwok Wah, George, *MH* and Mr. Yu Xuezhong has been appointed as an independent non-executive Director for a term from 1 January 2022 to 31 December 2024. Dr. Xu Weiguo has been appointed as an independent non-executive Director for a term from 31 March 2021 to 30 March 2024. Mr. Chui Tsan Kit has been appointed as an independent non-executive Director for a term from 28 June 2022 to 31 December 2024 and Mr. Han Wenxin has been appointed as an independent non-executive Director for a term from 15 August 2022 to 31 December 2024.

Each of Mr. Hung Hing Man and Mr. Tang Chi Kong has been appointed as an independent non-executive Director for a term from 10 February 2023 to 31 December 2024.

Remuneration Committee

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

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

From 1 January 2022 to conclusion of the meeting of the Board held on 12 December 2022, the Remuneration Committee comprised three independent non-executive Directors, namely Mr. Ho Kwok Wah, George, *MH*, Mr. Yu Xuezhong and Dr. Xu Weiguo and one executive Director, namely Mr. Jin Zhaogen.

From 12 December 2022 to the date of this annual report, the Remuneration Committee comprised four independent non-executive Directors, namely Mr. Ho Kwok Wah, George, *MH*, Mr. Yu Xuezhong, Dr. Xu Weiguo and Mr. Chui Tsan Kit and three executive Directors, namely Mr. Jin Zhaogen, Ms. Lau Wai Yee, Susanna and Dr. Tsang.

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

The Remuneration Committee held 5 meetings during the Year. The Remuneration Committee reviewed the remuneration policy of the Company, assessed the performance of the executive Directors and senior management and recommended specific remuneration packages of the Directors and senior management to the Board. The letter of appointment of each of Dr. CK Wong, Dr. Law, Dr. CW Wong, Mr. Ng Ting Chi, Ms. Yao Yuan, Ms. Lau Wai Yee, Susanna, Dr. Tsang, Mr. Shiu Shu Ming, Mr. Liu Gefeng, Mr. Chui Tsan Kit and Mr. Han Wenxin and the terms thereof were also reviewed and approved by the Remuneration Committee during the Year.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES *(Continued)*

Nomination Committee

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

From 1 January 2022 to conclusion of the meeting of the Board held on 12 December 2022, the Nomination Committee comprised three independent non-executive Directors, namely Mr. Ho Kwok Wah, George, *MH*, Mr. Yu Xuezhong and Dr. Xu Weiguo; one non-executive Director, namely Mr. Kong Dechang and one executive Director, namely Mr. Jin Zhaogen.

From 12 December 2022 to the date of this annual report, the Nomination Committee comprised four independent non-executive Directors, namely Mr. Ho Kwok Wah, George, *MH*, Mr. Yu Xuezhong, Dr. Xu Weiguo and Mr. Chui Tsan Kit; one non-executive Director, namely Mr. Kong Dechang and two executive Directors, namely Mr. Jin Zhaogen and Dr. Tsang.

During the Year and as at the date of this annual report, Mr. Kong Dechang was the chairman of the Nomination Committee.

The Group has adopted a board diversity policy, a summary of which is set out in the paragraph headed "Board diversity policy" on page 112 to page 113 in this Corporate Governance Report.

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

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

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

During the Year, the Nomination Committee held 4 meetings and reviewed the structure, size and composition of the Board for the year in light of the board diversity policy, in terms of factors including the skills, knowledge and experience possessed by the members of the Board, assessed the independence of independent non-executive Directors and made recommendations to the Board on the selection of individuals nominated for directorship.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES *(Continued)*

Audit Committee

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

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

The Audit Committee held 5 meetings during the Year and 3 meetings were attended by the Company's external auditors so that the members of the Audit Committee could exchange their views and concerns with the auditors. The Audit Committee reviewed the annual and interim results of the Group and made recommendations to the Board and the management in respect of the Group's financial reporting, risk management and internal control procedures. The Audit Committee also reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions.

Corporate governance functions

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES *(Continued)*

Attendance of Directors at meetings

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

	Number of meetings attended/held				
Directors	General Meeting	Board meetings	Audit Committee meetings	Remuneration Committee meetings	Nomination Committee meetings
Executive Directors					
Mr. Jin Zhaogen	1/1	13/14	N/A	5/5	4/4
Ms. Zhao Xiangke	1/1	13/14	N/A	N/A	N/A
Dr. CK Wong (Note 1)	N/A	8/9	N/A	N/A	N/A
Dr. Law (Note 1)	N/A	7/9	N/A	N/A	N/A
Dr. CW Wong (Note 1)	N/A	9/9	N/A	N/A	N/A
Mr. Ng Ting Chi (Note 1)	N/A	9/9	N/A	N/A	N/A
Ms. Yao Yuan (Note 1)	N/A	9/9	N/A	N/A	N/A
Ms. Lau Wai Yee, Susanna (Note 2)	N/A	8/9	N/A	1/1	N/A
Dr. Tsang (Note 3)	N/A	2/2	N/A	1/1	1/1
Mr. Shiu Shu Ming (Note 4)	N/A	2/2	N/A	N/A	N/A
Mr. Liu Gefeng (Note 5)	N/A	0/0	N/A	N/A	N/A
Non-executive Directors					
Mr. Kong Dechang	1/1	13/14	N/A	N/A	4/4
Mr. Hou Jun	1/1	12/14	N/A	N/A	N/A
Independent Non-executive Directors					
Mr. Ho Kwok Wah, George, *MH*	1/1	14/14	5/5	5/5	4/4
Mr. Yu Xuezhong	1/1	13/14	5/5	5/5	4/4
Dr. Xu Weiguo	1/1	13/14	5/5	5/5	4/4
Mr. Chui Tsan Kit (Note 6)	N/A	9/9	N/A	1/1	1/1
Mr. Han Wenxin (Note 7)	N/A	5/5	N/A	N/A	N/A

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES *(Continued)*

Attendance of Directors at meetings *(Continued)*

Notes:

1. On 28 June 2022, each of Dr. CK Wong, Dr. Law, Dr. CW Wong, Mr. Ng Ting Chi and Ms. Yao Yuan was appointed as an executive Director. Dr. Law resigned as an executive Director with effect from 2 March 2023.

2. On 28 June 2022, Ms. Lau Wai Yee, Susanna was appointed as an executive Director. On 12 December 2022, she was appointed as a member of the Remuneration Committee.

3. On 11 November 2022, Dr. Tsang was appointed as an executive Director. On 12 December 2022, he was appointed as a member of each of the Nomination Committee and the Remuneration Committee. On 22 December 2022, he was appointed as a Deputy Chairman.

4. On 11 November 2022, Mr. Shiu Shu Ming was appointed as an executive Director.

5. On 22 December 2022, Mr. Liu Gefeng was appointed as an executive Director and a Deputy Chairman.

6. On 28 June 2022, Mr. Chui Tsan Kit was appointed as an independent non-executive Director. On 12 December 2022, he was appointed as a member of each of the Nomination Committee and the Remuneration Committee.

7. On 15 August 2022, Mr. Han Wenxin was appointed as an independent non-executive Director.

Accountability and audit

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

The statement issued by the auditors of the Company, Moore Stephens CPA Limited, regarding their reporting responsibilities is set out in the section headed "Independent Auditor's Report" on pages 126 to 134 of this annual report.

CORPORATE GOVERNANCE PRACTICES *(Continued)*

Risk management and internal control

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

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

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE PRACTICES *(Continued)*

Internal audit

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

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

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

Inside information

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

CORPORATE GOVERNANCE PRACTICES *(Continued)*

Dividend Policy

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

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

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

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

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

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

Directors', senior management's and employees' emoluments

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

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

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

Fees by bands	Number of individuals
HK$2,000,001 to HK$3,000,000	1

No Director waived any emolument during the Year.

CORPORATE GOVERNANCE PRACTICES *(Continued)*

Auditors' remuneration

For the Year, fees for statutory audit services provided by the auditors of the Group, Moore Stephens CPA Limited, to the Group amounted to approximately HK$4,000,000. Non-audit services include tax compliance and planning, agreed upon procedures on review of financial statements and transactions, etc. Total fees paid by the Group for non-audit services during the Year were approximately HK$818,000.

COMMUNICATION WITH SHAREHOLDERS

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

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

Constitutional Documents

During the Year, the Company has made amendments to the Bye-laws to (i) bring the Bye-laws in line with the latest legal and regulatory requirements, including the amendments made to Appendix 3 to the Listing Rules which took effect on 1 January 2022; (ii) allow electronic and hybrid general meetings of the Company to be convened; and (iii) make other consequential and house-keeping amendments. The amended and restated Bye-laws were adopted by the Company with effect from the special resolution passed at the AGM held on 28 June 2022. For details of the amendments, please refer to the AGM circular of the Company dated 2 June 2022.

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

1. The Shareholders holding as at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition sent to the Company's head office at 6th Floor, Town Health Technology Centre, 10-12 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories, Hong Kong, for the attention of the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business or resolution specified in such requisition; and such meeting shall be held in the form of a physical meeting only and within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist themselves may convene a physical meeting at only one location which will be the principal place of the meeting in accordance with the provision of Section 74(3) of the Companies Act 1981 of Bermuda, as amended from time to time.

COMMUNICATION WITH SHAREHOLDERS *(Continued)*

Procedures for Shareholders to convene a general meeting/put forward proposals *(Continued)*

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS *(Continued)*

Procedures for Shareholders sending enquiries to the Board

1. *Enquiries about shareholdings*

   Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar, Tricor Tengis Limited, via its online holding enquiry service at www.tricoris.com, or send email to is-enquiries@hk.tricorglobal.com or call its hotline at (852) 2980 1333, or go in person to its public counter at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

2. *Enquiries about corporate governance or other matters to be put to the Board and the Company*

   Shareholders and the investment community may at any time make a request for the Company's information to the extent such information is publicly available.

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

The Company has reviewed the implementation and effectiveness of its shareholders' communication policy during the Year. All members of the Board as at the time of the AGM attended the AGM held on 28 June 2022 to answer questions from the Shareholders attending the meeting. In addition, information relating to the Company, including interim and annual reports, announcements, circulars and poll results of the AGM, as well as notice of the AGM have been published or sent to the Shareholders in accordance with the requirements under the Listing Rules and the Bye-laws during the Year. In view of the above, the Company considered its shareholders' communication policy effective.

INDEPENDENT AUDITOR'S REPORT

MOORE

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

OPINION

We have audited the consolidated financial statements of Town Health International Medical Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 135 to 271, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

INDEPENDENT AUDITOR'S REPORT

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Accounting related to intangible assets and goodwill recognised through acquisition of subsidiaries	
Refer to note 41 to the consolidated financial statements. During the year ended 31 December 2022, the Group completed a number of acquisitions in healthcare related business in Hong Kong. Among those acquisitions, the acquisition of Central Medical Holdings Limited and its subsidiaries (collectively the "CMHL Group") is considered to be significant. For the acquisition of CMHL Group at a consideration of HK$484,382,000, the total fair value of identifiable net assets acquired amounted to approximately HK$175,945,000 and the goodwill arising from the acquisition amounted to approximately HK$311,072,000. Management engaged external valuer to value the assets and liabilities acquired in the acquisition, including the identification and valuation of intangible assets. Accounting for the acquisitions is an area of focus because of (a) the significance of the acquisitions, (b) critical accounting estimates and judgements involved in the identification and valuation of intangible assets acquired, in particular for those amounts valued by income approach, and (c) valuation of the assets and liabilities that are recognised. When determining the fair value of assets and liabilities recognised in the acquisition, valuations based on discounted cash flow model were primarily used. Key assumptions used include discount rates, revenue growth rates and gross margins. Any significant changes in these key assumptions may give rise to material changes in the fair value of the acquired assets and liabilities including intangible assets, which directly impact the goodwill recognised.	Our procedures in relation to intangible assets and goodwill recognised through acquisition of subsidiaries included: • Obtained and reviewed relevant contracts related to the acquisitions and evaluated management's process to identify intangible assets; • Evaluated the appropriateness of the valuation model adopted by the management; • Evaluated the reasonableness of key assumptions used; and • Evaluated the sufficiency of the relevant disclosures of the acquisition in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

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

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill and intangible assets arising on acquisition of subsidiaries and medical practices	
We identified the impairment assessment of goodwill and intangible assets as a key audit matter as significant judgement arising on acquisition of subsidiaries and medical practices was required to be exercised by the Group's management on the estimation of the recoverable amounts of the groups of cash generating units ("CGUs") to which goodwill and intangible assets have been allocated. As disclosed in notes 4, 20 and 21 to the consolidated financial statements, the Group's goodwill and intangible assets as at 31 December 2022 were HK$781,704,000 and HK$417,948,000, respectively. Goodwill and intangible assets have been allocated to the respective CGUs. Impairment assessment was performed by the management through comparing the recoverable amounts of the CGUs with the carrying amounts of the CGUs that include goodwill and intangible assets. The recoverable amount is the higher of value in use or fair value less costs of disposal. In determining the value in use, the management estimates based on discounted cash flows taking into account key assumptions including discount rate, future growth rate and expected gross margin.	Our procedures in relation to the impairment assessment of goodwill and intangible assets arising on acquisition of subsidiaries and medical practices included: • Discussed with management how they performed the impairment assessment of goodwill and intangible assets, including the process of allocating goodwill and intangible assets to the appropriate CGUs, and determining the recoverable amounts of the CGUs; • Evaluated the appropriateness of the valuation model adopted by the management; • Evaluated the reasonableness of key assumptions used in the value in use calculation against historical performance and future business plan of the Group in respect of each CGU and checked its arithmetical accuracy; • Tested the key inputs used in the discounted cash flows against the relevant supporting evidences and approved budgets; and • Evaluated the sufficiency of the relevant disclosures of impairment assessment in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

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

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the degree of significant judgements associated with determining the fair value. Management has estimated that the fair value of the Group's investment properties was HK$528,580,000 as at 31 December 2022, with a fair value loss for the year ended 31 December 2022 recorded in consolidated profit or loss of HK$6,893,000. In determining the fair value of investment properties, the key inputs including price per square feet, with certain unobservable inputs that require significant management judgement by management and independent professional valuer (the "Valuer"), including the adjustment of the building age, location and people flows to reflect different locations or conditions.	Our procedures in relation to the valuation of investment properties included: • Discussed with management and the Valuer how the Group determined the fair value of the investment properties, including the valuation techniques selected and key inputs adopted; • Assessed the qualification and experiences of the Valuer; • Evaluated the appropriateness of valuation techniques and the reasonableness of the key inputs and assumptions adopted by the management of the Group and the Valuer by tracing to entity-specific information and market data; and • Evaluated the sufficiency of the relevant disclosures of the investment properties in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

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

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of interests in associates	
We identified the impairment assessment of interests in associates as a key audit matter as significant judgement was required to be exercised by the Group's management in assessing the impairment. As disclosed in notes 4 and 22 to the consolidated financial statements, the carrying amount of the interests in associates was HK$292,190,000 as at 31 December 2022. In determining the recoverable amounts of associates, estimation of the value in use was required and the valuation was carried out by management and the Valuer engaged by the Group. In determining the value in use, management's estimates were based on cash flow forecast for the relevant business and required the adoption of certain assumptions such as budgeted sales, gross margin, other related expenses, discount rate and terminal growth rate. Management has concluded that there was no impairment in respect of the interests in associates as at 31 December 2022.	Our procedures in relation to the impairment assessment of interests in associates include: • Discussed with management and the Valuer how the Group estimated the recoverable amounts of associates, including the valuation model adopted, key assumptions used; • Assessed the competence, capabilities and objectivity of Valuer performing the valuation; and • Evaluated the reasonableness of the valuation methodology and key assumptions used in the value in use calculation against historical performance and future business plan of the associates and checking its arithmetical accuracy.

INDEPENDENT AUDITOR'S REPORT

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

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of the property, plant and equipment ("PPE") and the right of use assets ("ROU assets")	
We identified the impairment assessment of the PPE and ROU assets as a key audit matter as inherent estimation uncertainty pertaining to the assumptions and estimations was required to assess the recoverable amounts of these assets. As disclosed in notes 4, 17 and 18 to the consolidated financial statements, the carrying amounts of the PPE and the ROU assets, were HK$542,857,000 and HK$133,103,000 as at 31 December 2022, net of accumulated depreciation and impairment loss of HK$342,994,000 and HK$321,975,000 respectively. For the purpose of assessing impairment of these assets, the recoverable amounts of these assets have been determined by the management of the Group by value in use calculations of clinics using the discounted cash flow forecasts based on management's expectations of the market development and the past performance, where the key input parameters include revenue growth and gross profit margins. Based on management's assessment, impairment losses on the ROU assets HK$1,868,000 and reversal of impairment loss on the PPE of approximately HK$2,811,000 have been recognised in profit or loss during the year ended 31 December 2022.	Our procedures in relation to the impairment assessment of the PPE and the ROU assets included: • Obtained an understanding of the management's process and basis adopted in the impairment assessment of the PPE and the ROU assets; • Evaluated the assumptions and estimates used in the value in use calculations of the recoverable value using forecasts in determining whether there are any impairment losses to be recognised based on the management's estimate of revenue growth and gross profit margins with reference to the past performance of the relevant clinics, management's expectations on the market development and the future operating plans of the Group; and • Performed sensitivity analysis of key assumptions and considered the resulting impact on the impairment of the PPE and the ROU assets and whether there were any indicators of management bias.

INDEPENDENT AUDITOR'S REPORT

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

OTHER INFORMATION

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

INDEPENDENT AUDITOR'S REPORT

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

Moore Stephens CPA Limited
Certified Public Accountants

Cheung Sai Kit
Practising Certificate Number: P05544

Hong Kong, 28 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Revenue	5	**1,535,580**	1,483,892
Cost of sales		**(1,121,134)**	(1,012,631)
Gross profit		**414,446**	471,261
Other income	7	**49,359**	76,942
Administrative expenses		**(397,959)**	(357,117)
Other gains and losses, net	8	**44,167**	24,244
Expected credit loss recognised on a promissory note	26	**–**	(117,763)
Finance costs	9	**(12,684)**	(3,903)
Share of results of associates		**(5,601)**	40,484
Share of results of joint ventures		**(9,225)**	(7,640)
Profit before tax		**82,503**	126,508
Income tax expenses	12	**(32,981)**	(51,436)
Profit for the year	13	**49,522**	75,072
Other comprehensive (expense) income for the year			
Items that will not be reclassified to profit or loss:			
Fair value change in equity instruments at fair value through other comprehensive income		**(8,102)**	(9,839)
Items that may be reclassified subsequently to profit or loss:			
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
		(115,672)	32,319
Total comprehensive (expense) income for the year		**(66,150)**	107,391
Profit for the year attributable to:			
Owners of the Company		**15,289**	22,013
Non-controlling interests		**34,233**	53,059
		49,522	75,072
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(73,690)**	44,539
Non-controlling interests		**7,540**	62,852
		(66,150)	107,391
Earnings per share (HK cent(s))			
Basic and diluted	15	**0.21**	0.29

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
NON-CURRENT ASSETS			
Investment properties	16	**528,580**	583,223
Property, plant and equipment	17	**542,857**	363,031
Right-of-use assets	18	**133,103**	91,805
Loans receivable	19	**49,904**	5,434
Goodwill	20	**781,704**	492,794
Intangible assets	21	**417,948**	329,096
Interests in associates	22	**292,190**	340,374
Interests in joint ventures	23	**22,211**	12,786
Equity instruments at fair value through other comprehensive income	25	**27,785**	29,770
Deferred tax assets	37	**2,117**	–
Fixed bank deposits	31	**23,436**	104,805
		2,821,835	2,353,118
CURRENT ASSETS			
Inventories	27	**57,298**	38,678
Trade and other receivables	28	**509,634**	442,581
Financial assets at fair value through profit or loss	24	**–**	1,951
Loans receivable	19	**9,069**	353
Promissory notes	26	**–**	–
Amounts due from associates	29	**1,184**	1,270
Tax recoverable		**3,504**	207
Pledged bank deposits	31	**148,286**	–
Fixed bank deposits	31	**226,931**	981,754
Bank balances and cash	31	**971,939**	910,458
		1,927,845	2,377,252
CURRENT LIABILITIES			
Trade and other payables	32	**291,511**	268,495
Contract liabilities	33	**17,256**	3,095
Amount due to an investee	34	**292**	296
Amounts due to non-controlling interests	30	**49,882**	36,864
Bank borrowings	35	**46,719**	15,400
Lease liabilities	36	**63,728**	59,738
Tax payable		**24,931**	37,597
		494,319	421,485
NET CURRENT ASSETS		**1,433,526**	1,955,767
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,255,361**	4,308,885

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
NON-CURRENT LIABILITIES			
Bank borrowing	35	**67,177**	–
Lease liabilities	36	**83,521**	42,837
Deferred tax liabilities	37	**37,195**	40,614
Convertible bonds	38	**213,878**	–
		401,771	83,451
		3,853,590	4,225,434
CAPITAL AND RESERVES			
Share capital	39	**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		**3,853,590**	4,225,434

The consolidated financial statements on pages 135 to 271 were approved and authorised for issue by the board of directors of the Company on 28 March 2023 and are signed on its behalf by:

Mr. Jin Zhaogen
DIRECTOR

Ms. Zhao Xiangke
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the Company														
	Share capital – ordinary shares HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000 (note i)	Capital reserve HK$'000 (note ii)	Distributable reserve HK$'000 (note iii)	Other reserves HK$'000 (note iv)	Property revaluation reserve HK$'000	Investment revaluation reserves HK$'000	Treasury share HK$'000	Convertible bonds reserve HK$'000	Translation reserve HK$'000	Accumulated profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2021	75,261	3,341,639	9,020	10,033	62,677	(80,270)	95,231	(76,170)	–	–	2,690	370,370	3,810,481	315,651	4,126,132
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	22,013	22,013	53,059	75,072
Exchange difference arising on translation to foreign operations	–	–	–	–	–	–	–	–	–	–	28,112	–	28,112	9,793	37,905
Share of other comprehensive income of associates and joint ventures	–	–	–	–	–	–	–	–	–	–	4,253	–	4,253	–	4,253
Fair value change in equity instruments at fair value through other comprehensive income ("FVTOCI")	–	–	–	–	–	–	–	(9,839)	–	–	–	–	(9,839)	–	(9,839)
Other comprehensive (expense) income for the year	–	–	–	–	–	–	–	(9,839)	–	–	32,365	–	22,526	9,793	32,319
Total comprehensive (expense) income for the year	–	–	–	–	–	–	–	(9,839)	–	–	32,365	22,013	44,539	62,852	107,391
Transfer of reserve	–	–	–	–	–	5,759	–	–	–	–	–	(5,759)	–	–	–
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	1,417	1,417
Acquisition of a subsidiary (note 41)	–	–	–	–	–	–	–	–	–	–	–	–	–	646	646
Acquisition of additional interests in a subsidiary	–	–	–	–	–	15	–	–	–	–	–	–	15	(15)	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	(10,152)	(10,152)
At 31 December 2021	75,261	3,341,639	9,020	10,033	62,677	(74,496)	95,231	(86,009)	–	–	35,055	386,624	3,855,035	370,399	4,225,434
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	15,289	15,289	34,233	49,522
Exchange difference arising on translation to foreign operations	–	–	–	–	–	–	–	–	–	–	(72,438)	–	(72,438)	(26,693)	(99,131)
Share of other comprehensive expenses of an associate and a joint venture	–	–	–	–	–	–	–	–	–	–	(8,439)	–	(8,439)	–	(8,439)
Fair value change in equity instruments at FVTOCI	–	–	–	–	–	–	–	(8,102)	–	–	–	–	(8,102)	–	(8,102)
Other comprehensive expense for the year	–	–	–	–	–	–	–	(8,102)	–	–	(80,877)	–	(88,979)	(26,693)	(115,672)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	–	(8,102)	–	–	(80,877)	15,289	(73,690)	7,540	(66,150)
Transfer of reserve	–	–	–	–	–	11,323	–	–	–	–	–	(11,323)	–	–	–
Capital contribution from non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	–	–	1,050	1,050
Cancellation of ordinary shares (note 39)	(6,897)	(297,570)	–	–	–	–	–	–	304,467	–	–	–	–	–	–
Repurchase of ordinary shares (note 39)	–	–	–	–	–	–	–	–	(315,286)	–	–	–	(315,286)	–	(315,286)
Issue of convertible bonds (note 38)	–	–	–	–	–	–	–	–	–	37,181	–	–	37,181	–	37,181
Redemption of convertible bonds (note 38)	–	–	–	–	–	–	–	–	–	(4,066)	–	4,066	–	–	–
Acquisitions of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	2,274	2,274
Acquisition of additional interests in subsidiaries	–	–	–	–	–	(8)	–	–	–	–	–	–	(8)	(1,007)	(1,015)
Liquidation of subsidiaries	–	–	–	–	–	(1,283)	–	–	–	–	–	756	(527)	(5,156)	(5,683)
Dividends declared	–	–	–	–	–	–	–	–	–	–	–	(11,289)	(11,289)	–	(11,289)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	(12,926)	(12,926)
At 31 December 2022	68,364	3,044,069	9,020	10,033	62,677	(64,464)	95,231	(94,111)	(10,819)	33,115	(45,822)	384,123	3,491,416	362,174	3,853,590

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

Notes:

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

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

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

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

(a) according to the relevant requirements in the articles of association of the Group's subsidiary in the People's Republic of China (the "PRC"), a portion of its profits after taxation shall be transferred to the PRC statutory reserve. The transfer must be made before the distribution of dividend to equity owners. The statutory reserve fund can be used to make up the prior year losses, if any. The statutory reserve fund is non-distributable other than upon liquidation. During the year ended 31 December 2022, approximately HK$11,323,000 (2021: HK$5,759,000) was transferred and the carrying amount of the PRC statutory reserves as at 31 December 2022 is approximately HK$34,075,000 (2021: HK$24,035,000).

