Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

China Medical & HealthCare Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 383)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The board of directors (the "Directors" and the "Board" respectively) of China Medical & HealthCare Group Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2023 together with the comparative figures for the year ended 31 December 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	**2023** *HK$'000*	2022 *HK$'000*
Revenue	3	**1,568,824**	1,437,863
Gross proceeds from sales of investments held for trading		**3,481**	—
Total		**1,572,305**	1,437,863
Revenue	3		
Goods and services from contracts with customers		**1,561,188**	1,430,289
Rental		**7,636**	7,552
Others		**—**	22
		1,568,824	1,437,863
Cost of goods and services		**(1,282,604)**	(1,172,307)

	Notes	2023 *HK$'000*	2022 *HK$'000*
Gross profit		**286,220**	265,556
Other gains and losses, and other income	*5*	**33,749**	(64,460)
Selling and distribution costs		**(5,751)**	(4,036)
Administrative expenses		**(231,007)**	(255,214)
Profit/(loss) from operations		**83,211**	(58,154)
Finance costs	*6*	**(47,807)**	(59,015)
Profit/(loss) before taxation		**35,404**	(117,169)
Income tax expense	*7*	**(14,912)**	(1,976)
Profit/(loss) for the year	*8*	**20,492**	(119,145)
Attributable to:			
Owners of the Company	*10*	**11,295**	(123,574)
Non-controlling interests		**9,197**	4,429
		20,492	(119,145)
Earnings/(loss) per share	*10*		
			(Restated)
Basic		**HK1.22 cents**	HK(16.94) cents
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023	2022
	HK$'000	*HK$'000*
Profit/(loss) for the year	**20,492**	(119,145)
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Net change on debt instruments at fair value through other comprehensive income ("FVTOCI")	**—**	(2)
Revaluation reserve of financial assets at FVTOCI reclassified to profit or loss upon redemption	**—**	(1,098)
Exchange differences on translating foreign operations	**1,054**	(78,255)
	1,054	(79,355)
Items that will not be reclassified to profit or loss:		
Gain on revaluation of leasehold land and buildings included in property, plant and equipment	**847**	80,148
Deferred tax arising from revaluation of leasehold land and buildings included in property, plant and equipment	**(201)**	(20,045)
	646	60,103
Other comprehensive income for the year, net of tax	**1,700**	(19,252)
Total comprehensive income for the year	**22,192**	(138,397)
Attributable to:		
Owners of the Company	**8,255**	(145,655)
Non-controlling interests	**13,937**	7,258
	22,192	(138,397)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Note	**2023** *HK$'000*	2022 *HK$'000*
Non-current assets			
Investment properties		**545,920**	557,089
Property, plant and equipment		**1,564,586**	1,480,940
Right-of-use assets		**120,572**	130,156
Loan receivable		**—**	—
Interests in associates		**—**	—
Financial assets at fair value through profit or loss ("FVTPL")		**2,151**	802
Goodwill		**—**	—
Prepayments for acquisition of property, plant and equipment		**23,398**	30,114
		2,256,627	2,199,101
Current assets			
Inventories		**48,752**	35,313
Properties under development for sale		**177,973**	185,606
Properties held for sale		**80,463**	91,688
Investments held for trading		**6,624**	12,089
Trade receivables	*11*	**83,486**	72,136
Deposits, prepayments and other receivables		**40,084**	22,518
Pledged bank deposits		**32,984**	24,319
Restricted bank deposits		**136**	714
Bank balances and cash		**890,266**	589,050
		1,360,768	1,033,433