(b) other reserves of Group include the change in net assets attributable to the Group in relation to changes in ownership interest in subsidiaries without losing of control in prior year. Movements come from acquisition of additional interest of subsidiaries during the year.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
OPERATING ACTIVITIES			
Profit for the year		**49,522**	75,072
Adjustments for:			
Income tax	12	**32,981**	51,436
Interest income	7	**(29,493)**	(16,328)
Finance costs	9	**12,684**	3,903
Amortisation of intangible assets	21	**10,808**	10,627
Depreciation of right-of-use assets	18	**64,788**	68,883
Depreciation of property, plant and equipment	17	**51,964**	42,711
Dividend income from equity instruments at FVTOCI	7	**(1,327)**	(1,285)
Impairment loss recognised on interest in a joint venture	8	**97**	–
Fair value changes on investment properties	8	**6,893**	(47,653)
Gain on derecognition of a promissory note	8	**(22,500)**	–
Gain on disposal of a subsidiary	8	**(31,908)**	–
Gain on written off of right-of-use assets and lease liabilities		**(63)**	(44)
Rent concessions	7	**(1,888)**	(3,410)
Expected credit loss recognised on other receivables	8	**1,177**	3,528
Expected credit loss recognised on a promissory note		**–**	117,763
Impairment loss recognised on goodwill	8	**487**	3,027
Written off of goodwill	8	**1,315**	–
(Reversal of) impairment loss recognised on property, plant and equipment	8	**(2,811)**	3,067
Impairment loss recognised on right-of-use assets	8	**1,868**	8,658
Loss on disposal/written off of property, plant and equipment	8	**279**	284
Share of results of associates		**5,601**	(40,484)
Share of results of joint ventures		**9,225**	7,640
Loss on disposal of an associate	8	**–**	22
Fair value changes on financial assets at FVTPL	8	**936**	4,823
Operating cash inflow before movements in working capital		**160,635**	292,240
Increase in inventories		**(8,836)**	(2,198)
Increase in trade and other receivables		**(59,013)**	(136,080)
(Decrease) increase in trade and other payables		**(20,656)**	54,134
Increase in contract liabilities		**11,952**	538

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Cash generated from operations		**84,082**	208,634
Income tax paid		**(52,351)**	(37,684)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**31,731**	170,950
INVESTING ACTIVITIES			
Advances of loans receivable		**(44,045)**	(1,640)
Interest received		**29,493**	16,328
Investment in a joint venture		**(16,723)**	–
Dividend received from associates		**28,880**	12,540
Dividend received from equity instruments at FVTOCI		**1,327**	1,285
Repayment from associates		**–**	151
Proceeds from disposal of an associate		**–**	35
Proceeds from disposal of property, plant and equipment		**1,642**	203
Acquisitions of subsidiaries	41	**(96,214)**	(1,154)
Purchase of financial assets at FVTPL		**(35,296)**	–
Proceeds from disposal of financial assets at FVTPL		**36,246**	–
Proceeds from disposal of a subsidiary	42	**67,000**	–
Proceeds from disposal of a promissory note		**22,500**	–
Purchase of property, plant and equipment	17	**(37,196)**	(19,945)
Repayment to a related company		**(45,000)**	–
Advance to an investee		**(4)**	(2)
Decrease (increase) in fixed bank deposits		**827,597**	(269,469)
Increase in pledged bank deposits		**(152,434)**	–
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES		**587,773**	(261,668)

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
FINANCING ACTIVITIES			
Advance from (repayment to) non-controlling interests		**1,942**	(4,851)
Acquisition of additional interest in subsidiaries		**(1,015)**	–
Capital contribution from non-controlling interests		**1,050**	1,417
Repayment of bank borrowings		**(2,229)**	(1,223)
Repayment of lease liabilities		**(68,110)**	(72,091)
Interest paid on lease liabilities		**(3,757)**	(3,526)
Dividends paid to non-controlling interests		**(12,926)**	(10,152)
Interest paid on bank borrowings		**(2,225)**	(377)
Repayment of convertible bonds		**(115,895)**	–
Payment for repurchase of shares	39	**(315,286)**	–
NET CASH USED IN FINANCING ACTIVITIES		**(518,451)**	(90,803)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**101,053**	(181,521)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**910,458**	1,070,835
EFFECT OF FOREIGN EXCHANGE RATES CHANGES		**(39,572)**	21,144
CASH AND CASH EQUIVALENTS AT 31 DECEMBER representing bank balances and cash	31	**971,939**	910,458

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL *(Continued)*

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.

1. GENERAL *(Continued)*

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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 (the "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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

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

Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

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.

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

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

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

Basis of preparation of consolidated financial statements

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

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

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

(Continued)

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

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

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

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

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

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

(Continued)

Significant accounting policies

Basis of consolidation

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

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

(Continued)

Significant accounting policies *(Continued)*

Basis of consolidation *(Continued)*

Changes in the Group's interests in existing subsidiaries

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

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

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

Business combinations or asset acquisitions

Optional concentration test

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

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

(Continued)

Significant accounting policies *(Continued)*

Business combinations or asset acquisitions *(Continued)*

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 or HK(IFRIC)-Int 21, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(Continued)

Significant accounting policies *(Continued)*

Business combinations or asset acquisitions *(Continued)*

Business combinations (Continued)

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

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

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

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

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

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

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

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

(Continued)

Significant accounting policies *(Continued)*

Goodwill

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

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

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

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

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

Interests in associates and joint ventures

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(Continued)

Significant accounting policies *(Continued)*

Interests in associates and joint ventures *(Continued)*

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

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

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

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

(Continued)

Significant accounting policies *(Continued)*

Interests in associates and joint ventures *(Continued)*

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

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

Changes in the Group's interests in associates and joint ventures

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(Continued)

Significant accounting policies *(Continued)*

Revenue from contracts with customers

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

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

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

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

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

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

Output method

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

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

(Continued)

Significant accounting policies *(Continued)*

Revenue from contracts with customers *(Continued)*

Principal versus agent

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

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

Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

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

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(Continued)

Significant accounting policies *(Continued)*

Leases *(Continued)*

The Group as a lessee (Continued)

Right-of-use assets

The cost of right-of-use asset includes:

– the amount of the initial measurement of the lease liability;

– any lease payments made at or before the commencement date, less any lease incentives received;

– any initial direct costs incurred by the Group; and

– an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

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

Lease liabilities

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

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

(Continued)

Significant accounting policies *(Continued)*

Leases *(Continued)*

Lease liabilities (Continued)

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(Continued)

Significant accounting policies *(Continued)*

Leases *(Continued)*

Lease modifications (Continued)

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

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

Covid-19-related rent concessions

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

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and

- there is no substantive change to other terms and conditions of the lease.

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

The Group as a lessor

Classification and measurement of leases

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

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

(Continued)

Significant accounting policies *(Continued)*

Leases *(Continued)*

The Group as a lessor (Continued)

Classification and measurement of leases *(Continued)*

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

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

Allocation of consideration to components of a contract

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

Lease modification

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

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

For rent concession under which the Group legally releases the lessee from its obligation to make specifically identified lease payment, of which some of these lease payments are contractually due but not paid and some of them are not yet contractually due, the Group accounts for the portions which have been recognised as operating lease receivables (i.e. the lease payments which are contractually due but not paid) by applying the ECL and derecognition requirements under HKFRS 9 and applies lease modification requirements for the forgiven lease payments that the Group has not recognised (i.e. the lease payments which are not yet contractually due) as at the effective date of modification.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(Continued)

Significant accounting policies *(Continued)*

Property, plant and equipment

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

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

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

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

Investment properties

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

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

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

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

(Continued)

Significant accounting policies *(Continued)*

Investment properties *(Continued)*

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

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

Intangible assets

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

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

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

Impairment on tangible and intangible assets other than goodwill

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

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

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

(Continued)

Significant accounting policies *(Continued)*

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash–generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Borrowing costs

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

Inventories

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

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

(Continued)

Significant accounting policies *(Continued)*

Retirement benefit costs

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

Government grants

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

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

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

Foreign currencies

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

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

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

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

(Continued)

Significant accounting policies *(Continued)*

Foreign currencies *(Continued)*

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

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

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, joint ventures, and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

(Continued)

Significant accounting policies *(Continued)*

Taxation *(Continued)*

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(Continued)

Significant accounting policies *(Continued)*

Financial instruments

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

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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

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

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

(Continued)

Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

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

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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

(i) Amortised cost and interest income

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

(ii) Equity instruments designated as at FVTOCI

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

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

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

(Continued)

Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

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

(iii) Financial assets at FVTPL

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

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

Impairment of financial assets

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

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

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

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

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

(Continued)

Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets (Continued)

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor; or

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(Continued)

Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets (Continued)

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

- significant financial difficulty of the issuer or the borrower;

- a breach of contract, such as a default or past due event;

- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

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

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

(Continued)

Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(Continued)

Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Derecognition of financial assets

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

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

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(Continued)

Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments (Continued)

Convertible bonds

The component parts of the convertible bonds are classified separately as financial liability and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component (including any embedded non-equity derivatives features) is estimated by measuring the fair value of similar liability that does not have an associated equity component.

A conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share capital and share premium. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to accumulated profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option at the maturity date. Where the convertible bonds are redeemed before maturity date, any difference between the amount paid for redemption and the aggregate carrying amounts of both liability and equity components is recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Derecognition of financial liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(Continued)

Significant accounting policies *(Continued)*

Related parties

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

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of key management personnel of the Company or the Company's parent.

(b) An entity is related to the Company if any of the following conditions applies:

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

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

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

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

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Company or an entity related to the Company.

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

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

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgments in applying accounting policies

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

Deferred taxation on investment properties

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

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

Indefinite useful life of intangible assets

As disclosed in note 21 to the consolidated financial statements, the trade name under Dr. Vio & Partners Limited ("Vio"), of HK$167,087,000 (2021: HK$167,087,000) and the trade names under Central Medical Holdings Limited ("CMHL") and its subsidiaries (collectively the "CMHL Group"), of HK$93,100,000 (2021: nil) of the Group have no definite useful life. The directors of the Company are of the opinion that the Group has the ability to use the trade names continuously. In the opinion of the directors of the Company, the trade names have no foreseeable limit to the period over which the services provided are expected to generate net cash flows for the Group indefinitely.

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

Critical judgments in applying accounting policies *(Continued)*

Determination on lease term of contracts with renewal options

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

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

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

- contractual terms and conditions for the optional periods compared with market rates (e.g. whether the amount of payments in the optional periods is below the market rates);

- the extent of leasehold improvements undertaken by Group;

- costs relating to termination of the lease (e.g. relocation costs, costs of identifying another underlying asset suitable for the Group's needs).

There are no new contracts entered during the year ended 31 December 2022 and 2021 that contain renewal options, and thus, no assessment on renewal option was performed during both years. For the contracts previously signed with renewal options, there is no change in the decision made when the right-of-use assets and lease liabilities were recognised.

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

Critical judgments in applying accounting policies *(Continued)*

Principal versus agent consideration (agent)

The Group is considered as an agent for its contracts with customers relating to the sales of medical equipment as the Group did not obtain the control over medical equipment before passing on to customers taking into consideration indicators such as the Group is not primarily responsible for fulfilling the promise and not exposed to inventory risk. When the Group satisfies the performance obligation, the Group recognised a commission revenue in the amount which amounted to an average rate of 21.22% (2021: 17.91%) of the gross amount of consideration.

During the year ended 31 December 2022, the Group recognised the commission as revenue relating to sales of medical equipment with the group being an agent amounted to HK$3,441,000 (2021: HK$8,834,000).

Key sources of estimation uncertainty

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

Impairment of goodwill and intangible assets

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

As at 31 December 2022, the carrying amount of goodwill and intangible assets were HK$781,704,000 and HK$417,948,000 (net of accumulated impairment loss of goodwill and intangible assets of HK$227,135,000 and nil respectively) (2021: HK$492,794,000 and HK$329,096,000 (net of accumulated impairment loss of goodwill and intangible assets of HK$226,648,000 and nil respectively)). During the year ended 31 December 2022, impairment loss on goodwill of HK$487,000 (2021: HK$3,027,000) and written off of goodwill of HK$1,315,000 (2021: nil) were recognised in profit or loss. Details of goodwill impairment assessment are disclosed in note 20 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

Key sources of estimation uncertainty *(Continued)*

Valuation of investment properties

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

In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the assumptions used in the valuation is reflective of the current market conditions and current development of the investment properties. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss. As at 31 December 2022, the carrying amount of investment properties was HK$528,580,000 (2021: HK$583,223,000).

Fair value measurement of financial instruments

As disclosed in notes 25 and 46 to the consolidated financial statements, the Group's financial assets comprise unquoted equity instruments of HK$27,785,000 as at 31 December 2022 (2021: HK$29,770,000) which are measured at fair values with fair values being determined based on unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments.

Impairment of associates and joint ventures

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

As at 31 December 2022, the carrying amount of interests in associates amounted to HK$292,190,000 (2021: HK$340,374,000) net of accumulated impairment loss amounting to HK$27,000,000 (2021: HK$27,000,000). As at 31 December 2022, the carrying amount of interests in joint ventures amounted to HK$22,211,000 (2021: HK$12,786,000), net of accumulated impairment loss amounting to HK$97,000 (2021: nil). No impairment was recognised on interests in associates for the years ended 31 December 2022 and 2021. During the year ended 31 December 2022, impairment loss on interest in a joint venture of HK$97,000 (2021: nil) was recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

Key sources of estimation uncertainty *(Continued)*

Allowance of expected credit loss on loans receivable

The Group measures the loss allowance on loans receivable based on an expected credit loss model. The allowance for ECL on the loans receivable are calculated based on loss rates which are reference to the default rates from international credit rating agencies and historical data, adjusted for forward-looking futures specific to the debtors and the economic environment. Specifically, a credit loss is the present value of the difference between (i) the contractual cash flows that are due to an entity under the contract and (ii) the cash flows that the entity expects to receive. Such assessment involves a high degree of estimation and uncertainty. When the actual future cash flows are less or more than expected, material ECLs or material reversal of ECLs may arise, accordingly. As at 31 December 2022, the carrying amount of loans receivable amounted to HK$58,973,000 (2021: HK$5,787,000). No expected credit loss was recognised for the years ended 31 December 2022 and 2021.

Allowance of expected credit loss on promissory notes

The Group measures the loss allowance on promissory notes based on an expected credit loss model. As disclosed in note 26(ii) to the consolidated financial statements, Profit Castle Holding Limited ("Profit Castle"), the issuer of promissory note with principal amount of HK$330,000,000, failed to repay the principal of HK$330,000,000 on the maturity date (i.e. 9 April 2020) and all outstanding interest accrued. The management considered that such promissory note is credit impaired and negotiated with Dr. Ip Chun Heng, Wilson ("Dr. Ip") on the extension of the maturity date of the promissory note and interest accrued thereon since the maturity date. However, such negotiation fell through in the absence of any viable repayment proposal from Dr. Ip and Profit Castle that is acceptable to the Group. During the year ended 31 December 2021, operation of Bonjour Beauty International Limited ("Bonjour Beauty") was suspended. Date of resumption is unable to be estimated, the promissory note is therefore fully impaired. During the year ended 31 December 2022, no interest income was recognised (2021: nil).

As at 31 December 2022, the carrying amount of such promissory note issued by Profit Castle was nil, net of accumulated allowance expected credit loss of HK$330,000,000 (2021: promissory note issued by Profit Castle was nil, net of accumulated allowance of expected credit loss of HK$330,000,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

Key sources of estimation uncertainty *(Continued)*

Impairment on the property, plant and equipment and the right-of-use assets

Property, plant and equipment and right-of-use assets are carried at cost less accumulated depreciation and accumulated impairment losses, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the value in use including cash flow projections with appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the assets belong. Changing the assumptions and estimates, including the percentage change in revenue growth and gross profit margins in the cash flow projections, could affect the recoverable amount. As at 31 December 2022, the carrying amounts of the property, plant and equipment and the right-of-use assets were HK$542,857,000 and HK$133,103,000, net of accumulated depreciation and impairment loss of HK$342,994,000 and HK$321,975,000 respectively (2021: property, plant and equipment and the right-of-use assets were HK$363,031,000 and HK$91,805,000, net of accumulated depreciation and impairment loss of HK$305,030,000 and HK$270,532,000 respectively).

The recoverable amounts of the property, plant and equipment and the right-of-use assets have been determined by the management of the Group by value in use calculation of the clinics to which these assets belong. The value in use calculation uses the discounted cash flow forecasts based on management's expectations on the market development and the past performance, where the key input parameters include revenue growth and gross profit margins. The Group estimates the recoverable amount of the property, plant and equipment and the right-of-use assets of each clinic individually.

During the year ended 31 December 2022, impairment losses of approximately HK$1,868,000 and reversal of impairment loss of approximately HK$2,811,000 (2021: impairment losses of approximately HK$8,658,000 and impairment loss of approximately HK$3,067,000) have been recognised related to right-of-use assets and property, plant and equipment in the profit or loss during the year, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

5. REVENUE

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

5. REVENUE *(Continued)*

Revenue from Hong Kong medical services (including provision of medical and dental services), majority of Hong Kong managed medical network business and Mainland hospital management and medical services (including selling healthcare and pharmaceutical products and provision of medical and dental services) are recognised at a point in time, whereas other sources of revenue from Mainland hospital management 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	**1,523,284**	1,387,234

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

6. SEGMENT INFORMATION

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

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

- Hong Kong medical services – Provision of medical and dental services in Hong Kong
- Hong Kong managed medical network business – Managing healthcare networks & provision of third party medical network administrator services in Hong Kong
- Mainland hospital management and medical services – Provision of medical and dental services in the PRC, provision of hospital management services and related services
- Others – Leasing of properties

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

6. SEGMENT INFORMATION *(Continued)*
Segment revenues and results
For the year ended 31 December 2022

	Hong Kong medical services HK$'000	Hong Kong managed medical network business HK$'000	Mainland hospital management and medical services HK$'000	Others HK$'000	Elimination HK$'000	Total HK$'000
Revenue						
External sales	617,116	429,458	476,710	12,296	–	1,535,580
Inter-segment sales	39,066	–	–	–	(39,066)	–
	656,182	429,458	476,710	12,296	(39,066)	1,535,580
Segment results before impairment losses and expected credit loss	8,153	31,115	43,519	57,538	–	140,325
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 verture	–	–	–	(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	5,798	31,115	41,225	60,054	–	138,192
Unallocated finance costs						(7,196)
Unallocated other income						11,956
Unallocated corporate expenses						(60,449)
Profit before tax						82,503

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

6. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

For the year ended 31 December 2021

	Hong Kong medical services HK$'000	Hong Kong managed medical network business HK$'000	Mainland hospital management and medical services HK$'000	Others HK$'000	Elimination HK$'000	Total HK$'000
Revenue						
External sales	470,447	463,284	453,503	96,658	–	1,483,892
Inter-segment sales	43,963	–	–	–	(43,963)	–
	514,410	463,284	453,503	96,658	(43,963)	1,483,892
Segment results before impairment losses and expected credit losses	(1,247)	42,324	94,710	179,577	–	315,364
Impairment loss recognised on goodwill	(3,027)	–	–	–	–	(3,027)
Impairment loss 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	(12,932)	42,324	94,710	55,219	–	179,321
Unallocated finance costs						(377)
Unallocated other income						6,530
Unallocated corporate expenses						(58,966)
Profit before tax						126,508

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

6. SEGMENT INFORMATION *(Continued)*

Other segment information

For the year ended 31 December 2022

	Hong Kong medical services HK$'000	Hong Kong managed medical network business HK$'000	Mainland hospital management and medical services HK$'000	Others HK$'000	Total for segments HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit (loss):							
Interest income	–	–	–	(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	10,499	2,821	21,613	2,263	37,196	–	37,196

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

6. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

For the year ended 31 December 2021

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

6. SEGMENT INFORMATION *(Continued)*

Geographical information

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

	2022 HK$'000	2021 HK$'000
Other regions of the PRC	**476,710**	453,503
Hong Kong	**1,058,870**	1,030,389
	1,535,580	1,483,892

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

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

Note: Non-current assets shown above exclude deferred tax assets, loans receivable, fixed bank deposits and equity instruments at FVTOCI.

Information about a major customer

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

	2022	2021
Customer A	**22%**	26%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

7. OTHER INCOME

	2022 HK$'000	2021 HK$'000
Interest income:		
– Bank balances and fixed bank deposits	**28,144**	16,307
– Loans receivable	**1,349**	21
	29,493	16,328
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 (Note i)	**9,412**	–
Rental concessions	**1,888**	3,410
Compensation from termination of management service agreement by a customer and other related proceeds (Note ii)	**–**	49,333
Sundry income	**4,037**	2,825
	49,359	76,942

Notes:

(i) During the year ended 31 December 2022, the Group recognised government grants of approximately 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) (the "Medical Diagnostic Centre") entered into a termination agreement, pursuant to which the parties thereto have mutually agreed to terminate the management service agreement entered into between, among others, Sixth Hospital and Yikang in February 2008 (as amended and supplemented from time to time) with effect from 10 September 2021 and Yikang was compensated by the Medical Diagnostic Centre in the sum of RMB40,844,000 (equivalent to approximately HK$49,333,000) for the year ended 31 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

8. OTHER GAINS AND LOSSES, NET

	2022 HK$'000	2021 HK$'000
Fair value changes on investment properties	(6,893)	47,653
Fair value changes on financial assets at FVTPL	(936)	(4,823)
Gain on disposal of a subsidiary (Note)	31,908	–
Gain on derecognition of a promissory note (note 26)	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 (note 20)	(487)	(3,027)
Written off of goodwill (note 20)	(1,315)	–
Reversal of (impairment loss) recognised on property, plant and equipment	2,811	(3,067)
Impairment loss recognised on right-of-use assets (note 18)	(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)
	44,167	24,244

Note:

The disposed subsidiary is an investment property holding company, included in the gain on disposal of a subsidiary, the fair value of property held by it increased by HK$31,908,000. Details please refer to note 42 to the consolidated financial statements.

9. FINANCE COSTS

	2022 HK$'000	2021 HK$'000
Interest on bank borrowings	2,250	377
Interest on lease liabilities	3,757	3,526
Interest on convertible bonds (note 38)	6,677	–
	12,684	3,903

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

During both years ended 31 December 2022 and 2021, no emoluments were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

Details of emoluments of individual executives, including the chief executive officer, non-executive and independent non-executive directors of the Company, are set out as below:

For the year ended 31 December 2022

	Fees HK$'000	Salaries and other benefits HK$'000	Performance bonus HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Executive directors					
Mr. Jin Zhaogen *(Chief Executive Officer)*	-	4,794	-	162	4,956
Ms. Zhao Xiangke	-	1,914	363	162	2,439
Dr. Wong Chi Kit Nelson *(Appointed on 28 June 2022)*	122	2,559	–	–	2,681
Dr. Law Kwan Kin *(Appointed on 28 June 2022 and resigned on 2 March 2023)*	122	–	–	–	122
Dr. Wong Chun Wa *(Appointed on 28 June 2022)*	122	–	–	–	122
Mr. Ng Ting Chi *(Appointed on 28 June 2022)*	122	402	–	9	533
Ms. Yao Yuan *(Appointed on 28 June 2022)*	122	413	–	9	544
Ms. Lau Wai Yee, Susanna *(Appointed on 28 June 2022)*	122	465	–	9	596
Dr. Tsang Wah Tak, Kenneth *(Appointed on 11 November 2022)*	33	–	–	–	33
Mr. Shiu Shu Ming *(Appointed on 11 November 2022)*	33	–	–	–	33
Mr. Liu Gefeng *(Appointed on 22 December 2022)*	–	–	–	–	–
	798	10,547	363	351	12,059
Non-executive directors					
Mr. Kong Dechang	–	–	–	–	–
Mr. Hou Jun	–	–	–	–	–
	–	–	–	–	–
Independent non-executive directors					
Mr. Ho Kwok Wah, George, *MH*	192	–	–	–	192
Dr. Xu Weiguo	192	–	–	–	192
Mr. Yu Xuezhong	192	–	–	–	192
Mr. Chui Tsan Kit *(Appointed on 28 June 2022)*	97	–	–	–	97
Mr. Han Weixin *(Appointed on 15 August 2022)*	73	–	–	–	73
	746	–	–	–	746
Total	1,544	10,547	363	351	12,805

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For the year ended 31 December 2022

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*
For the year ended 31 December 2021

	Fees HK$'000	Salaries and other benefits HK$'000	Performance bonus HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Executive directors					
Mr. Jin Zhaogen *(Chief Executive Officer)* *(Appointed on 26 March 2021)*	–	1,845	–	66	1,911
Mr. Chen Jinhao *(Chief Executive Officer)* *(Resigned with effect from conclusion of the meeting of the Board held on 26 March 2021)*	–	–	–	–	–
Ms. Zhao Xiangke *(Appointed on 26 March 2021)*	–	1,182	–	118	1,300
	–	3,027	–	184	3,211
Non-executive directors					
Mr. Kong Dechang *(Appointed on 21 May 2021)*	–	–	–	–	–
Mr. Hou Jun	–	–	–	–	–
Mr. Zhao Hui *(Resigned on 21 May 2021)*	–	–	–	–	–
	–	–	–	–	–
Independent non-executive directors					
Mr. Ho Kwok Wah, George, *MH*	180	–	–	–	180
Dr. Xu Weiguo *(Appointed on 31 March 2021)*	135	–	–	–	135
Mr. Yu Xuezhong	180	–	–	–	180
Ms. Li Mingqin *(Resigned on 31 March 2021)*	45	–	–	–	45
	540	–	–	–	540
Total	540	3,027	–	184	3,751

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

The performance bonus is a performance-related incentive payment which is determined with reference to the Group's performance for the relevant year.

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

Salaries and other benefits paid to or received by the executive directors were generally emoluments paid or receivable in respect of those person's salaries in connection with the management of the affairs of the Company and its subsidiaries.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2021: none) of them were executive directors of the Company whose emolument are included in note 10 above. The emoluments of the remaining three (2021: five) individuals were as follows:

	2022 **HK$'000**	2021 HK$'000
Salaries and other allowances	**8,610**	11,350
Performance bonus (Note)	**1,576**	2,779
Retirement benefits scheme contributions	**36**	72
	10,222	14,201

Their emoluments were within the following bands:

	2022 **Number** **of employees**	2021 Number of employees
HK$2,000,001 – HK$2,500,000	**1**	3
HK$2,500,001 – HK$3,000,000	**1**	1
HK$5,000,001 – HK$5,500,000	**1**	1
	3	5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

11. EMPLOYEES' EMOLUMENTS *(Continued)*

During the year, no emoluments were paid by the Group to the five highest paid individuals, as an inducement to join or upon joining the Group or as compensation for loss of office.

Note: Pursuant to the service agreement entered into between each of the medical/dental practitioners and the Group, the practitioners are entitled to a fixed salary and a cash performance bonus of such amount representing a certain percentage of the monthly net profit (or, as the case may be, the monthly turnover) generated by the medical or dental practices at which he/she provides his/her services. The percentage is determined with reference to the qualification and experience of the practitioners, as well as the profitability of the medical centres at which the practitioners are practicing.

12. INCOME TAX EXPENSES

	2022 HK$'000	2021 HK$'000
Tax charge comprises:		
Current tax		
– Hong Kong Profits Tax	**11,874**	26,428
– PRC Enterprise Income Tax	**24,201**	26,624
	36,075	53,052
Provision in prior years		
– (Over) under provision of Hong Kong Profits Tax	**(1,098)**	425
– Over provision of PRC Enterprise Income Tax	**(109)**	–
	34,868	53,477
Deferred tax		
– Current year (note 37)	**(1,887)**	(2,041)
	32,981	51,436

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduced 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 are taxed at 8.25%, and profits above HK$2 million are 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%.

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12. INCOME TAX EXPENSES *(Continued)*

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

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

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

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2022 **HK$'000**	2021 HK$'000
Profit before tax	**82,503**	126,508
Tax at the domestic income tax rate of 16.5% (2021: 16.5%)	**13,613**	20,874
Tax effect of expenses not deductible for tax purpose	**14,803**	29,291
Tax effect of income not taxable for tax purpose	**(17,288)**	(15,780)
Tax effect of tax losses and other deductible temporary differences not recognised	**15,916**	15,081
Tax effect of share of results of associates	**924**	(6,680)
Tax effect of share of results of joint ventures	**1,522**	1,261
Tax effect of utilisation of tax losses and other deductible temporary differences previously not recognised	**(2,438)**	(1,986)
(Over) under provision in prior years	**(1,207)**	425
Tax concession	**(205)**	–
Effect of different tax rate of subsidiaries operating in other jurisdictions	**7,341**	8,950
Income tax expenses for the year	**32,981**	51,436

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For the year ended 31 December 2022

13. PROFIT FOR THE YEAR

	2022 HK$'000	2021 HK$'000
Profit for the year has been arrived at after charging:		
Staff costs		
– Directors' emoluments (note 10)	**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
	718,292	656,338
Less: Staff costs recognised in administrative expenses	**(150,757)**	(128,443)
Staff costs recognised in cost of sales	**567,535**	527,895
Auditors' remuneration	**4,000**	3,825
Cost of inventories recognised in cost of sales:		
– Pharmaceutical supplies	**294,872**	246,157
– Others inventories	**3,561**	4,200
	298,433	250,357
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	**13,723**	8,217
Total depreciation of property, plant and equipment (note 17)	**51,964**	42,711
Loss on disposal/written off of property, plant and equipment	**279**	284
Depreciation of right-of-use assets recognised in administrative expenses (note 18)	**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 (note 21)	**10,808**	10,627
and after crediting:		
Gross rental income from investment properties	**12,290**	11,927
Less: Direct operating expenses of properties that generated rental income	**(1,073)**	(1,015)
Net rental income from investment properties	**11,217**	10,912

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

14. 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 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).

15. 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 **HK$'000**	2021 HK$'000
Profit for the year attributable to owners of the Company	**15,289**	22,013

Number of shares

	2022 **HK$'000**	2021 HK$'000
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**7,340,228,567**	7,526,134,452

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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16. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2021	535,570
Increase in fair value recognised in profit or loss	47,653
At 31 December 2021	583,223
Transfer to property, plant and equipment (note 17)	(12,550)
Disposal of a subsidiary (note 42)	(35,200)
Decrease in fair value recognised in profit or loss	(6,893)
At 31 December 2022	528,580

The investment properties were under medium-term leases and situated in Hong Kong. All of the Group's property interests in land held to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties at 31 December 2022 and 31 December 2021 has been arrived at on the basis of a valuation carried out on the respective dates by Ascent Partners Valuation Service Limited, an independent qualified professional valuer not connected with the Group.

During the year ended 31 December 2022, the use of one premise situated in Hong Kong which was previously leased out for rental income had been changed to self-used premise. The investment property with fair value of HK$12,550,000 had been transferred to property, plant and equipment.

Ascent Partners Valuation Service Limited has appropriate recognised and relevant professional qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on direct comparison method that reflects recent transaction prices for similar properties, adjusted for differences in nature, location and condition of the properties under review.

There has been no change to the valuation technique in 2022 and 2021. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2022 and 31 December 2021 are as follows:

	Fair value as at 31 December 2022 HK$'000 (Level 3)	Fair value as at 31 December 2021 HK$'000 (Level 3)
Property units located in Hong Kong	**528,580**	583,223

16. INVESTMENT PROPERTIES *(Continued)*

The fair value of all properties located in Hong Kong was derived using the market comparable approach based on price per square feet observed in recent market transactions and adjusting the observed prices per square feet with certain unobservable inputs including the adjustments of the building age, location, fair market rent and people flows to reflect different locations and conditions.

For investment properties categorised into Level 3 of the fair value hierarchy, the following information is relevant:

Investment properties held by the group	Fair value at 31 December 2022 HK$'000	Fair value at 31 December 2021 HK$'000	Fair value hierarchy	Valuation technique(s) & key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 1 – Commercial Property in Shatin	**281,370**	293,388	Level 3	Direct comparison method The key input is price per square feet	Price per square feet, using market direct comparable and taking into account of location and other individual factors such as age and location of the property, which is ranged from HK$7,225 to HK$7,530 (2021: from HK$7,531 to HK$7,848) per square feet	A decrease in the price per square feet will decrease significantly the fair value.
Property 2 – Commercial Property in Tsuen Wan	**14,500**	18,100	Level 3	Direct comparison method The key input is price per square feet	Price per square feet, using market direct comparable and taking into account of location and other individual factors such as age and location of the property, of HK$86,411 (2021: HK$107,968) per square feet	A decrease in the price per square feet will decrease significantly the fair value.
Property 3 – Commercial Property in Mongkok	**12,000**	10,300	Level 3	Direct comparison method The key input is price per square feet	Price per square feet, using market direct comparable and taking into account of location and other individual factors such as age and location of the property, of HK$98,486 (2021: HK$85,343) per square feet	An increase in the price per square feet will increase significantly the fair value.

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16. INVESTMENT PROPERTIES *(Continued)*

Investment properties held by the group	Fair value at 31 December 2022 HK$'000	2021 HK$'000	Fair value hierarchy	Valuation technique(s) & key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 4 – Commercial Property in Shatin	–	12,550	Level 3	Direct comparison method The key input is price per square feet	Price per square feet, using market direct comparable and taking into account of location and other individual factors such as age and location of the property, of HK$43,638 per square feet in 2021	n/a
Property 5 – Commercial Property in Yau Ma Tei	**7,980**	7,595	Level 3	Direct comparison method The key input is price per square feet	Price per square feet, using market direct comparable and taking into account the location and other individual factors such as age and location of the property, which is ranged from HK$16,314 to HK$16,395 (2021: HK$15,552) per square feet	An increase in the price per square feet will increase the fair value.
Property 6 – Commercial Property in Jordan	**31,300**	34,400	Level 3	Direct comparison method The key input is price per square feet	Price per square feet, using market direct comparable and taking into account the location and other individual factors such as shape of the property, of HK$33,609 (2021: HK$36,948) per square feet	A decrease in the price per square feet will decrease significantly the fair value.
Property 7 – Commercial Property in Tsim Sha Tsui	**55,700**	52,500	Level 3	Direct comparison method The key input is price per square feet	Price per square feet, using market direct comparable and taking into account of location and other individual factors such as age and location of the property, of HK$16,007 (2021: HK$15,074) per square feet	An increase in the price per square feet will increase significantly the fair value.

16. INVESTMENT PROPERTIES *(Continued)*

Investment properties held by the group	Fair value at 31 December 2022 HK$'000	Fair value at 31 December 2021 HK$'000	Fair value hierarchy	Valuation technique(s) & key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 8 – Commercial Property in Tsim Sha Tsui	**56,000**	52,700	Level 3	Direct comparison method The key input is price per square feet	Price per square feet, using market direct comparable and taking into account of location and other individual factors such as age and location of the property, of HK$16,087 (2021: HK$15,150) per square feet	An increase in the price per square feet will increase significantly the fair value.
Property 9 – Commercial Property in Tsim Sha Tsui	**56,300**	53,000	Level 3	Direct comparison method The key input is price per square feet	Price per square feet, using market direct comparable and taking into account of location and other individual factors such as age and location of the property, of HK$16,168 (2021: HK$15,277) per square feet	An increase in the price per square feet will increase significantly the fair value.
Property 10 – Commercial Property in Shatin	**–**	35,200	Level 3	Direct comparison method The key input is price per square feet	Price per square feet, using market direct comparable and taking into account of location and other individual factors such as age and location of the property, of HK$59,017 per square feet in 2021	n/a
Property 11 – Commercial Property in Shatin	**830**	890	Level 3	Direct comparison method The key input is price per unit	Price per unit, using market direct comparable and taking into account of location and other individual factors such as age and location of the property, of HK$830,000 (2021: HK$890,000) per unit	A decrease in the price per unit will decrease the fair value.

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16. INVESTMENT PROPERTIES *(Continued)*

Investment properties held by the group	Fair value at 31 December 2022 HK$'000	2021 HK$'000	Fair value hierarchy	Valuation technique(s) & key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 12 – Commercial Property in Shatin	**9,200**	9,300	Level 3	Direct comparison method The key input is price per square feet	Price per square feet, using market direct comparable and taking into account the location and other individual factors such as age and location of the property, of HK$4,632 (2021: HK$4,692) per square feet	A decrease in price per square feet will decrease in fair value
Property 13 – Commercial Property in Shatin	**3,400**	3,300	Level 3	Direct comparison method The key input is price per square feet	Price per square feet, using market direct comparable and taking into account the location and other individual factors such as age and location of the property, of HK$4,962 (2021: HK$4,780) per square feet	An increase in price per square feet will increase in fair value
	528,580	583,223				

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17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Tools and equipment HK$'000	Total HK$'000
COST						
At 1 January 2021	371,898	142,238	13,028	5,465	117,805	650,434
Additions	–	12,188	178	352	7,227	19,945
Acquisition of a subsidiary	–	–	57	–	2,680	2,737
Exchange realignment	2,185	624	221	(29)	1,854	4,855
Disposals/written off	–	(535)	(1,063)	(889)	(3,171)	(5,658)
Impairment	–	–	(141)	–	(4,111)	(4,252)
At 31 December 2021	374,083	154,515	12,280	4,899	122,284	668,061
Additions	–	14,548	2,205	875	19,568	37,196
Acquisition of subsidiaries (note 41)	147,000	20,030	232	–	25,966	193,228
Transfer from investment properties (note 16)	12,550	–	–	–	–	12,550
Transfer to a joint venture	–	–	(141)	–	(4,190)	(4,331)
Exchange realignment	(5,349)	(3,292)	(574)	(131)	(4,792)	(14,138)
Disposals/written off	–	(3,836)	(393)	(843)	(5,895)	(10,967)
Reversal of impairment	–	–	141	–	4,111	4,252
At 31 December 2022	**528,284**	**181,965**	**13,750**	**4,800**	**157,052**	**885,851**
ACCUMULATED DEPRECIATION						
At 1 January 2021	84,169	126,519	6,529	3,943	46,462	267,622
Charge for the year	16,578	7,629	1,018	482	17,004	42,711
Exchange realignment	252	238	57	2	504	1,053
Eliminated on disposals/written off	–	(531)	(961)	(849)	(2,830)	(5,171)
Impairment	–	–	(29)	–	(1,156)	(1,185)
At 31 December 2021	100,999	133,855	6,614	3,578	59,984	305,030
Charge for the year	18,120	10,559	1,229	466	21,590	51,964
Transfer to a joint venture	–	–	(38)	–	(1,416)	(1,454)
Exchange realignment	(835)	(2,103)	(158)	(65)	(1,780)	(4,941)
Eliminated on disposals/written off	–	(3,833)	(191)	(515)	(4,507)	(9,046)
Reversal of impairment	–	–	38	–	1,403	1,441
At 31 December 2022	**118,284**	**138,478**	**7,494**	**3,464**	**75,274**	**342,994**
CARRYING VALUES						
At 31 December 2022	**410,000**	**43,487**	**6,256**	**1,336**	**81,778**	**542,857**
At 31 December 2021	273,084	20,660	5,666	1,321	62,300	363,031

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	2%-5%
Leasehold improvements	25% or over the term of the lease, if shorter
Furniture and fixtures	20%
Motor vehicles	20%
Tools and equipment	10-$33^{1/3}$%

The carrying value of leasehold land represents land in Hong Kong held under medium-term lease.

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17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Included in addition of leasehold land and building arising from acquisition of CMHL Group amounting to HK$147,000,000 during the year ended 31 December 2022 is an amount of HK$138,082,000 attributable to the leasehold land component of the property of CMHL Group acquired. As at 31 December 2022, right-of-use asset in respect of the leasehold land component with an aggregate carrying amount of approximately HK$137,133,000 were included in the carrying amount of leasehold land and buildings and the depreciation charged to the statement of profit or loss for the year ended 31 December 2022 includes an amount of HK$949,000 in respect of the depreciation charge on the leasehold land component.

As a result of the changes in the current economic environment due to the COVID-19 pandemic, the Group is experiencing negative conditions and certain cash generating units ("CGUs") were recording losses, that indicate that the relevant property, plant and equipment may be impaired. As at 31 December 2022 and 2021, the management performed impairment testing of property, plant and equipment and right-of-use assets of certain such CGUs, which represent medical centres that have been suffering from continuous losses. The recoverable amounts of 8 CGUs as at 31 December 2021 were less than their carrying amounts. Accordingly, impairment losses of approximately HK$3,067,000 and approximately HK$8,658,000 have been recognised for property, plant and equipment and right-of-use assets respectively. As at 31 December 2022, the recoverable amounts of 4 CGUs were estimated to be less than the carrying amounts of respective right-of-use assets, and accordingly, impairment loss of approximately HK$1,868,000 had been recognised.

As at 31 December 2022, the recoverable amounts of a CGU, which is mainly engaged in provision of laboratory related services was estimated to be greater than the carrying amounts, hence reversal of impairment loss of approximately HK$2,811,000 (2021: nil) had been recognised for the year ended 31 December 2022 related to its property, plant and equipment.

The recoverable amount of CGUs has been determined based on a value in use calculation. That calculation uses cash flow projections based on forecasts approved by the management of the Group covering the remaining lease term period with a pre-tax discount of 14.64% per annum (2021: 13.7% per annum) as at 31 December 2022 and 2021. The revenue growth and gross profit margin used is with reference to the market development and past performance of the clinic. Based on the result of the assessment, management of the Group determined that the recoverable amounts of certain cash-generating units were lower than the corresponding carrying amounts. The impairment amount has been allocated to each category of the property, plant and equipment and the right-of-use assets such that the carrying amount of each category of asset is not reduced below the highest of its value in use, its fair value less cost of disposal and zero.

The Group's leasehold land and building with a carrying amount of HK$182,628,000 as at 31 December 2022 (2021: HK$39,804,000) have been pledged to banks for mortgage loans granted to the Group (note 35).

18. RIGHT-OF-USE ASSETS

	2022 HK$'000	2021 HK$'000
Carrying amount	**133,103**	91,805
Depreciation charge	**64,788**	68,883
Total financing cash outflow for leases	**71,867**	75,617
Additions to right-of-use assets	**111,759**	51,200
Impairment loss recognised on right-of-use assets	**1,868**	8,658

For both years, the Group leases clinic premises for its operations. Lease contracts which effective interest rates ranged from 2% to 7.08% (2021: 2.30% to 4.75%) are entered into for fixed term of 2 years to 6 years (2021: 12 months to 6 years), but may have extension and termination options included. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is beyond its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

During the year ended 31 December 2022, lessors of retail shops provided rent concessions to the Group through rent reductions ranging from 5% to 59% over one month to eleven months (2021: from 7% to 100% over one month to one year). These rent concessions occurred as a direct consequence of the COVID-19 pandemic and met all of the conditions in HKFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. During the year, the effects on changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of HK$1,888,000 (2021:HK$3,410,000) were recognised as negative variable lease payments.