	Note	2023 HK$'000	2022 HK$'000
Current liabilities			
Trade payables	12	**162,798**	146,508
Deposits, receipts in advance and accrued charges		**485,401**	273,197
Deposits received on sales of properties		**212**	1,757
Contract liabilities		**53,859**	40,744
Amount due to an associate		**6,044**	6,178
Borrowings		**312,561**	544,816
Lease liabilities		**3,389**	5,979
Current tax liabilities		**120,608**	111,539
		1,144,872	1,130,718
Net current assets/(liabilities)		**215,896**	(97,285)
Total assets less current liabilities		**2,472,523**	2,101,816
Non-current liabilities			
Other payables		**—**	12,689
Contract liabilities		**8,104**	10,276
Borrowings		**447,489**	388,787
Lease liabilities		**35,193**	39,439
Deferred tax liabilities		**71,394**	71,766
		562,180	522,957
Net assets		**1,910,343**	1,578,859
Capital and reserves			
Equity attributable to owners of the Company			
Share capital		**10,860**	7,240
Reserves		**1,861,629**	1,547,702
		1,872,489	1,554,942
Non-controlling interests		**37,854**	23,917
Total equity		**1,910,343**	1,578,859

1. BASIS OF PREPARATION

China Medical & HealthCare Group Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

2. ADOPTION OF NEW AND REVISED HKFRSs

(a) Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are effective for the annual period beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules

Except for the impact of the adoption of the revised HKFRSs that have been summarised below, the other revised HKFRSs has no material impact on the Group's accounting policies.

Amendment to HKAS 1 and HKFRS Practice Statement 2 — Disclosure of Accounting Policies

The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose "significant accounting policies" with "material accounting policy information". The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered as material and therefore requiring disclosure.

These amendments have no effect on the measurement nor presentation of any items in the consolidated financial statements of the Group but affect the disclosure of accounting policies of the Group.

(b) New guidance on accounting for the MPF-LSP offsetting mechanism in Hong Kong issued by HKICPA

In June 2022, Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance") was enacted. The Amendment Ordinance abolishes the use of the accrued benefits derived from employers' mandatory contributions under the mandatory provident fund ("MPF") scheme to offset severance payment ("SP") and long service payments ("LSP") (the "Abolition"). Subsequently, the Government of HKSAR announced that the Abolition will take effect on 1 May 2025 (the "Transition Date").

The following key changes will take effect since the Transition Date:

— Accrued benefits derived from employers' mandatory MPF contributions cannot be used to offset the LSP/SP in respect of the employment period after the Transition Date.

— The pre-transition LSP/SP is calculated using the last month's salary immediately preceding the Transition Date, instead of using the last month's salary of employment termination date.

Due to the complexities of the accounting for the offsetting of accrued benefits derived from an employer's mandatory MPF contributions and its LSP obligation and the accounting for the offsetting mechanism could become material in light of the Abolition, the HKICPA published 'Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong' (the "Guidance") in July 2023 to provide guidance to account for the offsetting mechanism and the Abolition. The HKICPA concluded that there are two acceptable accounting approaches for the offsetting mechanism, being:

— Approach 1: Account for the amount expected to be offset as a deemed employee contribution towards that employee's LSP benefits in terms of HKAS 19.93(a).

— Approach 2: Account for the employer MPF contributions and the offsetting mechanism as a funding mechanism for the LSP obligation.

For the years ended 31 December 2023 and 2022, the Group's LSP liability before the expected offsetting under the MPF-LSP offsetting mechanism is immaterial. Application of the Guidance had no material effect on the consolidated financial statements of the Group.

(c) Revised HKFRSs in issue but not yet effective

The Group has not applied any new standard, amendments to standards and interpretation that have been issued but are not yet effective for the financial year beginning on 1 January 2023. These amendments to standards and interpretation include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 — Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 — Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16 — Lease Liability in a Sales and Leaseback	1 January 2024
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKAS 7 and HKFRS 7 — Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21 — Lack of Exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA

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

3. REVENUE

	2023 *HK$'000*	2022 *HK$'000*
Revenue from contracts with customers		
Hospital fees and charges	**1,521,859**	1,382,134
Eldercare related services and sales of nutritions	**36,178**	36,194
Sales of properties	**3,151**	11,961
	1,561,188	1,430,289
Revenue from other sources		
Rental income	**7,636**	7,552
Dividend income from listed investments	**—**	22
	7,636	7,574
	1,568,824	1,437,863

4. SEGMENT INFORMATION

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

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

During the year ended 31 December 2023, the CODM has identified the following six operating and reportable segments under HKFRS 8 Operating Segments. No operating segments have been aggregated to form the following reportable segments.

Healthcare — operations of hospitals in the People's Republic of China, except Hong Kong (the "PRC").

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

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

Property investment — leasing of residential and office properties.

Financial services — provision of loan financial services.

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

Segment revenue and results

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

For the year ended 31 December 2023

	Healthcare *HK$'000*	**Eldercare** *HK$'000*	**Property development** *HK$'000*	**Property investment** *HK$'000*	**Financial services** *HK$'000*	**Securities trading and investments** *HK$'000*	**Consolidated** *HK$'000*
Gross proceeds from sales of investments held for trading	**—**	**—**	**—**	**—**	**—**	**3,481**	**3,481**
Revenue	**1,521,859**	**41,716**	**125**	**5,124**	**—**	**—**	**1,568,824**
Segment profit/(loss)	**85,839**	**(46,684)**	**(2,065)**	**4,481**	**(2,189)**	**(2,009)**	**37,373**
Unallocated:							
Other gains and losses, and other income							**23,103**
Net foreign exchange loss							**(694)**
Central corporate expenses							**(24,341)**
Finance costs							**(37)**
Profit before taxation							**35,404**

For the year ended 31 December 2022

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

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

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

5. OTHER GAINS AND LOSSES, AND OTHER INCOME

	2023	2022
	HK$'000	*HK$'000*
Loss on fair value of investments held for trading	**(1,984)**	(2,702)
Loss on fair value of investment properties	**(3,524)**	(23,946)
Net foreign exchange loss	**(624)**	(15,652)
Impairment loss under expected credit losses model	**(3,777)**	(34,711)
Fair value gain on financial assets at FVTPL	**1,349**	—
Net loss on disposal of property, plant and equipment	**—**	(470)
Provision for properties under development for sale	**(4,342)**	(5,000)
Provision for properties held for sale	**(3,758)**	(6,856)
Government subsidies (Note)	**10,125**	5,521
Interest income from:		
— Debt instruments at FVTOCI	**—**	152
— Bank deposits	**24,466**	3,806
Sale of vision-aid products	**4,931**	5,326
Clinical training services	**4,812**	4,058
Subcontracting income from car parking spaces and canteen	**432**	653
Rental income from shopping and other areas of the hospitals	**1,640**	1,413
Forfeiture of customers' deposits and claims from suppliers	**1,194**	22
Other sundry income	**2,809**	3,926
	33,749	(64,460)

Note: For the year ended 31 December 2023, the government subsidies mainly represent the subsidies on costs incurred for operation of hospitals in the PRC with no special and unfulfilled conditions attached.

For the year ended 31 December 2022, the government subsidies mainly represent the government grants in respect of COVID-19 related subsidies for the operation of Hong Kong office and subsidies on costs incurred for operation of hospitals in the PRC with no special and unfulfilled conditions attached.

6. FINANCE COSTS

The finance costs represent interest as follows:

	2023	2022
	HK$'000	*HK$'000*
Interest on:		
Bank and other borrowings	**44,460**	55,298
Lease liabilities	**3,347**	3,717
	47,807	59,015

7. INCOME TAX EXPENSE

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

	2023	2022
	HK$'000	*HK$'000*
Current tax		
Corporate Income Tax ("CIT") in the PRC	**14,136**	916
Land Appreciation Tax ("LAT") in the PRC	**151**	547
Under-provision in prior years	**790**	—
	15,077	1,463
Deferred tax		
Origination and reversal of temporary differences	**(165)**	513
	14,912	1,976

The Company's subsidiaries in the PRC are subject to CIT rate at 25%. The tax charge in respect of the current year represents CIT in the PRC which is calculated at the prevailing tax rate on the taxable income of the subsidiaries in the PRC.