19. LOANS RECEIVABLE

	2022 HK$'000	2021 HK$'000
Fixed-rate loans receivable (unsecured)		
– due from an associate	**45,000**	-
– due from a joint venture	**3,392**	3,681
– others	**1,681**	2,106
	50,073	5,787
Variable-rate loans receivable (unsecured)	**8,900**	-
	58,973	5,787
Analysed for reporting purposes as:		
Non-current portion	**49,904**	5,434
Current portion	**9,069**	353
	58,973	5,787

As at 31 December 2022, loans receivable of HK$50,073,000 (2021: HK$5,787,000) bearing fixed-rate interest ranging from 4.35% to 5% (2021: 4.35%) per annum are due for repayment from 1 to 13 years (2021: 1 to 14 years). The loan to an associate amounted to HK$45,000,000 (2021: nil) bears fixed-rate interest of 5% per annum and due for repayment in 5 years, and loan to a joint venture amounted to RMB3,000,000 (equivalent to HK$3,392,000) bearing fixed rate interest of 4.35% per annum and due for repayment in 4 years (2021: RMB3,000,000 (equivalent to HK$3,681,000) bearing fixed rate interest of 4.35% per annum and due for repayment in 5 years).

As at 31 December 2022, loans receivable of HK$8,900,000 are with a repayment on demand clause and charged interest at Hong Kong Interbank Offered Rate ("HIBOR") + 2.6% per annum.

No collateral agreements have been entered into in respect of the loans receivable.

Before granting loans to outsiders, the Group uses an internal credit assessment process to assess the potential borrower's credit quality and defines credit limits granted to borrowers. Limits attributed to borrowers are reviewed by the management regularly.

Management believes that no further allowance for expected credit loss is necessary in respect of the remaining loans receivable as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The borrowers have good reputation and good history of repayment of interests.

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For the year ended 31 December 2022

20. GOODWILL

	HK$'000
COST	
At 1 January 2021	709,455
Additions	766
Exchange realignment	9,221
At 31 December 2021	719,442
Additions (note 41)	313,297
Written off	(1,315)
Exchange realignment	(22,585)
At 31 December 2022	1,008,839
IMPAIRMENT	
At 1 January 2021	223,621
Impairment loss recognised during the year	3,027
At 31 December 2021	226,648
Impairment loss recognised during the year	487
At 31 December 2022	227,135
CARRYING VALUES	
At 31 December 2022	781,704
At 31 December 2021	492,794

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20. GOODWILL *(Continued)*

For the purposes of impairment testing, goodwill have been allocated to groups of individual cash generating units ("CGUs") in 4 (2021: 3) divisions of the Group, namely, Hong Kong medical services, Hong Kong managed medical network business, Mainland hospital management and medical services and Hong Kong specialist medical services. The carrying amounts of goodwill (net of accumulated impairment losses) as at 31 December 2022 and 31 December 2021 allocated to these units are as follows:

	2022	2021
	HK$'000	HK$'000
Hong Kong medical services ("Division A"):		
Town Health Medical & Dental Services Limited ("Town Health M&D")	**2,161**	2,648
Hong Kong Traumatology and Orthopaedics Institute Limited ("Hong Kong T&O")	**3,544**	3,544
Healthy Base Limited ("Healthy Base")	**2,224**	–
	7,929	6,192
Hong Kong managed medical network business ("Division B"):		
Vio	**198,199**	198,199
Mainland hospital management and medical services ("Division C")		
Nanyang Xiangrui Hospital Management Advisory Co., Ltd ("Nanyang Xiangrui")	**264,504**	288,403
Hong Kong specialist medical services ("Division D")		
CMHL Group	**311,072**	–
	781,704	492,794

The basis of the calculation of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

20. GOODWILL *(Continued)*

Division A

The recoverable amounts of the CGUs in Hong Kong medical services division were determined based on value in use calculations. Those calculations used cash flow projections based on financial budgets approved by management covering a period of 5 years, and cash flows beyond 5 years were extrapolated by assuming growth rates, and discount rates as below:

	2022	2021
Growth rate	**1.71% – 5%**	3.81% – 6.6%
Pre-tax discount rate	**14.64%**	13.70%

Another key assumption for the value in use calculations was the budgeted gross margin, which was determined based on the CGUs' past performance and management's expectations for the market development.

For the impairment testing, goodwill, property, plant and equipment and right-of-use assets that generate cash flows together with the related goodwill are also included in Division A for the purpose of impairment testing.

The aggregated recoverable amounts of the CGUs in Division A were estimated as lower than the carrying values of the net assets of Division A. Accordingly, impairment loss on goodwill of HK$487,000 (2021: HK$3,027,000) was recognised in profit or loss for the year ended 31 December 2022 on Division A.

Division B

For the impairment testing, goodwill, trade name (note 21) and customer relationship (note 21), property, plant and equipment and right-of-use assets that generate cash flows together with the related goodwill are also included in Division B for the purpose of impairment testing.

The recoverable amount of the CGU of Hong Kong managed medical network business was based on its value in use and was determined with the assistance of Ascent Partners Valuation Service Limited, an independent professional qualified valuer not connected with the Group. The calculations used cash flow projections based on financial budgets approved by management covering a five-year period and at a pre-tax discount rate of 16.94% (2021: 16%). The cash flows beyond the five-year period are extrapolated using a growth rate of 2.46% (2021: 2%) per annum, which was determined after taking into consideration the economic conditions of the market. Other key assumptions for the value in use calculations related to the estimation of cash inflows/outflows which include the budgeted sales and gross margin and other related expenses, such estimation was based on historical performance of Division B.

The aggregated recoverable amount of the CGU in Division B was calculated based on value in use method that is higher than the carrying value of the net assets of Division B. Accordingly, no impairment loss on goodwill (2021: nil) or other assets of the CGU was recognised in profit or loss for the year ended 31 December 2022 on Division B.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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20. GOODWILL *(Continued)*

Division C

For the impairment testing, goodwill, management service right and consulting services contracts (note 21), property, plant and equipment and right-of-use assets that generate cash flows together with the related goodwill are also included in Division C for the purpose of impairment testing.

The recoverable amount of the CGU of Mainland hospital management and medical services business was based on its value in use calculations. The calculation used cash flow projections based on financial budgets approved by management covering a five-year period and at a pre-tax discount rate of 17.84% (2021: 17.33%). Cash flows after the five-year period were extrapolated using a growth rate of 2.06% (2021: 2.51%) per annum, which was determined after taking into consideration the economic conditions of the market. Other key assumptions for the value in use calculations related to the estimation of cash inflows/outflows which include budgeted revenues and gross margin and other related expenses, such estimation was based on historical performance and future plans of Division C.

The aggregated recoverable amount of the CGU in Division C was calculated based on value in use method that is lower than the carrying value of the net assets of Division C. Accordingly, written off of goodwill amounting to HK$1,315,000 (2021: nil) was recognised in profit or loss for the year ended 31 December 2022 on Division C.

There was no change in both the valuation methods and the key assumptions compared to those applied as at the year ended 31 December 2021.

Division D

For the impairment testing, goodwill, customer relationship (note 21), trade name (note 21), property, plant and equipment and right-of-use assets that generate cash flows together with the related goodwill are also included in the CGU in Division D for the purpose of impairment testing.

The recoverable amount of the CGU of Hong Kong specialist medical services were based on value in use calculations. The calculation used cash flow projections based on financial budgets approved by management covering a five-year period and at a pre-tax discount rate of 12.10%. Cash flows after the five-year period were extrapolated using a growth rate of 3.50% per annum, which was determined after taking into consideration the economic conditions of the market. Other key assumptions for the value in use calculations related to the estimation of cash inflows/outflows which include budgeted revenues and gross margin and other related expenses, such estimation was based on historical performance and future plans of Division D.

The aggregated recoverable amount of the CGU in Division D calculated based on value in use method were higher than the carrying value of the net assets of Division D. Accordingly, no impairment loss on goodwill was recognised in profit or loss for the year ended 31 December 2022 on Division D.

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21. INTANGIBLE ASSETS

	Customer relationship HK$'000	Trade names HK$'000	Management service right and consulting services contracts HK$'000	Total HK$'000
COST				
At 1 January 2021	72,512	167,087	160,633	400,232
Exchange realignment	–	–	5,524	5,524
At 31 December 2021	72,512	167,087	166,157	405,756
Acquisition of subsidiaries (note 41)	9,200	93,100	–	102,300
Exchange realignment	–	–	(2,729)	(2,729)
At 31 December 2022	**81,712**	**260,187**	**163,428**	**505,327**
AMORTISATION				
At 1 January 2021	47,007	–	18,456	65,463
Charge for the year	7,251	–	3,376	10,627
Exchange realignment	–	–	570	570
At 31 December 2021	54,258	–	22,402	76,660
Charge for the year	7,558	–	3,250	10,808
Exchange realignment	–	–	(89)	(89)
At 31 December 2022	**61,816**	**–**	**25,563**	**87,379**
CARRYING VALUES				
At 31 December 2022	**19,896**	**260,187**	**137,865**	**417,948**
At 31 December 2021	18,254	167,087	143,755	329,096

21. INTANGIBLE ASSETS *(Continued)*

Customer relationship and trade names were recognised as part of the acquisition accounting of Vio and CMHL Group and were recognised at their fair values at the dates of the acquisitions. The carrying amounts of trade names under Vio and CMHL Group, which are also categorised as Division B and Division D of the Group as stated in note 20 to the consolidated financial statements, are HK$167,087,000 and HK$93,100,000 respectively as at 31 December 2022 (2021: HK$167,087,000 and HK$nil respectively).

The customer relationship has finite useful lives and is amortised on a straight-line basis over 10 years.

The trade names have no definite useful life. The directors of the Company are of the opinion that the Group has the ability to use the trade names continuously. In the opinion of the directors of the Company, the trade names have no foreseeable limit to the period over which the services provided are expected to generate net cash flows for the Group.

As a result, the trade names are considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trade names will not be amortised until the useful life is determined to be finite. Instead, they will be tested for impairment annually and whenever there is an indication that they may be impaired.

Management service right and consulting services contracts intangible assets were recognised as part of the acquisition accounting of Nanyang Xiangrui during the year ended 31 December 2016 and was recognised at its fair value at the date of acquisition.

The management service right and consulting services contracts intangible assets have finite useful lives and are amortised on a straight-line basis over 50 years based on the services terms of the management agreements entered into between Nanyang Xiangrui and Nanshi Hospital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

22. INTERESTS IN ASSOCIATES

	2022 HK$'000	2021 HK$'000
Cost of investments in associates	**274,377**	277,375
Share of post-acquisition profit and other comprehensive income, net of dividend received	**17,813**	62,999
	292,190	340,374

Notes:

1) Auspicious Idea Corporate Development Limited ("Auspicious Idea")

During the year ended 31 December 2016, Natural Glory International Limited ("Natural Glory"), a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with Stand Forever Corporate Consulting Limited, an independent third party, (the "Vendor"), to acquire 20% equity interest in Auspicious Idea, at a total consideration of HK$28,000,000, settled by cash of HK$22,000,000 and the entire issued share capital of Global Excel Limited ("Global Excel"), a then indirect wholly-owned subsidiary of the Company.

During the year ended 31 December 2017, Natural Glory entered into a sale and purchase agreement with the Vendor, to acquire an additional 30% equity interest ("Sales Shares") in Auspicious Idea, at a consideration of HK$108,000,000 in cash. Included in the Group's cost of unlisted investments as at 31 December 2017 is a goodwill of HK$71,049,000 and Group's share of intangible assets, net of deferred tax effect, of HK$27,900,000 arising on the acquisitions of the 50% equity interest in Auspicious Idea. In the opinion of the directors of the Company, the Vendor is an independent third party which is not related to the Group or its related parties as at the date of acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

22. INTERESTS IN ASSOCIATES *(Continued)*

Notes: *(Continued)*

2) Western Aurora Limited ("Western Aurora")

During the year ended 31 December 2016, Eyecare International Holdings Limited ("Eyecare International"), an indirect wholly-owned subsidiary of the Company, acquired 480 shares in Western Aurora which represented 48% issued and fully paid shares of Western Aurora, from an independent third party at a total consideration of HK$72,000,000. Western Aurora is regarded as an associate of the Group.

Pursuant to the sale and purchase agreement, the vendor irrevocably and unconditionally guaranteed to Eyecare International that the audited consolidated revenue and the audited consolidated net profit after taxation of Western Aurora for each of the eight financial years ending 31 December 2024 shall not be less than HK$86,916,000 and HK$10,000,000, respectively. Subsequent to the completion of the acquisition, Eyecare International entered into a consultancy agreement with a company controlled by the vendor (the "Consultant"). The Consultant shall be responsible for the management and the daily operation of the medical centres of Western Aurora and shall provide all the medical consultation and related healthcare services to patients of the medical centers and charges for consultancy services fee. If the audited consolidated revenue and/or the audited consolidated net profit after taxation of Western Aurora is less than the target revenue and target profit after taxation for each of the relevant year, Western Aurora shall be entitled to deduct the consultancy services fee paid to the Consultant by an equal amount equal to the shortfall.

The management of the Group has performed a review of the consolidated revenue and the consolidated net profit after taxation of Western Aurora for the years since the acquisition date, including the years ended 31 December 2022 and 2021. The consolidated revenue and the consolidated net profit after taxation are HK$101,160,000 and HK$11,635,000 (2021: HK$122,081,000 and HK$15,858,000) respectively which are above the target revenue and target profit. There is no shortfall of revenue and profit of Western Aurora in relation to the guaranteed levels of revenue and profit and no amount was recognised in profit or loss for the years ended 31 December 2022 and 2021.

As at 31 December 2022, the directors of the Company took into consideration of the discounted cash flow calculation of Western Aurora and the revenue and profit targets for the years ended 2022 and 2021 were met and the directors of the Company expected that the audited consolidated revenue and the audited consolidated net profit after taxation for each of the two years ending 31 December 2024 would meet the target requirements and accordingly, the contingent consideration receivable in relation to the target requirement recognised at fair value through profit or loss amounted to nil.

In the opinion of the directors of the Company, the vendor is an independent third party which is not related to the Group or its related parties as at the date of acquisition.

22. INTERESTS IN ASSOCIATES *(Continued)*

Details of the Group's principal associates at the end of the reporting period are as follows:

Name of company	Form of business structure	Place of incorporation	Principal place of operation	Class of shares held	Attributable proportion of nominal value of issued/registered capital held by the Group		Proportion of voting power held by the Company		Principal activities
					2022	2021	**2022**	2021	
Auspicious Idea	Incorporated	British Virgin Islands	Hong Kong	Ordinary	**50% (Note)**	50% (Note)	**50%**	50%	Investment holding and its subsidiaries engaged in provision of beauty and cosmetic medical services in Hong Kong and the PRC
Western Aurora	Incorporated	British Virgin Islands	Hong Kong	Ordinary	**48%**	48%	**33%**	33%	Investment holding and its subsidiaries engaged in provision of ophthalmic medical services in Hong Kong
Luck Key Investment Limited ("Luck Key")	Incorporated	British Virgin Islands	Hong Kong	Ordinary	**33.51%**	33.51%	**20%**	20%	Investment holding and its subsidiaries engaged in provision of medical diagnostic and health care services in Hong Kong

In the opinion of the directors of the Company, the above associates have a significant effect on the results or assets of the Group. To give details of other associates would, in the opinion of the directors of the Company, result in particulars of excessive length.

These associates are strategic for the Group's investment in industry of cosmetic and medical beauty services, medical diagnostic services and ophthalmic medical services.

Note: The Group is entitled to appoint up to two out of four directors to the board of directors of Auspicious Idea and has appointed one out of two directors to the board as at 31 December 2022 and 2021. According to the shareholders' agreement, the director who is appointed by the other shareholder shall be entitled to a second and/or casting vote in the event of an equality of vote. Hence, in the opinion of the directors of the Company, the Group has significant influence but no control over Auspicious Idea.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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22. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of material associates

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associates' financial statements prepared in accordance with HKFRSs.

All of these associates are accounted for using the equity method in the consolidated financial statements.

(a) Auspicious Idea

	2022 **HK$'000**	2021 HK$'000
Current assets	**213,835**	276,829
Non-current assets	**171,546**	117,680
Current liabilities	**(293,523)**	(246,103)

	2022 **HK$'000**	2021 HK$'000
Revenue	**329,134**	379,192
(Loss) profit and total comprehensive (expense) income for the year	**(56,548)**	41,852

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22. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of material associates *(Continued)*

(a) Auspicious Idea (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2022 **HK$'000**	2021 HK$'000
Net assets of Auspicious Idea	**91,858**	148,406
Non-controlling interests	**7,311**	6,683
Net assets of Auspicious Idea	**99,169**	155,089
Proportion of the Group's ownership interest in Auspicious Idea	**50%**	50%
Net assets of the Group's interest in Auspicious Idea	**49,585**	77,545
Effects of fair value adjustments on intangible assets	**12,129**	13,031
Goodwill	**71,409**	71,409
Carrying amount of the Group's interest in Auspicious Idea	**133,123**	161,985

(b) Western Aurora

	2022 **HK$'000**	2021 HK$'000
Current assets	**33,137**	36,785
Non-current assets	**5,835**	6,354
Current liabilities	**(10,396)**	(9,898)
Non-current liabilities	**(301)**	(602)

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22. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of material associates *(Continued)*

(b) Western Aurora (Continued)

	2022 HK$'000	2021 HK$'000
Revenue	**101,160**	122,081
Profit and total comprehensive income for the year	**11,635**	15,858
Dividend distributed by the associate to the Group during the year	**(7,680)**	(11,040)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2022 HK$'000	2021 HK$'000
Net assets of Western Aurora	**28,275**	32,639
Proportion of the Group's ownership interest in Western Aurora	**48%**	48%
Net assets of the Group's interest in Western Aurora	**13,572**	15,667
Effects of fair value adjustments on intangible assets	**15,545**	15,545
Goodwill	**45,168**	45,168
Carrying amount of the Group's interest in Western Aurora	**74,285**	76,380

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For the year ended 31 December 2022

22. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of material associates *(Continued)*

(c) Luck Key

	2022 **HK$'000**	2021 HK$'000
Current assets	**150,656**	145,648
Non-current assets	**170,581**	215,309
Current liabilities	**(84,944)**	(59,504)
Non-current liabilities	**(56,725)**	(71,648)

	2022 **HK$'000**	2021 HK$'000
Revenue	**410,754**	308,957
Profit and total comprehensive income for the year	**27,790**	60,352
Dividend distributed by the associate to the Group during the year	**(24,967)**	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2022 **HK$'000**	2021 HK$'000
Net assets of Luck Key	**179,568**	229,775
Non-controlling interests	**1,287**	(2,204)
Net assets of Luck Key attributable to owners	**180,855**	227,571
Proportion of the Group's ownership interest in Luck Key	**33.51%**	33.51%
Carrying amount of the Group's interest in Luck Key	**60,605**	76,259

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22. INTERESTS IN ASSOCIATES *(Continued)*

Aggregate information of associates that are not individually material

	2022 **HK$'000**	2021 HK$'000
The Group's share of profit (loss) for the year	**778**	(1,115)
The Group's share of other comprehensive income for the year	**–**	56
The Group's share of profit (loss) and other comprehensive income (expense) for the year	**778**	(1,059)
Aggregate carrying amount of the Group's interests in these associates	**24,177**	25,750
Aggregate dividend distributed by the associates to the Group during the year	**(2,350)**	(1,500)

The Group has discontinued recognition of its share of losses of certain associates. The amounts of unrecognised share of those associates, extracted from the relevant audited financial statements or management accounts of associates, both for the year and cumulatively, are as follows:

	2022 **HK$'000**	2021 HK$'000
Unrecognised share of losses of associates for the year	**(4)**	(892)
Accumulated unrecognised share of losses of associates	**(22,762)**	(22,758)

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23. INTERESTS IN JOINT VENTURES

Details of the Group's investment in joint ventures as follows:

	2022 HK$'000	2021 HK$'000
Cost of unlisted investments in joint ventures	**83,522**	63,922
Share of post-acquisition loss and other comprehensive expenses, net of dividend received	**(61,738)**	(52,513)
Impairment loss	**(97)**	–
Exchange realignment	**524**	1,377
	22,211	12,786

Details of the Group's major joint ventures at the end of the reporting period as follows:

Name of company	Form of business structure	Place of incorporation	Principal place of operation	Class of shares held	Attributable proportion of nominal value of issued/registered capital held by the Group 2022	2021	Proportion of voting power held by the Company 2022	2021	Principal activities
中山市尚峰宜康醫療管理有限公司 (Zhongshan City Shangfeng Yikang Medical Management Co. Ltd.) ("Zhongshan Shangfeng")	Incorporated	PRC	PRC	Ordinary	**50%**	50%	**50%**	50%	Provision for health check and related services in PRC
Sky View Investment Limited ("Sky View")	Incorporated	British Virgin Islands	PRC	Ordinary	**51%** (Note i)	51%	**50%**	50%	Investment holding in an associate engaged in operation of beauty mobile application in the PRC
Hong Kong Medical Test Centre Limited ("HK Medical Test Centre")	Incorporated	Hong Kong	Hong Kong	Ordinary	**49%** (Note ii)	N/A	**50%**	N/A	Operation of laboratory

Note:

(i) The Group has the right to appoint one out of two directors in the board of directors of Sky View which is responsible for making decisions of the relevant activities of Sky View. Decisions about the relevant activities of Sky View require the unanimous consent of one director appointed by the Group and one director appointed by another joint venturer. In this regard, the investment in Sky View is accounted for as a joint venture of the Group.

(ii) The Group has the right to appoint three out of seven directors in the board of directors of HK Medical Test Centre which is responsible for making decisions of the relevant activities of HK Medical Test Centre. Decisions about the relevant activities of HK Medical Test Centre require the approval of not less than five-sevenths of the directors of HK Medical Test Centre. In this regard, the investment in HK Medical Test Centre is accounted for as a joint venture of the Group.

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For the year ended 31 December 2022

23. INTERESTS IN JOINT VENTURES *(Continued)*
(a) Zhongshan Shangfeng

	2022	2021
	HK$'000	HK$'000
Current assets	**16,218**	13,143
Non-current assets	**17,920**	26,367
Current liabilities	**(20,884)**	(14,150)

	2022	2021
	HK$'000	HK$'000
Revenue	**885**	1,032
Loss for the year	**(10,400)**	(15,265)
Other comprehensive (expense) income for the year	**(1,706)**	1,068
Loss and total comprehensive expense for the year	**(12,106)**	(14,197)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	2022	2021
	HK$'000	HK$'000
Net assets of Zhongshan Shangfeng	**13,254**	25,360
Proportion of Group's ownership interest in Zhongshan Shangfeng	**50%**	50%
Carrying amount of the Group's interest in Zhongshan Shangfeng	**6,627**	12,680

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

23. INTERESTS IN JOINT VENTURES *(Continued)*

(b) Sky View

	2022 HK$'000	2021 HK$'000
Current assets	**190**	207

	2022 HK$'000	2021 HK$'000
Revenue	**–**	–
Loss and total comprehensive expense for the year	**(17)**	(15)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	2022 HK$'000	2021 HK$'000
Net assets of Sky View	**190**	207
Proportion of the Group's ownership interest in Sky View	**51%**	51%
	97	106
Less: Impairment loss	**(97)**	–
Carrying amount of the Group's interest in Sky View	**–**	106

(c) HK Medical Test Centre

	2022 HK$'000	2021 HK$'000
Current assets	**19,468**	–
Non-current assets	**19,703**	–
Current liabilities	**(7,367)**	–

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For the year ended 31 December 2022

23. INTERESTS IN JOINT VENTURES *(Continued)*

(c) HK Medical Test Centre *(Continued)*

	2022 HK$'000	2021 HK$'000
Revenue	–	–
Loss and total comprehensive expense for the year	(8,196)	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	2022 HK$'000	2021 HK$'000
Net assets of HK Medical Test Centre	31,804	–
Proportion of the Group's ownership interest in HK Medical Test Centre	49%	–
Carrying amount of the Group's interest in HK Medical Test Centre	15,584	–

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 HK$'000	2021 HK$'000
Financial assets mandatorily at FVTPL:		
Listed equity securities in Hong Kong (Note)	–	1,951

Note:

Listed equity securities held for trading purposes were stated at fair value, determined based on the quoted market bid prices available on the Stock Exchange. During the year ended 31 December 2022, all the listed equity securities were disposed of and a fair value loss of HK$936,000 (2021: fair value loss of HK$4,823,000) was recognised in profit or loss.

25. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022	2021
	HK$'000	HK$'000
Unlisted investments:		
– Equity securities	**27,785**	29,770

Note:

The above unlisted equity investments represent the Group's interest in private entities established in Hong Kong, Cayman Islands and British Virgin Islands. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that these investments are held for long-term purposes and for realising their performance potential in the long run.

Included in the equity instruments at FVTOCI mainly represents by HCMPS Healthcare Holdings Limited ("HCMPS") amounted to HK$19,614,000 (2021: HK$24,915,000). The Group held 17.67% of HCMPS and HCMPS's subsidiaries are principally engaged in the provision of contracted medical scheme for integrated medical and healthcare check-up services in Hong Kong. The fair value of this unlisted equity securities is determined using cash flow projection with the assistance of Ascent Partners Valuation Service Limited. During the year ended 31 December 2022, a fair value loss of HK$5,301,000 (2021: fair value loss of HK$8,658,000) of HCMPS was recognised in investment revaluation reserve.

As at 31 December 2022, fair value loss of HK$8,102,000 (2021: fair value loss of HK$9,839,000) of the above unlisted investments was accounted for in other comprehensive income.

An equity instrument at FVTOCI amounted to HK$6,117,000 is acquired through the distribution of dividend from an associate of the Group during the year ended 31 December 2022.

In the opinion of the directors of the Company, the investees are independent third parties, none of which is related to the Group or its related parties.

Details of the valuation methodology and inputs are disclosed in note 46(c).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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26. PROMISSORY NOTES

	Notes	2022 HK$'000	2021 HK$'000
Mr. Dai Hai Dong	(i)	–	–
Profit Castle Holdings Limited	(ii)	–	–
		–	–

Notes:

(i) As at 31 December 2022 and 2021, a promissory note with a principal amount of HK$203,705,000 was outstanding, which carries interest of 5% per annum and matured in November 2019. The promissory note was issued by the purchaser, Mr. Dai Hai Dong ("Mr. Dai"), as part of consideration of the acquisition of the Group's interests in Wise Lead Holdings Limited ("Wise Lead") in 2016. The promissory note is secured by the entire issued share capital of Wise Lead. Wise Lead owns 49% interest in Huayao Medical Group Limited ("Huayao"), whose major assets were a rehabilitation-oriented hospital situated in Hangzhou and certain outpatient medical clinics situated in Hangzhou. As disclosed in the annual report of the Company for the year ended 31 December 2017, the Group had reassessed the recoverability of the promissory note receivable as at 31 December 2017 by carrying out credit reviews on the financial condition of the counterparty. During the credit reviews, it was noted upon preliminary inspection conducted by the staff members of the Company that the operations of the hospital and the outpatient medical clinics of Huayao in Hangzhou had ceased. The directors of the Company conducted further credit assessments on Mr. Dai and reassessed the recoverable amount of the promissory note and expected credit loss of HK$203,705,000 was recognised in consolidated profit or loss during the year ended 31 December 2017 to fully write down the carrying amount of the promissory note.

In 2018, the Group has conducted another credit review on the financial condition of the counterparty. During the credit review, it was noted upon the inspection conducted by the staff members of the Company that the status of the hospital and clinics remained unchanged. The directors of the Company considered the recoverability of the promissory note was still remote.

26. PROMISSORY NOTES *(Continued)*

Notes: *(Continued)*

(i) *(Continued)*

On 12 April 2019, the Group announced that Mr. Dai failed to repay the interest accrued from 1 January 2019 and considered that the recoverability of the promissory note was remote. On 6 May 2019, the Group initiated legal proceedings in the Court of First Instance of the High Court of Hong Kong against Mr. Dai in respect of all outstanding sums owing by him under the promissory note by the issuance of a writ of summons endorsed with an indorsement of claim. The above legal proceedings in Hong Kong was discontinued by the Group on 6 December 2019. Instead, on 12 December 2019, the Group initiated legal proceedings against Mr. Dai in the Hangzhou Intermediate People's Court of the PRC ("PRC Court"). On 23 April 2021, the Group received a notice and a court summons issued by the PRC Court, pursuant to which, among others, the counterclaim filed by Mr. Dai has been accepted by the PRC Court and will be heard together with the Group's original claim against Mr. Dai. On 30 September 2021, the PRC Court issued the judgment (the "Judgement") in relation to TH (BVI)'s claims against the Purchaser and the Counterclaim, pursuant to which, among others:

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

(2) The Counterclaim shall be dismissed;

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

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

On 5 November 2021, the Company announced that (i) the Purchaser has recently filed an appeal to the Higher People's Court of Zhejiang Province of the PRC ("Zheijang Higher Court") seeking to, among others, overturn the Judgement; and (ii) TH (BVI) has also filed a cross appeal to Zhejiang Higher Court in relation to its claims against the former spouse of the Purchaser under the PRC Legal Claim. Further details are set out in the Company's announcements dated 4 November 2016, 12 April 2019, 10 May 2019, 3 May 2021, 6 October 2021 and 5 November 2021.

On 13 October 2022, TH (BVI) and an independent third party (the "Assignee") entered into an assignment deed pursuant to which TH (BVI) has assigned the Assignee, and the Assignee has accepted and assumed, TH (BVI)'s rights, interests, benefits, obligations duties and risks in relation to replacement promissory note of principal amount of HK$203,705,000 and all the rights in all litigation, legal actions and proceedings, at a consideration of HK$22,500,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

26. PROMISSORY NOTES *(Continued)*

Notes: *(Continued)*

(ii) A promissory note with an outstanding principal amount of HK$330,000,000, which carries interest of 6% per annum and matured on 9 April 2020 (the "Maturity Date"), was issued by Profit Castle, a company incorporated in the British Virgin Islands with limited liability and owned as to 50% by Dr. Ip and 50% by his spouse, as part of the consideration of the acquisition of the Group's interests in Bonjour Beauty and its subsidiaries. The promissory note is covered by personal guarantee provided by Dr. Ip and if there is any default, the Group has the right to apply to the court for realising the collateral of the shares of Bonjour Beauty. The issuer of the promissory note has the option to early repay the principal amount of the note in full or in part before the Maturity Date.

Since the Maturity Date, the Group had been in negotiation with Dr. Ip and Profit Castle on the extension of the maturity date of the promissory note and the repayment schedule of the principal amount of the promissory note and interest accrued thereon. However, such negotiation fell through in the absence of any viable repayment proposal from Dr. Ip and Profit Castle that is acceptable to the Group. As at 31 December 2022, the promissory note became 993 days past due (2021: 628 days past due), Dr. Ip and Profit Castle failed to pay the principal amount of HK$330,000,000 and all outstanding interest accrued. The management of the Group considered that the credit risk of the promissory note has been significantly increased accordingly.

Having considered the facts and circumstances, the Group had instructed its legal advisor to issue a final demand letter to each of Profit Castle and Dr. Ip. The Group had taken legal actions against Profit Castle and/or Dr. Ip in respect of, among other things, their default in repayment of the outstanding principal amount of the promissory note and all outstanding interest accrued, including issue of a notice of enforcement to Profit Castle to declare the enforcement of the collateral over all the shares of Bonjour Beauty for securing the repayment of the promissory note and appointment of receivers over all the shares of Bonjour Beauty on 22 April 2021 and 23 April 2021 respectively. On 21 May 2021, Oasis Beauty Limited ("Oasis Beauty"), a wholly owned subsidiary of the Company, was served with a writ of summons together with a statement of claim from Profit Castle and Dr. Ip who are seeking i) damages for deceit or fraudulent misrepresentation and rescission of several agreements in relation to the promissory note and the respective collateral and guarantee, ii) a declaration that the Group is not entitled to enforce the respective collateral and guarantee and iii) declaration that the appointment of receivers and directors for Bonjour Beauty and its subsidiaries be null and void. Oasis Beauty issued the summons for summary judgment and striking out of the claims of Profit Castle and Dr. Ip (collectively the "Plaintiffs") on 21 July 2021.

On 22 July 2022, the High Court of Hong Kong issued the judgment in relation to Oasis Beauty's application for summary judgment and striking out of the claims of the Plaintiffs in July 2021, pursuant to which, among others, final judgment be entered against the Plaintiffs for: (a) HK$330,000,000, being the outstanding principal sum of the promissory note; (b) HK$13,755,068.49, being the outstanding interest on the promissory note as at 30 June 2021; (c) accrued interest on HK$330,000,000 at a rate of 6% per annum (being the rate agreed in the promissory note) for the period from 1 July 2021 to the date of the judgment; (d) claims in the statement of claim are struck out; and (e) costs order nisi that the Plaintiffs do pay Oasis Beauty's costs to be taxed if not agreed.

On 18 August 2022, Oasis Beauty was served with a notice of appeal issued by the Plaintiffs that the Plaintiffs seek for an order by the Court of Appeal that (i) the judgment be set aside; and (ii) Oasis Beauty do pay to the Plaintiffs their costs of the appeal and below.

During the year ended 31 December 2022 and 2021, operation of Bonjour Beauty was suspended. Date of resumption is unable to be estimated, the promissory note is therefore fully impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

26. PROMISSORY NOTES *(Continued)*

Notes: *(Continued)*

(ii) *(Continued)*

As at 31 December 2021, the Group engaged an independent valuer, Ascent Partners Valuation Service Limited ("Independent Valuer") to assess the expected credit loss of the promissory note. When performing the valuation assessment, the management considered that asset approach was more appropriate.

As at 31 December 2022 and 2021, the recoverable amount of the promissory note is nil, net of accumulated allowance of expected credit loss of approximately HK$330,000,000. No expected credit loss was recognised during the year ended 31 December 2022 (2021: approximately HK$117,763,000). During the current year, the legal proceedings were still in process. Accordingly, the allowance for expected credit loss recognised in previous years was not reversed.

The directors of the Company assessed that the promissory notes have been issued within the range of the market borrowing rates of the note issuers and considered the interest rates as fair and reasonable. The principal amounts of the promissory notes are considered as the fair value at the date of issuance.

27. INVENTORIES

	2022	2021
	HK$'000	HK$'000
Pharmaceutical supplies	**56,468**	37,700
Dental materials and supplies	**830**	978
	57,298	38,678

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28. TRADE AND OTHER RECEIVABLES

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

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 HK$'000	2021 HK$'000
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	**6,704**	–
	436,129	386,652

28. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

(i) *(Continued)*

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

As at 31 December 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.

29. AMOUNTS DUE FROM ASSOCIATES

The amounts are of non-trade nature, unsecured, interest-free and repayable on demand.

At 31 December 2022, the balances of amounts due from associates are net of accumulated allowance of HK$4,557,000 (2021: HK$4,557,000) as the amounts were credit-impaired as at those dates. The directors of the Company considered the carrying amounts of remaining amounts due from associates approximate their fair values as at 31 December 2022 and 2021.

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30. AMOUNTS DUE TO NON-CONTROLLING INTERESTS

The amounts are of non-trade nature, unsecured, interest-free and repayable on demand. The directors of the Company anticipated the carrying amounts approximate their fair values as at 31 December 2022 and 2021.

31. BANK BALANCES AND CASH/ FIXED BANK DEPOSITS/ PLEDGED BANK DEPOSITS

Bank balances and cash comprise cash held by the Group and bank balances that carry interest at market rate which ranged from 0.001% to 5% (2021: 0.001% to 0.4%) per annum and have original maturity of three months or less.

The fixed bank deposits carry fixed interest rates ranged from 1.5% to 4.8% (2021: 0.2% to 3.2%) per annum and have original maturity of over three months, of which HK$23,436,000 will be matured in two years (2021: HK$104,805,000 will be matured in three years) and included in non-current assets.

Pledged bank deposits carry fixed interest rate ranged from 2.4% to 2.6% (2021: nil) and represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to approximately RMB130,432,000 (equivalents to HK$147,481,000) and HK$805,000 (2021: nil) have been pledged to secure bank credit facilities and a bank guarantee to a landlord for securing a lease agreement, respectively. The pledged bank deposits will be released upon the termination of the relevant bank credit facilities and completion of the corresponding lease.

32. TRADE AND OTHER PAYABLES

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

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For the year ended 31 December 2022

32. TRADE AND OTHER PAYABLES *(Continued)*

Notes:

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

	2022	2021
	HK$'000	HK$'000
0-60 days	**83,675**	95,165
61-120 days	**29,118**	21,555
Over 120 days	**40,695**	26,766
	153,488	143,486

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 are 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.

33. CONTRACT LIABILITIES

	2022	2021
	HK$'000	HK$'000
Receipts in advance of medical services	**17,256**	3,095

All contract liabilities are expected to be recognised as income within one year.

Movements in contract liabilities are as follows:

	2022	2021
	HK$'000	HK$'000
At 1 January	**3,095**	2,557
Revenue recognised during the year that was included in the contract liabilities at beginning of the year	**(3,095)**	(2,557)
Acquisition of subsidaries (note 41)	**2,594**	–
Receipts in advance during the year	**15,047**	3,095
Exchange realignment	**(385)**	–
At 31 December	**17,256**	3,095

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

34. AMOUNT DUE TO AN INVESTEE

At 31 December 2022 and 2021, the amount due to an investee was non-trade nature, unsecured, interest-free and repayable on demand.

35. BANK BORROWINGS

	2022 **HK$'000**	2021 HK$'000
Secured:		
Revolving loan	**30,000**	–
Mortgage loans	**83,896**	15,400
	113,896	15,400
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	**63,391**	8,876
	113,896	15,400
Less: 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)	**(12,979)**	(14,161)
Non-current portion	**67,177**	–

As at 31 December 2022, the bank borrowings of the Group carry variable interest rates ranging from 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.

36. LEASE LIABILITIES

	2022 HK$'000	2021 HK$'000
Lease liabilities payable:		
Within one year	**63,728**	59,738
Within a period of more than one year but not more than two years	**41,476**	32,206
Within a period of more than two years but not more than five years	**42,045**	10,631
	147,249	102,575
Less: Amounts for settlement within 12 months shown under current liabilities	**(63,728)**	(59,738)
Amount due for settlement after 12 months shown under non-current liabilities	**83,521**	42,837

The weighted average incremental borrowing rates applied to lease liabilities range from 2% to 7.08% (2021: 2.30% to 4.75%).

The maturity analysis of lease liabilities is disclosed in note 46(b) to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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37. DEFERRED TAX ASSETS / LIABILITIES

The followings are the major deferred tax balances recognised and movements thereon during the current and prior years:

	Tax losses HK$'000	Accelerated tax depreciation HK$'000	Fair value adjustments on business combinations HK$'000	Total HK$'000
At 1 January 2021	–	–	41,416	41,416
Credit to profit or loss	–	–	(2,041)	(2,041)
Exchange realignment	–	–	1,239	1,239
At 31 December 2021	–	–	40,614	40,614
Acquisition of subsidaries (note 41)	(1,711)	(480)	1,518	(673)
(Credit) charge to profit or loss (note 12)	(308)	382	(1,961)	(1,887)
Exchange realignment	–	–	(2,976)	(2,976)
At 31 December 2022	**(2,019)**	**(98)**	**37,195**	**35,078**

Fair value adjustments on business combinations represent deferred tax effect of HK$9,200,000 and HK$11,990,000 on customer relationship recognised upon the acquisition of CMHL Group and Vio respectively and deferred tax effect of HK$40,627,000 on management service right and consulting services contracts recognised upon the acquisition of Nanyang Xiangrui.

At 31 December 2022, the Group has unused tax losses of HK$844,044,000 (2021: HK$757,146,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$12,234,000 (2021: nil) of such losses. No deferred tax asset has been recognised in respect of the remaining losses of approximately HK$831,810,000 (2021: HK$757,146,000) due to the unpredictability of future profit streams. Such losses may be carried forward indefinitely.

Under the prevailing PRC income tax law and its relevant regulations, foreign corporate investors are levied PRC dividend withholding tax at 10%, unless reduced by tax treaties/arrangements, on dividends declared by PRC-resident enterprises for profits earned subsequent to 1 January 2008.

As at 31 December 2022, no deferred tax liabilities have been provided for in the consolidated financial statements in respect of the temporary differences attributable to the undistributed accumulated profits of subsidiaries of HK$274,770,000 (2021: HK$231,434,000) earned by the subsidiaries established in the PRC as the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future.

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38. CONVERTIBLE BONDS

On 11 July 2022, Speedy Light International Limited, the indirect wholly-owned subsidiary of the Company, ("Speedy Light") and Hong Kong Medical Consultants Holdings Limited ("HKMCHL") and the seller guarantors as defined in the share purchase agreement (collectively the "Seller Parties") entered into a share purchase agreement, pursuant to which Speedy Light agreed to acquire the entire equity interests in CMHL at a consideration of HK$476,000,000, of which HK$356,000,000 will be settled by non-interest bearing convertible bonds (the "CBs"). The initial Conversion price was HK$0.76 per conversion share. The CBs holders have the right to convert the whole or any part of the outstanding principal amount of the CBs into fully-paid ordinary shares of the Company at any time during the period beginning on (and excluding) the issue date and ending on the respective maturity dates. The CB holders shall have the right to request the Company to repay 100% of the outstanding principal amount of the CBs, unless previously converted into Shares or repaid in accordance with the terms and conditions of the CBs by providing written notices to the Company during the redemption period.

The CBs are denominated in HKD and issued by the Company in three tranches as follows:

Tranche A CBs amounted to HK$120,000,000 with maturity date being 12 months from 26 August 2022, the date of issue of the CB. Redemption period is from and including the date falling 3 months from the issue date of the CBs to and including the date falling 12 months from the issue date of the Tranche A CBs.

Tranche B CBs amounted to HK$120,000,000 with maturity date being 24 months from 26 August 2022, the date of issue of the CB. Redemption period is from and including the date falling 18 months from the issue date of the CBs to and including the date falling 24 months from the issue date of the Tranche B CBs.

Tranche C CBs amounted to HK$116,000,000 with maturity date being 36 months from 26 August 2022, the date of issue of the CB. Redemption period is from and including the date falling 36 months from the issue date of the CBs to and including the date falling 12 months after maturity date.

The CBs cannot be redeemed at the option of the Company before the Maturity Date.

The CBs contains two components, namely liability and equity components. The equity component is presented in equity heading "convertible bonds reserve". The early redemption option is considered as closely related to the host debt. The effective interest rate of the liability component is 2.83% to 4.89% per annum at the date of initial recognition.

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38. CONVERTIBLE BONDS *(Continued)*

The movement of the CBs for the year ended 31 December 2022 is set out below:

	2022		
	Liability component HK$'000	Equity component HK$'000	Total HK$'000
Issue of convertible bonds at fair value	327,201	37,181	364,382
Finance cost – interest charge (note 9)	6,677	–	6,677
Redemption (Note)	(120,000)	(4,066)	(124,066)
At 31 December	213,878	33,115	**246,993**
Classified as:			
Non-current liabilities	213,878	33,115	**246,993**

Note:

Among the redemption of convertible bonds during the year ended 31 December 2022, HK$4,105,000 were redeemed in December 2022 but not yet paid (note 32(ii)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

39. 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 (Note)	(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 Highest HK$	Consideration per share Lowest HK$	Aggregate consideration paid (before expenses) HK$'000
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
	725,586,000			313,165

During the year ended 31 December 2022, 725,586,000 ordinary shares were repurchased with aggregate consideration of approximately HK$315,286,000, including expenses paid amounted 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.

40. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme subject to a maximum of HK$1,500 per month, the contribution of which is matched by employees. No forfeited contribution under the MPF Scheme was utilised during the year and available to reduce the contribution payable in future years.

The employees in the PRC are members of respective state-managed defined contribution retirement benefits schemes operated by the local government. The employer and the employees are obliged to make contributions at a certain percentage of the basic payroll under rules of the schemes and the Group has fulfilled the obligation of the retirement benefits schemes. No forfeited contribution under the state-managed defined contribution retirement benefits schemes was untilised during the year and available to reduce the contribution payable in future years.

During the year ended 31 December 2022, the total cost charged to consolidated statement of profit or loss and other comprehensive income approximately of HK$12,587,000 (2021: HK$11,004,000) represents contributions payable to the above schemes by the Group during the year.

41. ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2022

(i) Acquisition of CMHL Group

On 11 July 2022, Speedy Light, the indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with HKMCHL to purchase the entire equity interests in CMHL at a total consideration of HK$484,382,000, satisfied by cash consideration of HK$120,000,000 and convertible bonds of HK$364,382,000.

CMHL Group is engaged in providing integrated medical services in Hong Kong. The transaction was completed on 26 August 2022. The acquisition has been accounted for as acquisition of business using the acquisition method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

41. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2022 *(Continued)*

(i) Acquisition of CMHL Group *(Continued)*

The fair value of the identifiable assets and liabilities of the CMHL Group on the date of acquisition is as follows:

	26 August 2022 HK$'000
Property, plant and equipment	173,428
Intangible assets	102,300
Right-of-use assets	63,954
Deferred tax assets	2,191
Trade and other receivables	40,441
Inventories	11,378
Income tax recoverable	734
Bank balances and cash	37,593
Trade and other payables	(30,648)
Amount due to a related company	(46,537)
Contract liabilities	(2,594)
Bank borrowings	(100,725)
Lease liabilities	(70,178)
Income tax payable	(3,874)
Deferred tax liabilities	(1,518)
	175,945
Consideration	484,382
Plus: non-controlling interests recorded in the CMHL Group	2,635
Less: recognised amounts of net assets acquired	(175,945)
Goodwill arising on acquisition (note 20)	311,072
Net cash outflow arising on acquisition:	
Cash consideration paid	120,000
Less: bank balances and cash acquired	(37,593)
	82,407

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

41. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2022 *(Continued)*

(i) Acquisition of CMHL Group *(Continued)*

The non-controlling interests of CMHL Group recognised on the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Hong Kong Imaging and Diagnostics Centre (MRI) Limited and Hong Kong Imaging and Diagnostics Centre (LAB) Limited, which are subsidiaries of CMHL, and amounted to HK$2,635,000.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

Goodwill arose in the acquisition of CMHL Group because the consideration paid for the combination effectively included amounts in relation to the revenue growth and the assembled workforce of CMHL Group. These benefits are not recognised separately from goodwill because they do not meet the criteria for identifiable intangible assets.

Impact of the acquisition on the results of the Group

Included in the profit for the year of the Group is HK$3,848,000 attributable to the additional business generated by CMHL Group. Revenue of the Group for the year included HK$87,270,000 generated from the CMHL Group.

Had the acquisition of CMHL Group been completed on 1 January 2022, revenue for the year of the Group from continuing operations would have been HK$1,720,251,000, and profit for the year of the Group from continuing operations would have been HK$65,665,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2022, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Group had CMHL Group been acquired at the beginning of the year, depreciation of property, plant and equipment and amortisation of intangible assets and right-of-use assets have been calculated based on the recognised amounts of property, plant and equipment, intangible assets and right-of-use assets on the date of acquisition.

(ii) Acquisition of Healthy Base and its subsidiary (the "Healthy Base Group")

In June 2022, the Group entered into a sale and purchase agreement with an associate and an independent third party to acquire the entire interest of Healthy Base at a cash consideration of HK$17,250,000 (the "Healthy Base Acquisition"). Healthy Base was incorporated in the British Virgin Islands and owns a subsidiary which is engaged in the provision of health check and healthcare related services in Hong Kong.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

41. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2022 *(Continued)*

(ii) Acquisition of Healthy Base Group *(Continued)*

The fair value of the identifiable assets and liabilities of the Healthy Base Group on the date of acquisition is as follows:

	24 June 2022 HK$'000
Property, plant and equipment	19,800
Right-of-use assets	2,942
Trade and other receivables	3,802
Inventories	3
Bank balances and cash	3,443
Trade and other payables	(12,125)
Lease liabilities	(3,200)
	14,665
Cash consideration	17,250
Less: non-controlling interests	(361)
Less: recognised amounts of net assets acquired	(14,665)
Goodwill	2,224
Net cash outflow arising on acquisition:	
Cash consideration paid	17,250
Less: bank balances and cash acquired	(3,443)
	13,807

The non-controlling interests of Healthy Base Group recognised on the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of a subsidiary and amounted to HK$360,000.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

Impact of the acquisition on the results of the Group

Included in the Group's profit for the year is loss of HK$465,000 attributable to the additional business generated by the Healthy Base Group. Revenue of the Group for the year included HK$6,666,000 generated from the Healthy Base Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

41. ACQUISITION OF SUBSIDIARIES *(Continued)*

***For the year ended 31 December 2022** (Continued)*

(ii) Acquisition of Healthy Base Group *(Continued)*

Had the acquisition of Healthy Base been completed on 1 January 2022, revenue for the year of the Group from continuing operations would have been HK$1,540,903,000, and profit for the year of the Group from continuing operation would have been HK$65,141,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2022, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Group had Healthy Base been acquired at the beginning of the year, depreciation of property, plant and equipment have been calculated based on the recognised amounts of property, plant and equipment on the date of acquisition.

For the year ended 31 December 2021

On 1 September 2021, Nanyang Xiangrui, a 60.2% owned subsidiary of the Company, entered into a sale and purchase agreement with 河南豫康祥商貿有限公司 (Henan Yukangxiang Commercial Limited) to purchase 80% equity interests in 河南恆益祥醫藥有限公司 (Henan Hengyixiang Pharmaceuticals Co., Ltd.) ("Hengyixiang") at a consideration of RMB2,756,000 (equivalent to HK$3,352,000). Hengyixiang is engaged in trading of medicines in the PRC. The transaction was completed on 30 September 2021. The acquisition has been accounted for as acquisition of business using the acquisition method.

The fair value of the identifiable assets and liabilities of Hengyixiang on the date of acquisition was as follows:

	30 September 2021 HK$'000
Property, plant and equipment	2,737
Right-of-use assets	3,442
Inventories	1,958
Trade and other receivables	3,544
Tax recoverable	151
Bank balances and cash	2,198
Trade and other payables	(7,701)
Lease liabilities	(3,097)
	3,232

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

41. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2021 *(Continued)*

	HK$'000
Cash consideration	3,352
Plus: non-controlling interest (20% in Hengyixiang)	646
Less: recognised amounts of net assets acquired	(3,232)
Goodwill arising on acquisition (note 20)	766

	HK$'000
Net cash outflow arising on acquisition:	
Cash consideration paid	3,352
Less: bank balances and cash acquired	(2,198)
	1,154

The non-controlling interest (20%) in Hengyixiang recognised on the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Hengyixiang and amounted to HK$646,000.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

Impact of the acquisition on the results of the Group

Included in the profit for the year ended 31 December 2021 was HK$4,369,000 attributable to the additional business generated by Hengyixiang. Revenue for the year ended 31 December 2021 included HK$34,019,000 generated from Hengyixiang.

Had the acquisition of Hengyixiang been completed on 1 January 2021, revenue for the year ended 31 December 2021 of the Group from continuing operations would have been HK$1,486,897,000, and profit from continuing operations for the year ended 31 December 2021 would have been HK$73,364,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the operations of the Group that actually would have been achieved for the year ended 31 December 2021 had the acquisition been completed on 1 January 2021, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Hengyixiang been acquired at the beginning of the year ended 31 December 2021, the directors of the Company calculated depreciation of property, plant and equipment based on the recognised amounts of property, plant and equipment on the date of acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

42. DISPOSAL OF A SUBSIDIARY

On 8 December 2022, Cheer Rich Holdings Limited, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Top Luck Limited, an independent third party, to dispose of its 100% shareholding of Bright Dragon Limited ("Bright Dragon"), together with all the shareholder's loan advanced to Bright Dragon for a cash consideration of HK$67,000,000. The principal activity of Bright Dragon is property investments in Hong Kong. The aggregate amounts of the assets and liabilities attributable to Bright Dragon as at the date of disposal were as follows:

	8 December 2022 **HK$'000**
Investment property	**35,200**
Prepayment and deposits	**34**
Other payables	**(142)**
Net assets disposed of	**35,092**
Gain on disposal of a subsidiary:	
Consideration received	**67,000**
Net assets disposal of	**(35,092)**
	31,908
Net cash inflow arising on disposal	**67,000**

43. OPERATING LEASES

The Group as lessor

During the year ended 31 December 2022, the Group had property rental income of approximately HK$15,498,000 (2021: HK$15,688,000).

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases with fixed rents in respect of premises which would fall due as follows:

	2022 **HK$'000**	2021 HK$'000
Within one year	**9,545**	11,251
In the second to fifth year inclusive	**10,523**	3,032
	20,068	14,283

All of the properties held have committed tenants for the coming one to four years.

44. PLEDGE OF ASSETS

As at 31 December 2022, certain assets of the Group with carrying value 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.

45. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of borrowings and equity attributable to owners of the Company (comprising issued share capital, share premium, reserves and accumulated profits).

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts or the redemption of existing debts.

46. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2022 **HK$'000**	2021 HK$'000
Financial assets		
Financial assets at FVTPL	–	1,951
Equity instruments at FVTOCI	**27,785**	29,770
Financial assets at amortised cost (including cash and cash equivalents)	**1,880,109**	2,399,030
Financial liabilities		
Amortised cost	**714,339**	318,915

(b) Financial risk management objectives and policies

The Group's corporate treasury function provides services to the business units, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include foreign currency risk, market risk (including interest rate risk and other price risk), credit risk and liquidity risk.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

46. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. Other than Hong Kong, the Group's operations are mainly in the PRC and certain bank balances, receivables, payables and other loans of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors the related foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of monetary assets and monetary liabilities that are denominated in a currency other than functional currencies of entities at the end of the respective reporting periods are as follows:

	Assets		Liabilities	
	2022	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000
Renminbi ("RMB")	**250,447**	13,466	**–**	–
United Stated Dollars ("USD")	**171,038**	815	**–**	–
Hong Kong Dollars ("HKD")	**30,073**	5,920	**–**	–

The Group is mainly exposed to the risk of fluctuation of USD, RMB and HKD when such currencies are different from the functional currency of relevant group entities.

The following tables detail the Group's sensitivity to a 5% increase in the above foreign currencies against the functional currency of the corresponding group entities, except for USD against HKD. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The sensitivity analysis includes only bank balances and cash. A positive number indicates an increase in post-tax profit where the above foreign currencies strengthen against the functional currency of the corresponding group entities. If there is 5% increase in USD, RMB and HKD against the functional currency of the corresponding group entities, the increase in the post-tax profit is shown as below:

	2022	2021
	HK$'000	HK$'000
RMB	**12,522**	673
USD	**8,552**	41
HKD	**1,504**	296

46. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Foreign currency risk (Continued)

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Market risk

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risks.

(i) Interest rate risk management

The Group's fair value interest rate risk relates primarily to the promissory notes, loans receivable, convertible bonds and lease liabilities which carry interests at fixed rates. The Group currently does not have any interest rate hedging policy. The Group monitors the interest rate risk exposure closely and may consider to enter any hedging activities if the need arises.

The Group's cash flow interest rate risk relates primarily to variable-rate bank balances and bank borrowings. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's Hong Kong dollars denominated borrowings.

Interest rates sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank borrowings at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2021: 50 basis points) increase or decrease in HIBOR is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Cash flow interest rate risk

If interest rates had been 50 basis points (2021: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2022 would decrease/increase by HK$476,000 (2021: decrease/increase by HK$64,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

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For the year ended 31 December 2022

46. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(ii) Other price risk management

Equity price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks on equity instruments at the end of reporting period.

If the prices of the respective equity instruments had been 10% (2021: 10%) higher/lower:

– post-tax profit for the year ended 31 December 2022 would increase/decrease by HK$nil (2021: HK$163,000) as a result of the changes in fair value of financial assets at fair value through profit or loss.

– investment revaluation reserve for the year ended 31 December 2022 would increase/decrease by HK$2,320,000 (2021: HK$2,486,000) for the Group as a result of the changes in fair value of unlisted equity securities under equity instrument at fair value through other comprehensive income.

The percentage applied in the sensitivity analysis is 10% in both years ended 31 December 2022 and 2021 of which management considers that is reasonable in current financial market.

Credit risk and impairment assessment

As at 31 December 2022 and 2021, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

46. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(ii) Other price risk management *(Continued)*

Credit risk and impairment assessment *(Continued)*

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date.	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL –credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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46. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(ii) Other price risk management *(Continued)*

Credit risk and impairment assessment *(Continued)*

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

2022	Notes	Internal credit rating	12-month/ Lifetime ECL	Gross carrying amount HK$'000	Allowance for ECL: Not credit-impaired HK$'000	Allowance for ECL: Credit-impaired HK$'000	Net carrying amount HK$'000
Trade and bills receivables	28	Low risk (note 4)	Lifetime ECL	436,129	–	–	436,129
Other receivables	28	Write-off (note 2)	Lifetime ECL	4,705	–	(4,705)	–
		Low Risk (note 2)	12-month ECL	13,192	–	–	13,192
				17,897	–	(4,705)	13,192
Loans receivables	19	Low risk (note 3)	12-month ECL	58,973	–	–	58,973
Promissory notes	26(ii)	Write-off (note 2)	Lifetime ECL	330,000	–	(330,000)	–
Amounts due from associates	29	Loss (note 2)	Lifetime ECL	4,557	–	(4,557)	–
	29	Low risk (note 2)	12-month ECL	1,184	–	–	1,184
				5,741	–	(4,557)	1,184
Amount due from a related party		Low risk (note 2)	Lifetime ECL	39	–	–	39
Fixed deposits	31	N/A (note 5)	N/A	250,367	–	–	250,367
Pledged bank deposits	31	N/A	N/A	148,286	–	–	148,286
Bank balances	31	N/A (note 5)	N/A	971,939	–	–	971,939

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For the year ended 31 December 2022

46. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(ii) Other price risk management *(Continued)*

Credit risk and impairment assessment *(Continued)*

2021	Notes	Internal credit rating	12-month/ Lifetime ECL	Gross carrying amount HK$'000	Not credit-impaired HK$'000	Credit-impaired HK$'000	Net carrying amount HK$'000
Trade and bills	28	Low risk (note 4)	Lifetime ECL	386,652	–	–	386,652
Other receivables	28	Loss (note 2)	Lifetime ECL	3,528	–	(3,528)	–
		Low Risk (note 2)	12-month ECL	8,304	–	–	8,304
				11,832	–	(3,528)	8,304
Loans receivables	19	Low risk (note 3)	12-month ECL	5,787	–	–	5,787
Promissory notes	26(i)	Write-off (note 2)	Lifetime ECL	203,705	–	(203,705)	–
	26(ii)	Write-off (note 2)	Lifetime ECL	330,000	–	(330,000)	–
				533,705	–	(533,705)	–
Amounts due from associates	29	Loss (note 2)	Lifetime ECL	4,557	–	(4,557)	–
	29	Low risk (note 2)	12-month ECL	1,270	–	–	1,270
				5,827	–	(4,557)	1,270
Fixed bank deposits	31	N/A (note 5)	N/A	1,086,559	–	–	1,086,559
Bank balances	31	N/A (note 5)	N/A	908,915	–	–	908,915

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For the year ended 31 December 2022

46. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(ii) Other price risk management *(Continued)*

Credit risk and impairment assessment *(Continued)*

Notes:

1. For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

2. For those financial assets which are past due, management assessed they are credit-impaired as follow:

   a) i) promissory note of gross amount of HK$nil issued by Mr. Dai Hai Dong (2021: HK$203,705,000 which internal credit rating set as write-off);

   ii) promissory note issued by Profit Castle of gross amount of HK$330,000,000 (2021:HK$330,000,000) which internal credit rating set as write-off (2021: write-off). Details of the promissory note are disclosed in note 26 to the consolidated financial statements.

   b) amounts due from associates of gross amount of HK$4,557,000 (2021: HK$4,557,000).

   For the financial assets including the remaining portion of other receivables and amount due from associates which are either not yet past due or no fixed-term of repayment, management assessed they are not credit-impaired and internal credit rating set as low risk.

3. The Group assessed the loss allowances for loans receivable with gross amount of HK$58,973,000 (2021: HK$5,787,000) on 12m ECL basis. The expected credit loss of loans receivable is assessed individually, taking into account the repayment histories, collaterals provided to the Group and internal credit rating of the debtors as well as forward-looking information, as appropriate.

   For the loan receivable from an associate which are either not yet past due, management assessed they are not credit-impaired and internal credit rating set as low risk.

4. For trade and bills receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses past due status.

   No allowance of expected credit loss has been recognised for 31 December 2022 and 2021.

5. Management considers the Group has limited credit risk with its banks which are leading and reputable banks and are assessed as having low credit risk. Majority of bank balances are deposited with reputable banks in Hong Kong. The Group has not incurred significant loss from non-performance by these parties in the past and management does not expect so in the future.

46. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(ii) Other price risk management *(Continued)*

Credit risk and impairment assessment *(Continued)*

As at 31 December 2022, the Group has a promissory note due from a party with principal amounting to HK$330,000,000 (2021: two promissory notes due from two parties with principals amounting to HK$533,705,000). As at 31 December 2022, the promissory note has been fully impaired (2021: both promissory notes have been fully impaired). As at 31 December 2022 and 2021, no aggregate loans receivable was due from one single company. An internal credit assessment process assesses the potential borrower's credit quality and defines credit limits by borrower, and the credit risk is considered low. There is no other significant concentration risk during the year.

The Group's concentration of credit risk relating to trade and bills receivables by geographical locations is mainly in the PRC as at 31 December 2022 and 2021.

The Group has concentration of credit risk by customer as 81% (2021: 74%) and 64% (2021: 59%) of the total trade and bills receivables which were due from the Group's five largest customers and the largest customer respectively. The Group's five largest customers are medical service companies with good reputation.

Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants. As at 31 December 2022, the Group had available unutilised banking facilities of HK$270,000,000 (2021: HK$20,000,000).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

46. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk management (Continued)

Liquidity and interest risk tables

	Weighted average effective interest rate	On demand or less than 1 month HK$'000	1 –3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2022 HK$'000
31 December 2022								
Non-derivative financial liabilities								
Trade and other payables		5,115	180,929	–	–	–	186,044	186,044
Amounts due to non-controlling interests		49,882	–	–	–	–	49,882	49,882
Amount due to an investee		292	–	–	–	–	292	292
Amounts due to related parties		3,098	–	–	–	–	3,098	3,098
Variable-rate bank borrowings	1.92%	46,861	1,450	4,164	27,760	67,990	148,225	113,896
Convertible bonds	3.96%	–	–	–	236,000	–	236,000	213,878
Lease liabilities	3.43%	–	21,214	49,146	85,470	–	155,830	147,249
		105,248	203,593	53,310	349,230	67,990	779,371	714,339

	Weighted average effective interest rate	On demand or less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2021 HK$'000
31 December 2021							
Non-derivative financial liabilities							
Trade and other payables		–	163,780	–	–	163,780	163,780
Amounts due to non-controlling interests		36,864	–	–	–	36,864	36,864
Amount due to an investee		296	–	–	–	296	296
Variable-rate bank borrowings	2.27%	15,400	–	–	–	15,400	15,400
Lease liabilities	3.06%	–	18,091	44,172	45,537	107,800	102,575
		52,560	181,871	44,172	45,537	324,140	318,915

46. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk management (Continued)

The table below summarises the maturity analysis of the bank borrowings which contained a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis contained in the above table. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid within 3 months to 18 years (2021: within 3 months to 12 years) after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$46,860,000 (2021: HK$17,670,000). Details of which are set out in the table below:

Maturity Analysis – Bank borrowing with a repayment on demand clause based on scheduled repayments

	Less than 1 year HK$'000	1-2 years HK$'000	2-5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
31 December 2022	**31,700**	**1,700**	**5,101**	**8,359**	**46,860**	**44,201**
31 December 2021	1,619	1,619	4,856	9,576	17,670	15,400

The amounts included above for variable interest rate instruments are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value measurement of financial instruments

This note provides information about how the Group determines fair value of various financial assets and financial liabilities.

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

46. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurement of financial instruments *(Continued)*

(1) Level 1 fair value measurements are those derived from quoted process (unadjusted) in active market for identical assets or liabilities;

(2) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(3) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Fair value hierarchy as at 31 December 2022

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Equity instruments at FVTOCI				
– Unlisted equity securities	–	–	27,785	27,785

Fair value hierarchy as at 31 December 2021

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL				
– Listed equity securities in Hong Kong	1,951	–	–	1,951
Equity instruments at FVTOCI				
– Unlisted equity securities	–	–	29,770	29,770
	1,951	–	29,770	31,721

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

46. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurement of financial instruments *(Continued)*

Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)

Financial assets	Fair value as at 31 December 2022 HK$'000	Fair value as at 31 December 2021 HK$'000	Fair value hierarchy	Valuation technique	Significant unobservable input(s)	Range (weighted average)	Relationship of unobservable inputs for fair value
1 Financial assets at FVTPL							
– Listed equity securities in Hong Kong	–	1,951	Level 1	Quoted bid prices in an active market	n/a	n/a	n/a
1 Equity instruments at FVTOCI	**27,785**	29,770	Level 3	Discounted cash flow method	Yearly growth rates of revenue	Ranging from 2.46% to 10.75% (2021: –1.16% to 2.71%	The increase in yearly growth rates of revenue would increase in fair value.
					Terminal growth rate	2.46% (2021: 2.71%)	The decrease in terminal growth rate would decrease in fair value
					Pre-tax operating profit margin	11.87% (2021: 10.85%)	The increase in yearly pre-tax operating profit margin would increase in fair value.
					Weighted average cost of capital	13.79% (2021: 13.43%)	The increase in weighted average cost of capital would decrease in fair value.
					Company specific risk premium	2.50% (2021: 2.50%)	The increase in company specific risk premium would decrease in fair value.
					Discount rate for lack of control and marketability	Ranging from 10.15%to 15.80% (2021: 10.15% to 15.80%	The increase in discount rate would decrease in fair value.

There were no transfers of financial assets between different levels of the fair value hierarchy in the current year and prior year.

The quantitative information of significant unobservable inputs used in arriving at the Level 3 fair value measurement are set out above.

The directors of the Company consider that except for financial assets as disclosed in the above table, the carrying amounts of remaining financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

46. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurement of financial instruments *(Continued)*

Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)

Reconciliation of Level 3 fair value measurements of financial assets

	Equity instruments at FVTOCI HK$'000
At 1 January 2021	39,609
Fair value changes	(9,839)
At 1 January 2022	29,770
Additions	6,117
Fair value changes	(8,102)
At 31 December 2022	27,785

The fair value loss of approximately HK$8,102,000 (2021: fair value loss of approximately HK$9,839,000) included in other comprehensive income related to equity instruments at FVTOCI held at the end of the reporting period and are reported as changes of "investment revaluation reserve". As a result of the changes in the current economic environment due to the COVID-19 pandemic, the investment of the financial assets is experiencing negative conditions of decreased revenues, that indicate that the relevant fair value change in financial assets at fair value through other comprehensive income.

47. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Amounts due to non-controlling interests (note 30) HK$'000	Lease liabilities (note 36) HK$'000	Borrowings (note 35) HK$'000	Convertible bonds (note 38) HK$'000	Total liabilities from financing activities HK$'000
At 1 January 2021	41,715	123,260	16,623	-	181,598
Changes from financing cash flows:					
Repayment to non-controlling interests	(4,851)	-	-	-	(4,851)
Repayment of liabilities	–	(72,091)	(1,223)	–	(73,314)
Interest paid	–	(3,526)	(377)	–	(3,903)
Total changes from financing cash flow	(4,851)	(75,617)	(1,600)	–	(82,068)
Non-cash changes:					
Recognition of lease liabilities during the year	–	54,424	–	–	54,424
Interest expenses	–	3,526	377	–	3,903
Rent concessions	–	(3,410)	–	–	(3,410)
Exchange differences	–	392	–	–	392
At 31 December 2021 and 1 January 2022	36,864	102,575	15,400	–	154,839
Changes from financing cash flows:					
Advance from non-controlling interests	1,942	–	–	–	1,942
Repayment of liabilities	–	(68,110)	(2,229)	(115,895)	(186,234)
Interest paid	–	(3,757)	(2,225)	–	(5,982)
Total changes from financing cash flow	1,942	(71,867)	(4,454)	(115,895)	(190,274)
Non-cash changes:					
Acquisition of subsidiaries (note 41)	11,205	73,378	100,725	327,201	512,509
Recognition of lease liabilities during the year	–	44,840	–	–	44,840
Derecognition of lease liabilities upon termination of lease	–	(2,609)	–	–	(2,609)
Convertible bonds redeemed but not yet paid	–	–	–	(4,105)	(4,105)
Interest expenses	–	3,757	2,225	6,677	12,659
Rent concessions	–	(1,888)	–	–	(1,888)
Exchange differences	(129)	(937)	–	–	(1,066)
At 31 December 2022	**49,882**	**147,249**	**113,896**	**213,878**	**524,905**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

48. RELATED PARTY TRANSACTIONS AND BALANCES

During the year, the Group entered into the following transactions with related parties:

Name of related party	Nature of transactions	2022 HK$'000	2021 HK$'000
Advance Bond Limited[1]	Rental income	**923**	960
Anova Medical Centre	Laboratory fee income	**–**	–[#]
China Life Insurance (Overseas) Company Limited[2]	Medical related services income	**691**	629
	Insurance expenses	**(736)**	(650)
China Life Insurance Company Limited[2]	Medical related services income	**1,157**	2,047
	Sales of medical consumables	**9**	101
	Property management income	**87**	109
	Insurance expenses	**(65)**	(130)
China Life Insurance Company Limited, Shandong Branch[3]	Repayment of lease liabilities	**(3,978)**	(4,386)
China Life Trustees Limited[2]	Retirement benefits scheme contributions	**(86)**	(44)
China Life Property & Casualty Insurance Company Limited[2]	Medical services income	**164**	–
Dr. Edmund Wong Clinic[4]	Cost of sales	**(8,316)**	–
Dr. Kenneth Tsang and Associates Limited[5]	Medical service income	**803**	–
	Cost of sales	**(2,202)**	–
Early Light International (Holdings) Limited	Medical services income	**235**	142
Hong Kong Bariatric and Metabolic Institute Limited[1]	Management services fee income	**251**	299
	Repayment of lease liabilities	**(370)**	(320)
Hong Kong Cardiac Center Limited[6]	Cost of sales	**(7,930)**	–
Hong Kong Health Check and Medical Diagnostic Centre Limited[1]	Rental income	**5,434**	6,734
	Laboratory fee income	**7**	–
	Cost of sales	**(3)**	(467)
	Consultancy fee expense	**(160)**	–
	Cash proceeds from sale of property, plant and equipment	**287**	–
My Beauty Company Limited[1]	Rental income	**1,775**	1,768
	Laboratory fee income	**–**	12
My Beauty Salon Company Limited[1]	Interest income	**1,349**	–
Platform Healthcare Limited	Laboratory fee income	**–**	3
	Medical services income	**–**	103
	Cost of sales	**(106)**	(247)
	Rental expenses	**(693)**	–
Prestige Medical Centre (HK) Ltd.	Medical services income	**110**	256
	Sales of medical consumables	**120**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

48. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

Notes:

1 The related parties are the associates of the Company during the years ended 31 December 2022 and 2021.

2 The related parties are the subsidiaries of the China Life Insurance (Group) Company, one of the beneficial owners of the Company.

3 China Life Insurance Company Limited, Shandong Branch is a branch office of China Life Insurance Company Limited.

4 Dr. Edmund Wong Clinic is wholly-owned by Dr. Wong Chun Wa, an executive director of the Company.

5 Dr. Kenneth Tsang and Associates Limited is owned by Dr. Tsang Wah Tak, Kenneth, an executive director and deputy chairman of the Company, and his spouse in equal shares.

6 Hong Kong Cardiac Center Limited is wholly-owned by Dr. Law Kwan Kin, an executive director of the Company, appointed on 28 June 2022 and resigned as an executive director of the Company with effect from 2 March 2023.

For amount less than HK$1,000.

As disclosed in note 1 to the consolidated financial statements, the Company published an announcement that the SFC has on 27 November 2017 issued a direction to suspend trading in the shares of the Company as it appears to the SFC that, inter alia, the Company's interim report for the six months ended 30 June 2016 published by the Company on 7 September 2016 and the Company's annual report for the year ended 31 December 2016 published by the Company on 27 April 2017 included materially false, incomplete or misleading information.

Notwithstanding the above, the board of directors of the Company has determined that no disclosures contained in these consolidated financial statements or in previously issued consolidated financial statements of the Group need to be amended.

Further, in the opinion of the directors of the Company, based on the information and explanations received by them and the best efforts and endeavors done by them to-date, there were no transactions or balances with related parties of the Group other than those disclosed in this note or elsewhere in the consolidated financial statements.

Details of balances with related parties as at the end of the reporting period are set out in the consolidated statement of financial position and in notes 29, 30 and 34.

Compensation of key management personnel

The remuneration of key management personnel which represent the directors of the Company during the year was as follows:

	2022 **HK$'000**	2021 HK$'000
Short-term benefits	**12,454**	3,567
Post-employment benefits	**351**	184
	12,805	3,751

The remuneration of key management personnel is determined by the remuneration committee of the board of directors of the Company having regard to the performance of individuals and market trends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 HK$'000	2021 HK$'000
NON-CURRENT ASSETS		
Unlisted investment in a subsidiary	**58,530**	28,530
Amounts due from subsidiaries	**3,922,736**	3,692,064
	3,981,266	3,720,594
CURRENT ASSETS		
Amount due from an associate	**500**	500
Other receivables	**899**	883
Bank balances and cash	**10,520**	356,923
	11,919	358,306
CURRENT LIABILITY		
Other payables	**4,170**	–
NET CURRENT ASSETS	**7,749**	358,306
NON-CURRENT LIABILITY		
Convertible bonds	**213,878**	–
	3,775,137	4,078,900
CAPITAL AND RESERVES		
Share capital – ordinary shares	**68,364**	75,261
Reserves (Note)	**3,706,773**	4,003,639
Total equity	**3,775,137**	4,078,900

The Company's statement of financial position was approved and authorised for issue by the board of directors of the Company on 28 March 2023 and are signed on its behalf by:

Mr. Jin Zhaogen
DIRECTOR

Ms. Zhao Xiangke
DIRECTOR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(Continued)

Note:

Reserves

	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Distributable reserve HK$'000	Treasury shares HK$'000	Convertible bonds reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1 January 2021	3,341,639	9,020	28,180	62,677	–	–	563,754	4,005,270
Loss and total comprehensive expense for the year	–	–	–	–	–	–	(1,631)	(1,631)
At 31 December 2021	3,341,639	9,020	28,180	62,677	–	–	562,123	4,003,639
Loss and total comprehensive expense for the year	–	–	–	–	–	–	(14,369)	(14,369)
Cancellation of ordinary shares	(297,570)	–	–	–	304,467	–	–	6,897
Repurchase of ordinary shares	–	–	–	–	(315,286)	–	–	(315,286)
Issue of convertible bonds	–	–	–	–	–	37,181	–	37,181
Redemption of convertible bonds	–	–	–	–	–	(4,066)	4,066	–
Dividend declared	–	–	–	–	–	–	(11,289)	(11,289)
At 31 December 2022	**3,044,069**	**9,020**	**28,180**	**62,677**	**(10,819)**	**33,115**	**540,531**	**3,706,773**

Contributed surplus of the Company includes the difference between the nominal value of HK$350,000 of the ordinary shares issued by the Company and the net assets value of approximately HK$28,530,000 of Town Health (BVI), a subsidiary acquired through an exchange of shares pursuant to the group reorganisation in April 2000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

50. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2022 and 2021 are as follows:

Name of company	Place of incorporation /form of legal entity	Principal place of operation	Class of shares held	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/registered capital held by the Company				Proportion of voting power held by the Company				Principal activities
					31 December 2022		31 December 2021		31 December 2022		31 December 2021		
					Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	
Town Health (BVI)	British Virgin Islands/ limited liability company	(Note)	Ordinary	US$1,331,131	100%	–	100%	–	100%	–	100%	–	Investment holding
Allied Gallant Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$100	–	80%	–	80%	–	70%	–	70%	Provision of medical healthcare services
Bright Wisdom International Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$1	–	100%	–	100%	–	100%	–	100%	Provision of laboratory related services
Vio	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$1,000	–	94.3%	–	94.3%	–	100%	–	100%	Provision of managed medical network services
Easy Result Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$100	–	51%	–	51%	–	67%	–	67%	Provision of medical healthcare services
First Billion Investment Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$2	–	100%	–	100%	–	100%	–	100%	Property investments services
Hong Kong T&O	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$1,000	–	43.4%	–	43.4%	–	67%	–	67%	Provision of medical healthcare services
Nanyang Xiangrui	PRC/sino foreign equity joint venture	PRC	–	RMB84,835,000	–	60.2%	–	60.2%	–	60%	–	60%	Provision of hospital management service
PHC Medical Group Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$2	–	100%	–	100%	–	100%	–	100%	Provision of medical healthcare services
Modern Ascent Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$1	–	35%	–	35%	–	67%	–	67%	Provision of medical healthcare services
Profit Sources Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$100	–	100%	–	100%	–	100%	–	100%	Property investments services
Regal Luck International Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$1	–	100%	–	100%	–	100%	–	100%	Property investments services
Town Health Corporate Advisory and Investments Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$100	–	100%	–	100%	–	100%	–	100%	Provision of business and corporate advisory services
Town Health Dental Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$2	–	100%	–	100%	–	100%	–	100%	Provision of dental consultation services
Town Health M&D	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$2	–	100%	–	100%	–	100%	–	100%	Provision of medical healthcare services
廣州宜康醫療管理有限公司	PRC/sino foreign equity joint venture	PRC	–	RMB199,750,000	–	80%	–	80%	–	75%	–	75%	Provision of medical healthcare services
河南祥邦物業服務有限公司	PRC/sino foreign equity joint venture	PRC	–	RMB5,000,000	–	60.2%	–	60.2%	–	60%	–	60%	Provision of property management services
河南恒益祥醫药有限公司	PRC/sino foreign equity joint venture	PRC	–	RMB4,000,000	–	48.2%	–	48.2%	–	48%	–	48%	Provision of trading medicines
南陽健科醫療科技有限公司	PRC/sino foreign equity joint venture	PRC	–	RMB15,000,000	–	60.2%	–	60.2%	–	60%	–	60%	Trading of medical consumables and equipment
Ruishi Ophthalmology	PRC/sino foreign equity joint venture	PRC	–	RMB20,000,000	–	36.7%	–	36.7%	–	40%	–	40%	Provision of eyecare services
Yugangxiang	PRC/sino foreign equity joint venture	PRC	–	RMB4,000,000	–	48.2%	–	48.2%	–	48%	–	48%	Provision of trading medicines
HKMC	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$100	–	100%	–	–	–	100%	–	–	Provision of integrated private medical services

Note: The subsidiary acts as investment holding company and has no specific principal place of operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

50. PRINCIPAL SUBSIDIARIES *(Continued)*

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, results in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in Hong Kong.

Details of non-wholly owned subsidiary that have material non-controlling interests

The table below shows details of non-wholly owned subsidiary of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of voting rights held by non-controlling interests		Proportion of ownership interests held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		31.12.2022	31.12.2021	**31.12.2022**	31.12.2021	**31.12.2022 HK$'000**	31.12.2021 HK$'000	**31.12.2022 HK$'000**	31.12.2021 HK$'000
Nanyang Xiangrui	PRC	**40%**	40%	**39.8%**	39.8%	**28,906**	28,236	**284,786**	284,264
Individually immaterial subsidiaries with non–controlling interests						**5,327**	24,823	**74,753**	86,135
						34,233	53,059	**359,539**	370,399

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

50. PRINCIPAL SUBSIDIARIES *(Continued)*

Details of non-wholly owned subsidiary that have material non-controlling interests *(Continued)*

Nanyang Xiangrui	2022 HK$'000	2021 HK$'000
Current assets	**659,277**	536,200
Non-current assets	**91,429**	174,782
Current liabilities	**(149,635)**	(128,189)
Non-current liabilities	**(1,452)**	(2,480)
Equity attributable to owners of the Company	**360,973**	349,351
Non-controlling interests	**238,646**	230,962
Income	**471,569**	438,106
Expenses	**(399,253)**	(369,244)
Profit for the year	**72,316**	68,862
Profit attributable to owners of the Company	**43,535**	41,455
Profit attributable to the non-controlling interests	**28,781**	27,407
Profit for the year	**72,316**	68,862
Other comprehensive (expense) income attributable to owners of the Company	**(27,948)**	10,239
Other comprehensive (expense) income attributable to the non-controlling interests	**(18,477)**	6,769
Other comprehensive (expense) income for the year	**(46,425)**	17,008
Total comprehensive income attributable to owners of the Company	**15,587**	51,694
Total comprehensive income attributable to the non-controlling interests	**10,304**	34,176
Total comprehensive income for the year	**25,891**	85,870
Net cash inflow (outflow) from (used in) operating activities	**25,796**	(14,432)
Net cash inflow (outflow) from (used in) investing activities	**184**	(7,819)
Effect of foreign exchange rate changes	**(42,622)**	14,171
Net cash outflow	**(16,642)**	(8,080)

MAJOR PROPERTIES INFORMATION

The Group's property portfolio summary – major properties held for investment.

	Location	Existing use	Tenure	Group's interest (%)	
				2022	2021
1.	Whole block of Nos. 10-12 Yuen Shun Circuit, Sha Tin Town Lot No. 282, New Territories	Office	Medium term lease	**100%**	100%
2.	14/F, Kaiseng Commercial Centre, Nos. 4-6 Hankow Road, Kowloon	Office	Medium term lease	**100%**	100%
3.	13/F, Kaiseng Commercial Centre, Nos. 4-6 Hankow Road, Kowloon	Office	Medium term lease	**100%**	100%
4.	12/F, Kaiseng Commercial Centre, Nos. 4-6 Hankow Road, Kowloon	Office	Medium term lease	**100%**	100%
5.	G/F, Ultragrace Commercial Building, 5 Jordan Road, Kowloon	Shops	Medium term lease	**100%**	100%

FINANCIAL SUMMARY

RESULTS

	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**1,535,580**	1,483,892	1,069,045	1,128,932	1,121,736
Profit (loss) for the year	**49,522**	75,072	(258,450)	10,519	85,509
Profit (loss) attributable to:					
Owners of the Company	**15,289**	22,013	(281,038)	(8,414)	64,014
Non-controlling interests	**34,233**	53,059	22,588	18,933	21,495
	49,522	75,072	(258,450)	10,519	85,509

ASSETS AND LIABILITIES

	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**4,749,680**	4,730,370	4,582,639	4,738,571	4,633,068
Total liabilities	**(896,090)**	(504,936)	(456,507)	(435,560)	(288,970)
	3,853,590	4,225,434	4,126,132	4,303,011	4,344,098
Total equity attributable to:					
Owners of the Company	**3,491,416**	3,855,035	3,810,481	4,015,547	4,071,271
Non-controlling interests	**362,174**	370,399	315,651	287,464	272,827
	3,853,590	4,225,434	4,126,132	4,303,011	4,344,098

GLOSSARY

2023 Tenancy Agreement	the tenancy agreement dated 28 December 2022 and entered into between Jinan Likang and CLIS in respect of the leasing of Units 01-06, 5/F, South Block of the Building for the period from 1 January 2023 to 31 December 2023
Acquisition Completion	completion of the Central Medical Acquisition in accordance with the terms of the Share Purchase Agreement
Adjusted Net Profit	the Target Group's audited consolidated net profit or loss after tax attributable to shareholders (excluding all listing expenses and share-based payments) as set out in the consolidated accounts of the Target Group audited by the Central Medical's auditors in respect of each of the three financial years ending on 31 March 2022, 31 March 2023 and 31 March 2024
AGM	annual general meeting of the Company
Assignment Deed	the deed of assignment dated 13 October 2022 entered into between TH (BVI), a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company and Mr. U Man Iong, in relation to the assignment of TH (BVI)'s rights, interests, benefits, obligations, duties and risks in the Relevant Matters from TH (BVI) to Mr. U Man Iong
Audit Committee	audit committee of the Board
Banking Services	the Deposit Services, the Loan Services and the Other Banking Services
BB Promissory Note	the promissory note with a principal amount of HK$330,000,000 issued by Profit Castle as part of the consideration for the acquisition of the Group's interests in Bonjour Beauty and its subsidiaries
Best Tree	Best Tree International Limited, a company incorporated in the British Virgin Islands with limited liability, which is owned as to 51% indirectly by the Company and 49% directly by Dr. CW Wong
BO Support Services	the back-office support services, consisting of procurement, marketing, finance and administrative services
Board	the board of Directors
Bondholder(s)	holder(s) of the Convertible Bonds

GLOSSARY

Bond Instruments	the instruments constituting the Convertible Bonds to be executed by the Company in favour of the Seller Nominees upon the Acquisition Completion
Bonjour Beauty	Bonjour Beauty International Limited
Broad Idea	Broad Idea International Limited
BT Group	Best Tree and its subsidiaries
BT Group Services	collectively, (i) the BTG Clinical Support Services and (ii) the BTG Specialist Medical Services
BTG BO Support Services	the BO Support Services to be provided by the Relevant Group (ex BTG) to the BT Group for certain medical centres operated by the BT Group as requested by the BT Group from time to time under the BTG Framework Agreement
BTG CCTs	the continuing connected transactions in relation to the provision of the BTG Specialist Medical Services, the granting of the BTG Licenses and the entering into of the BTG Leases between the Relevant Group (ex BTG) and the BT Group contemplated under the BTG Framework Agreement
BTG Clinical Support Services	the Clinical Support Services to be provided by the BT Group to the Relevant Group (ex BTG) at certain medical centres operated by the Relevant Group (ex BTG) as requested by the Relevant Group (ex BTG) from time to time under the BTG Framework Agreement
BTG Framework Agreement	the framework agreement dated 11 November 2022 and entered into between TH (BVI) and Best Tree, in relation to the provision of the BTG Specialist Medical Services, the provision of the BTG Clinical Support Services, the provision of the BTG BO Support Services, the provision of the BTG Medical and Diagnostic Services, the granting of the BTG Licenses and the entering into of the BTG Leases
BTG Leases	the Leases to be granted by the Relevant Group (ex BTG) to the BT Group from time to time under the BTG Framework Agreement
BTG Licences	the Licences to be granted by the Relevant Group (ex BTG) to the BT Group under the BTG Framework Agreement, with such areas as mutually agreed between the parties from time to time

GLOSSARY

BTG Medical and Diagnostic Services	the Medical and Diagnostic Services to be provided by the Relevant Group (ex BTG) to the BT Group as requested by the BT Group from time to time under the BTG Framework Agreement
BTG Specialist Medical Services	the Specialist Medical Services to be provided by the BT Group to the Relevant Group (ex BTG) at certain medical centres operated by the Relevant Group (ex BTG) as requested by the Relevant Group (ex BTG) from time to time under the BTG Framework Agreement
Building	China Life Building, No. 11001, Jingshi Road, Lixia District, Jinan City, Shandong Province, the PRC
Business Day	a day (other than a Saturday or Sunday or public holiday) on which banks in Hong Kong are open for the transaction of normal business
Buyer	Speedy Light International Limited, a company incorporated under the laws of the British Virgin Islands and an indirect wholly-owned subsidiary of the Company
Bye-laws	bye-laws of the Company
CCTs	the continuing connected transactions contemplated under the CCT Agreements
CCT Agreements	collectively, (i) the Framework Agreements; (ii) the Framework Cooperation Agreement; (iii) the HKCCL Consultancy Agreement; (iv) the EWC Consultancy Agreement; (v) the Service Agreement; (vi) the ERG Framework Agreement; (vii) the BTG Framework Agreement; and (viii) the CGB Framework Agreement
Central Medical	Central Medical Holdings Limited, a company incorporated under the laws of the British Virgin Islands
Central Medical Acquisition	the acquisition of the shares of Central Medical from the Seller pursuant to the Share Purchase Agreement
CEO or Chief Executive Officer	the chief executive officer of the Company
CG Code	Corporate Governance Code as contained in Appendix 14 to the Listing Rules then in force during the Year
CGB	China Guangfa Bank Co., Ltd.
CGB CCTs	the continuing connected transactions in relation to the provision of the Medical & Healthcare Services by the Group and the provision of the Deposit Services by CGB (HK) contemplated under the CGB Framework Agreement

GLOSSARY

CGB (HK)	China Guangfa Bank Co., Ltd., Hong Kong Branch
CGB Framework Agreement	the framework agreement dated 14 November 2022 and entered into between the Company and CGB (HK) in respect of (i) the provision of the Medical & Healthcare Services by the Group to the staff of CGB (HK); and (ii) the provision of the Banking Services by CGB (HK) to the Group
CHG	Central Healthcare Group Limited, a company incorporated in the British Virgin Islands with limited liability and a controlling shareholder of the Seller
China or Mainland China or PRC	the People's Republic of China excluding, for the purpose of this annual report only, Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan
CL Group	CLIO and its Branches, CLIS and its Branches, and CLPS and its Branches
CL Products	the CLIO Products, the CLIS Products and the CLPS Products
Classictime	Classictime Investments Limited
CLG CCTs	the continuing connected transactions in relation to the provision of the Medical Related Services by the Group contemplated under the Framework Agreements and the Framework Cooperation Agreement
CLG Subscription	the subscription for 1,785,098,644 Shares by CLIG pursuant to an investment agreement dated 5 January 2015 and entered into between the Company and CLIG
CLIC	China Life Insurance Company Limited, a joint stock company established in the PRC with limited liability whose shares are listed on the Stock Exchange (stock code: 2628), New York Stock Exchange (stock code: LFC) and Shanghai Stock Exchange (stock code: 601628) respectively
CLIG	中國人壽保險(集團)公司 (in English, for identification purpose only, China Life Insurance (Group) Company)
Clinical Support Services	clinical and administrative support provided by health care assistants

GLOSSARY

CLIO	China Life Insurance (Overseas) Company Limited, a company established in the PRC with limited liability and is a wholly-owned subsidiary of CLIG
CLIO and its Branches	CLIO and all subsidiaries, branches and sub-branches of CLIO in Hong Kong
CLIO Framework Agreement	the framework agreement dated 19 February 2021 and entered into between the Company and CLIO in respect of (1) the provision of the Medical Related Services by the Group to CLIO and its Branches or their respective staff and clients and (2) the procurement of the CLIO Products by the Group from CLIO and its Branches
CLIO Products	insurance products, including but not limited to staff medical insurance, to be sold by CLIO and its Branches to the Group pursuant to the CLIO Framework Agreement
CLIS	中國人壽保險股份有限公司山東省分公司 (in English, for identification purpose only, China Life Insurance Company Limited, Shandong Branch)
CLIS and its Branches	CLIS and all branches and sub-branches of CLIC in Shandong Province of the PRC under the management of CLIS
CLIS Framework Agreement	the framework agreement dated 19 February 2021 and entered into between the Company and CLIS in respect of (1) the provision of the Medical & Healthcare Services by the Group to CLIS and its Branches or their respective staff and clients and (2) the procurement of the CLIS Products by the Group from CLIS and its Branches
CLIS Products	insurance products, including but not limited to staff medical insurance, to be sold by CLIS and its Branches to the Group pursuant to the CLIS Framework Agreement
CLIZ	中國人壽保險股份有限公司深圳市分公司 (in English, for identification purpose only, China Life Insurance Company Limited, Shenzhen Branch)
CLPE	China Life Private Equity Investment Company Limited
CLPI	中國人壽財產保險股份有限公司 (in English, for identification purpose only, China Life Property & Casualty Insurance Company Limited)
CLPS	中國人壽財產保險股份有限公司山東省分公司 (in English, for identification purpose only, China Life Property & Casualty Insurance Company Limited, Shandong Branch)

GLOSSARY

CLPS and its Branches	CLPS and all branches and sub-branches of CLPI in Shandong Province of the PRC under the management of CLPS
CLPS Framework Agreement	the framework agreement dated 19 February 2021 and entered into between the Company and CLPS in respect of (1) the provision of the Medical & Healthcare Services by the Group to CLPS and its Branches or their respective staff and clients and (2) the procurement of the CLPS Products by the Group from CLPS and its Branches
CLPS Products	insurance products, including but not limited to property loss insurance, to be sold by CLPS and its Branches to the Group pursuant to the CLPS Framework Agreement
Company or Town Health	Town Health International Medical Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability whose Shares are listed on the Main Board
Company Secretary	company secretary of the Company
connected person	has the meaning ascribed to it under the Listing Rules
Consultancy Agreements	collectively, the HKCCL Consultancy Agreement and the EWC Consultancy Agreement
controlling shareholder	has the meaning ascribed to it under the Listing Rules
Conversion Price	initially HK$0.76 per Conversion Share, subject to adjustment for certain dilutive events
Conversion Rights	the conversion rights attaching to the Convertible Bonds to convert the principal amount or a part thereof into the Conversion Shares
Conversion Shares	new Shares which may fall to be allotted and issued by the Company to the Seller Nominees at the Conversion Price, credited as fully paid, upon exercise of the Conversion Rights by the Seller Nominees
Convertible Bonds	collectively, the Tranche A Convertible Bonds, the Tranche B Convertible Bonds and the Tranche C Convertible Bonds
Convertible Preference Shares	perpetual non-voting redeemable convertible preference shares of HK$0.01 each in the share capital of the Company subscribed by Fubon Life, Fubon Insurance and Broad Idea pursuant to the CPS Subscription Agreement

GLOSSARY

CPS Subscription	the subscription for 212,121,212 Convertible Preference Shares by Fubon Life, 79,545,454 Convertible Preference Shares by Fubon Insurance and 83,333,333 Convertible Preference Shares by Broad Idea, pursuant to the CPS Subscription Agreement
CPS Subscription Agreement	perpetual non-voting redeemable convertible preference shares subscription agreement dated 31 October 2014 and entered into between the Company, Fubon Life, Fubon Insurance and Broad Idea
Deposit Services	the deposit services to be provided by CGB (HK) to the Group under the CGB Framework Agreement
Deputy Chairman	deputy chairman of the Company
Diagnostic Services	diagnostic investigation services
Director(s)	the director(s) of the Company
Disposal	the disposal of the entire issued share capital of Wise Lead, which owns 49% interest in Huayao Medical Group Limited, by the Group
Dr. Cho	Dr. Cho Kwai Chee
Dr. Choi	Dr. Choi Chee Ming *GBS, JP*
Dr. CK Wong	Dr. Wong Chi Kit Nelson, an executive Director
Dr. CW Wong	Dr. Wong Chun Wa, an executive Director
Dr. Ip	Dr. Ip Chun Heng Wilson
Dr. Law	Dr. Law Kwan Kin, who was appointed as an executive Director on 28 June 2022 and resigned as an executive Director with effect from 2 March 2023
Dr. Tsang	Dr. Tsang Wah Tak, Kenneth, an executive Director and a Deputy Chairman
Easy Result	Easy Result Limited, a company incorporated in Hong Kong with limited liability, which is indirectly owned as to 51% by the Company and 49% by Dr. Law
ER Group	Easy Result and its subsidiaries
ER Group Services	collectively, (i) the ERG Diagnostic Services and (ii) the ERG Specialist Medical Services
ERG BO Support Services	the BO Support Services to be provided by the Relevant Group (ex ERG) to the ER Group for certain medical centres operated by the ER Group as requested by the ER Group from time to time under the ERG Framework Agreement

GLOSSARY

ERG CCTs	the continuing connected transactions in relation to the provision of the ERG Diagnostic Services and the ERG Specialist Medical Services contemplated under the ERG Framework Agreement
ERG Diagnostic Services	the Diagnostic Services to be provided by the ER Group to the Relevant Group (ex ERG) as requested by the Relevant Group (ex ERG) from time to time under the ERG Framework Agreement
ERG Framework Agreement	the framework agreement dated 11 November 2022 and entered into between TH (BVI) and Easy Result, in relation to the provision of the ERG Specialist Medical Services, the ERG Diagnostic Services, the ERG BO Support Services and the ERG Medical and Diagnostic Services
ERG Medical and Diagnostic Services	the Medical and Diagnostic Services to be provided by the Relevant Group (ex ERG) to the ER Group as requested by the ER Group from time to time under the ERG Framework Agreement
ERG Specialist Medical Services	the Specialist Medical Services to be provided by the ER Group to the Relevant Group (ex ERG) at certain medical centres operated by the Relevant Group (ex ERG) as requested by the Relevant Group (ex ERG) from time to time under the ERG Framework Agreement
EW Clinic	Dr. Edmund Wong Clinic, a business established in Hong Kong, operated and wholly-owned by Dr. CW Wong
EWC CCTs	the continuing connected transactions contemplated under the EWC Consultancy Agreement
EWC Consultancy Agreement	the consultancy agreement dated 27 June 2022 and entered into between HKTOIL and EW Clinic, in relation to the provision of the EWC Services
EWC Practice	the medical centres at Unit 212, 2nd Floor, Citylink Plaza, Shatin, New Territories; Room 1602, Entrepot Centre, 117 How Ming Street, Kwun Tong, Kowloon; Room 611, 6/F Champion Building, 301-309 Nathan Road, Jordan, Kowloon; Units 905-907, Level 9, Landmark North, G/F, 20 Lung Sum Avenue, Sheung Shui, New Territories; 1/F, Glassview Commercial Building, 65-67 Castle Peak Road, Yuen Long, New Territories; Units Nos. 710-713, 7/F., Hong Kong Pacific Centre, 28 Hankow Road, Tsim Sha Tsui, Kowloon; and Rooms 713-714, 7/F, Nan Fung Centre, 264-298 Castle Peak Road, Tsuen Wan, New Territories, or such other medical centre(s) providing medical and healthcare services in Hong Kong which is/are established, developed, operated and/or managed by HKTOIL, its holding companies, subsidiaries and fellow subsidiaries as designated by HKTOIL from time to time

GLOSSARY

EWC Services	medical consultation, procedures, surgeries, care and services and all related healthcare services to be provided by EW Clinic under the EWC Consultancy Agreement through Dr. CW Wong and/or such other Registered Medical Practitioner(s) and Registered Specialist(s) employed or otherwise engaged by EW Clinic and acceptable to HKTOIL to the patients of the EWC Practice and/or any locations as designated by HKTOIL as a Registered Specialist in Orthopaedic & Traumatology, and such other services and duties as HKTOIL and/or its designated officers may direct from time to time
Framework Agreements	the CLIO Framework Agreement, the CLIS Framework Agreement and the CLPS Framework Agreement
Framework Cooperation Agreement	the framework cooperation agreement dated 2 July 2021 and entered into between Guangdong Townsfolk and CLIZ in respect of the provision of the Medical & Healthcare Services by Townsfolk Group to CLIZ or its staff and clients
Fubon Insurance	Fubon Insurance Co., Ltd.
Fubon Life	Fubon Life Insurance Co., Ltd.
Ganghe Clinic	深圳港和診所 (in English, for identification purpose only, Shenzhen Ganghe Clinic)
Group	the Company and its subsidiaries
Guangdong Townsfolk	廣東港康醫院管理有限公司 (in English, for identification purpose only, Guangdong Townsfolk Hospital Management Co., Ltd.), an indirect wholly-owned subsidiary of the Company incorporated in the PRC
Guarantee	the deed of guarantee dated 13 April 2017 executed by Dr. Ip in favour of Oasis Beauty for securing the repayment of the BB Promissory Note by Profit Castle
HKCCL	Hong Kong Cardiac Centre Limited, a company incorporated in Hong Kong with limited liability, which is wholly-owned by Dr. Law
HKCCL CCTs	the continuing connected transactions contemplated under the HKCCL Consultancy Agreement
HKCCL Consultancy Agreement	the consultancy agreement dated 27 June 2022 and entered into between Easy Result and HKCCL, in relation to the provision of the HKCCL Services

GLOSSARY

HKCCL Locations	any of the Hong Kong Health Check & Medical Diagnostic Centre(s) and/or any of the Dr. Vio & Partners Clinic(s) as designated by Easy Result
HKCCL Physicians	Dr. Law and/or such other Registered Medical Practitioner(s) and Registered Specialist(s) employed or otherwise engaged by HKCCL and acceptable to Easy Result
HKCCL Practice	the medical centres at Room 705-707, 7/F, 238 Nathan Road, Kowloon and Room 2202-03, Melbourne Plaza, 33 Queen's Road, Central, Hong Kong, or such other medical centre(s) providing medical and healthcare services in Hong Kong which is/are established, developed, operated and/or managed by Easy Result, its holding companies, subsidiaries and fellow subsidiaries as designated by Easy Result from time to time
HKCCL Services	medical consultation, procedures, surgeries, care and services and all related healthcare services to be provided by HKCCL under the HKCCL Consultancy Agreement through the HKCCL Physicians to the patients of the HKCCL Practice and/or the HKCCL Locations as a Registered Specialist in Cardiology, and such other services and duties as Easy Result and/or its designated officers may direct from time to time
HKMC	Hong Kong Medical Consultants Limited, a company incorporated in Hong Kong with limited liability, which is a wholly-owned subsidiary of the Company
HKMC CCTs	the continuing connected transactions in relation to the provision of the HKMC Services contemplated under the Service Agreement
HKMC Services	providing to the Key Individual such facilities and equipment as mutually agreed by KTAL and HKMC for provision of the KTAL Services; and providing to the Key Individual nursing, pharmacy, billing, administrative and other support services for provision of the KTAL Services
HKTOIL	Hong Kong Traumatology and Orthopaedics Institute Limited, a company incorporated in Hong Kong with limited liability, which is a non wholly-owned subsidiary of the Company

GLOSSARY

HK$ or HKD	Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Jinan Likang	濟南歷康門診部有限公司 (in English, for identification purpose only, Jinan Likang Outpatient Department Co., Ltd.), a company established in the PRC with limited liability and an indirect non wholly-owned subsidiary of the Company
Key Individual(s)	Dr. Tsang (or any other person(s) who is/are qualified to conduct medical practice in Hong Kong and approved by HKMC)
KTAL	Dr. Kenneth Tsang and Associates Limited, a company incorporated in Hong Kong with limited liability, which is owned by Dr. Tsang and his spouse in equal shares
KTAL CCTs	the continuing connected transactions in relation to the provision of the KTAL Services contemplated under the Service Agreement
KTAL Services	the medical services to be provided by the Key Individual as a specialist of respiratory medicine or such other services to be provided by the Key Individual as agreed by the parties to the Service Agreement
Leases	the leases of certain Premises for the purpose of medical centre operation
Licences	the non-exclusive right to use part of certain Premises for the purpose of medical centre operation
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Loan Services	the loan services to be provided by CGB (HK) to the Group under the CGB Framework Agreement
Main Board	the Main Board of the Stock Exchange

GLOSSARY

Maturity Dates	in respect of the Tranche A Convertible Bonds: 26 August 2023, which is 12 months from the date of issue of the Convertible Bonds (i.e. 26 August 2022); in respect of the Tranche B Convertible Bonds: 26 August 2024, which is 24 months from the date of issue of the Convertible Bonds (i.e. 26 August 2022); and in respect of the Tranche C Convertible Bonds: 26 August 2025, which is 36 months from the date of issue of the Convertible Bonds (i.e. 26 August 2022)
Medical and Diagnostic Services	the medical and diagnostic services, including general consultation, specialist consultation, dental treatment, physiotherapy treatment, traditional Chinese medicine, diagnostic and laboratory tests
Medical & Healthcare Services	health check services (including but not limited to general health checks, underwriting health checks and VIP customer health checks) and medical services (including but not limited to general practice and specialist medical services, dental health care and treatments, medical beauty and anti-ageing services, Hong Kong medical consultation, vaccination and auxiliary medical services)
Medical Network Administrator Services	medical network administrator services, including but not limited to third-party medical network administrator services
Medical Related Services	the Medical & Healthcare Services and the Medical Network Administrator Services
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
Nanshi Hospital	南陽南石醫院 (in English, for identification purpose only, Nanshi Hospital of Nanyang)
Nanyang Ruishi Ophthalmology Hospital	南陽瑞視眼科醫院有限公司 (in English, for identification purpose only, Nanyang Ruishi Ophthalmology Hospital Co., Ltd.), a subsidiary of the Company
Nanyang Xiangrui	南陽祥瑞醫院管理諮詢有限公司 (in English, for identification purpose only, Nanyang Xiangrui Hospital Management Advisory Co., Ltd.), a subsidiary of the Company
Nomination Committee	nomination committee of the Board

GLOSSARY

Oasis Beauty	Oasis Beauty Limited, an indirect wholly-owned subsidiary of the Company
Ordinary Shares Subscription	the subscription of 459,183,673 Shares by Fubon Life, Fubon Insurance and Broad Idea and the allotment and issue of the subscription shares
Other Banking Services	the banking services (other than the Deposit Services and the Loan Services), such as cash management services, financial advisory services and other financial services, to be provided by CGB (HK) to the Group under the CGB Framework Agreement
Performance Target	the Target Group's target Adjusted Net Profit for each of the three financial years ending on 31 March 2022, 31 March 2023 and 31 March 2024, being no less than HK$30,000,000
Period 2022	the period from 26 August 2022 to 31 December 2022
Period 2025	the period from 1 January 2025 to 25 August 2025
Power Financial	Power Financial Group Limited
Premises	the premises owned or leased by the Relevant Group (ex BTG), the whole or part of which are leased or licenced to the BT Group for the purpose of medical centre operation
Profit Castle	Profit Castle Holdings Limited
Purchaser	the purchaser in the Disposal, i.e. Mr. Dai Hai Dong
Registered Medical Practitioner	duly qualified medical practitioner registered in accordance with the provisions of the Medical Registration Ordinance (Chapter 161 of the Laws of Hong Kong) for the conduct of medical practices in Hong Kong
Registered Specialist(s)	duly qualified specialist(s) registered in accordance with the provisions of the Medical Registration Ordinance (Chapter 161 of the Laws of Hong Kong) for the conduct of medical practices in Hong Kong
Relevant Group (ex BTG)	TH (BVI) and its subsidiaries, excluding members of the BT Group
Relevant Group (ex BTG) Services	collectively, (i) the BTG BO Support Services; (ii) the BTG Medical and Diagnostic Services; (iii) the BTG Licences; and (iv) the BTG Leases

GLOSSARY

Relevant Group (ex ERG)	TH (BVI) and its subsidiaries, excluding members of the ER Group
Relevant Group (ex ERG) Services	collectively, (i) the ERG BO Support Services and (ii) the ERG Medical and Diagnostic Services
Relevant Matters	the sale and purchase agreement dated 4 November 2016 entered into between the Purchaser and TH (BVI) in relation to the Disposal, the assignment in relation to the the entire sum owing by Wise Lead to TH (BVI) immediately prior to completion of the Disposal executed by, among others, TH (BVI) and the Purchaser, the promissory note in the principal amount of HK$230,000,000 issued by the Purchaser in favour of TH (BVI) at completion of the Disposal, the WL Promissory Note, the share mortgage over the entire issued share capital of Wise Lead dated 4 November 2016 executed by the Purchaser in favour of TH (BVI) and all the litigation, legal actions and proceedings in relation thereto and arising therefrom (including but not limited to the PRC Legal Claim (as defined in the paragraph headed "Promissory Notes" in the section headed "Report of the Directors" of this annual report), the appeal to Zhejiang Higher Court (as defined in the paragraph headed "Promissory Notes" in the section headed "Report of the Directors" of this annual report) seeking to overturn the WL Judgment (as defined in the paragraph headed "Promissory Notes" in the section headed "Report of the Directors" of this annual report) filed by the Purchaser and the cross appeal to Zhejiang Higher Court filed by TH (BVI) in relation to its claims against the former spouse of the Purchaser under the PRC Legal Claim)
Remuneration Committee	remuneration committee of the Board
Renewed CCTs	collectively, (i) the CLG CCTs; (ii) the HKCCL CCTs; (iii) the EWC CCTs; (iv) the KTAL CCTs; (v) the HKMC CCTs; (vi) the ERG CCTs; (vii) the BTG CCTs; and (viii) the CGB CCTs
RMB	Renminbi, the lawful currency of the PRC
Seller	Hong Kong Medical Consultants Holdings Limited, a company incorporated under the laws of the Cayman Islands
Seller Guarantors	CHG, Dr. Tsang, Dr, Leung Wing Hung, Dr. Fong Ka Yeung, Mr. Shiu Shu Ming and Dr. Chu Leung Wing

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Seller Nominees	Dr. Fong Ka Yeung; Dr. Chu Leung Wing; Dr. Lee Pui Yin; Dr. Cheng Cheung Wah Boron; Dr. Ng Ma Tai Matthew; Dr. Lo Wai Kei; Dr. Chau Kwok On, Gordon; Dr. Ng Wing Ho, Kenneth; Dr. Tam Sau Man, Barbara; Peak Summit Development Limited, a company controlled by Dr. Tsang; Heroic Wealth Capital Investments Limited, a company controlled by Dr. Leung Wing Hung; Wealth Basin Limited, a company wholly owned by Mr. Shiu Shu Ming; Les Trois Bonheurs (2018) Limited, a company wholly owned by Mrs. Chen Chou Mei Mei Vivien; CEKA Limited, a company wholly owned by Dr. Cheung Wai Yin Eddie; Hong Kong Clinical Oncology Limited, a company wholly owned by Dr. Yu Ka Tung Stanley; Centre for Obesity, Diabetes and Endocrinology (CODE) Limited, a company wholly owned by Dr. Yuen Mae Ann Michele; Cheung Hing Holdings Limited, a company wholly owned by Mr. Wang Lishan; Star List Limited, a company wholly owned by Mr. Luk Ka Luen, Tony; Clear Trillion Limited, a company wholly owned by Mr. Mok Man Fung, Carter; and Unicorn Link Group Limited, a wholly-owned subsidiary of Xi Yue Cultural Industry Investment Fund L.P. ("Xi Yue Fund L.P."), an exempted limited partnership incorporated in the Cayman Islands (i) which is engaged in various investments; (ii) the limited partner of which is United Wealth Ventures Limited (a company incorporated in the British Virgin Islands with limited liability), which is in turn owned as to 51% and 49% by Mr. Li Kai Sing ("Mr. Li") and Glorious Maple Limited (a company owned as to 30% by Mr. Hong Ching Wei and 70% by Rainbow Lead Ventures Limited, which is wholly owned by Mr. Yeung Wan Yiu) ("Glorious Maple"), respectively; and (iii) the general partner of which is Vital Vision Limited (a company incorporated in the Cayman Islands with limited liability, responsible for the day to day management of Xi Yue Fund L.P. and its investment activities and is owned as to 55% and 45% by Red Carpet Investments Limited (a company wholly owned by Mr. Li)), and Glorious Maple, respectively.
Seller Party(ies)	the Seller and the Seller Guarantors
Senior Management Team	the senior management team of the Company which during the Year up to 21 December 2022 comprised the Chief Executive Officer, the chief operating officer of the Company, the chief financial officer of the Company and the group head of legal & company secretary of the Company and thereafter comprising the Chief Executive Officer, the chief financial officer of the Company, the group head of legal & company secretary of the Company and the executive Directors who are primarily stationed at the headquarters of the Company in Hong Kong

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Service Agreement	the service agreement dated 11 July 2022 and entered into between HKMC and KTAL (as amended and supplemented by the supplemental agreement dated 11 November 2022), in relation to the provision of the KTAL Services and the HKMC Services
SFC	the Securities and Futures Commission of Hong Kong
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Share(s)	ordinary share(s) of HK$0.01 each in the share capital of the Company
Shareholders	holders of the Shares
Share Mortgage	the share mortgage dated 13 April 2017 executed by Profit Castle in favour of Oasis Beauty over the entire issued share capital of Bonjour Beauty for securing the repayment of the BB Promissory Note
Share Purchase Agreement	the share purchase agreement dated 11 July 2022 entered into between the Company, the Buyer, the Seller and the Seller Guarantors in relation to the Central Medical Acquisition
SP Agreement	the agreement for sale and purchase dated 30 December 2016 and entered into between Profit Castle, Oasis Beauty and Dr. Ip in respect of the disposal of the entire issued share capital of Bonjour Beauty by Oasis Beauty to Profit Castle
Specialist Medical Services	medical consultation services and other related services rendered by the Registered Specialists
Stock Exchange	The Stock Exchange of Hong Kong Limited
substantial shareholder	has the meaning ascribed to it under the Listing Rules
Sunrise Diagnostic Centre	Sunrise Diagnostic Centre Limited
Target Group	Central Medical and its subsidiaries
TBM	The Beauty Medical

GLOSSARY

TH (BVI)	Town Health (BVI) Limited, a wholly-owned subsidiary of the Company
Townsfolk Group	Guangdong Townsfolk and its branches and health service centres
Tranche A Convertible Bonds	the convertible bonds in the aggregate amount of HK$120,000,000 issued by the Company pursuant to the Bond Instruments
Tranche B Convertible Bonds	the convertible bonds in the aggregate amount of HK$120,000,000 issued by the Company pursuant to the Bond Instruments
Tranche C Convertible Bonds	the convertible bonds in the aggregate amount of HK$116,000,000 issued by the Company pursuant to the Bond Instruments
US$	United States dollars, the lawful currency of the United States of America
Vio	Dr. Vio & Partners Limited, a subsidiary of the Company
Wise Lead	Wise Lead Holdings Limited
WL Promissory Note	the promissory note in the principal amount of HK$203,705,000 issued by the Purchaser, a third party individual, in favour of TH (BVI), being the vendor in the Disposal
Year	year ended 31 December 2022
Year 2023	the year ending 31 December 2023
Year 2024	the year ending 31 December 2024
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