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

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

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

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

8. PROFIT/(LOSS) FOR THE YEAR

Profit/(loss) for the year is stated after charging the following:

	2023	2022
	HK$'000	*HK$'000*
Auditor's remuneration	**1,925**	2,413
Depreciation of property, plant and equipment	**89,094**	94,290
Written off of property, plant and equipment	**1,397**	12,124
Depreciation of right-of-use assets	**9,124**	10,403
Employee benefits expense, inclusive of directors' emoluments	**564,219**	518,443
Direct operating expenses of investment properties that generated rental income	**216**	823
Direct operating expenses of investment properties that did not generate rental income	**481**	305
Cost of inventories sold and properties held for sale recognised as an expense (included in cost of goods and services)	**636,623**	547,542

9. DIVIDENDS

Dividends attributable to the year:

	2023	2022
	HK$'000	*HK$'000*
Final dividend proposed of HK1 cent (2022: Nil) per ordinary share	**10,860**	—

The final dividend proposed after the reporting date for the year ended 31 December 2023 is subject to shareholders' approval at the forthcoming annual general meeting and has not been recognised as a liability as at 31 December 2023.

10. EARNINGS/(LOSS) PER SHARE

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

	2023	2022
	HK$'000	*HK$'000*
Profit/(loss)		
Profit/(loss) for the purposes of calculating basic earnings/(loss) per share for the year attributable to owners of the Company	**11,295**	(123,574)

	2023	2022
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purposes of calculating basic earnings/(loss) per share	**923,826,274**	729,406,650

The calculation of the basic earnings per share was based on the profit for the year attributable to owners of the Company of HK$11,295,000 (2022: loss of HK$123,574,000), and the weighted average number of 923,826,274 ordinary shares (2022 (restated): 729,406,650 ordinary shares) which has been adjusted to reflect the effect of the bonus element of the rights issue in June 2023 on the basis of one rights share for every two issued shares of the Company.

No diluted earnings/(loss) per share has been presented as there were no potential dilutive shares outstanding for the years ended 31 December 2023 and 2022.

11. TRADE RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Trade receivables		
Trade receivables arising from hospital operation and eldercare related services operation	**92,105**	76,452
Debtor from financial services	**876**	876
Debtors from leasing of properties	**—**	675
	92,981	78,003
Less: Allowance for credit losses	**(9,495)**	(5,867)
	83,486	72,136

As at 31 December 2023 and 2022, trade receivables from contracts with customers amounted to HK$92,105,000 and HK$76,452,000 respectively.

The settlement terms of debtors from leasing of properties are before the 16th of each month (2022: 16th of each month) and they are aged more than 90 days (2022: 90 days).

The customers of hospital operation and eldercare related services operation are either settled by cash, credit card or local governments' social insurance schemes. For credit card payment, the banks usually pay the Group 7 days after the trade date. Payments under local governments' social insurance schemes are normally settled by the local social insurance bureau or similar government departments, which are responsible for the reimbursement of medical expenses for patients who are covered by the local governments' social insurance schemes, 90 days from the invoice date.

The following is an aging analysis of trade receivables arising from hospital operation and eldercare related services operation denominated in Renminbi ("RMB") and presented based on the invoice date which approximates the date of revenue recognition:

	2023	2022
	HK$'000	*HK$'000*
0–30 days	**55,621**	48,115
31–60 days	**12,366**	11,806
61–90 days	**2,460**	2,557
91–365 days	**18,217**	10,120
More than 365 days	**3,441**	3,854
	92,105	76,452

As at 31 December 2023, included in the Group's trade receivables balance are receivables with aggregate carrying amount of HK$24,118,000 (2022: HK$16,531,000) which are past due as at the reporting date. Out of the past due balances, HK$21,658,000 (2022: HK$13,974,000) has been past due 30 days or more and is not considered as in default because the receivables were related to a number of independent customers that have good repayment records with the Group.

The Group has policy for recognition of impairment which is based on the evaluation of collectability and aging analysis of accounts and on management's judgment including creditworthiness and the past collection history of each customer.

12. TRADE PAYABLES

	2023	2022
	HK$'000	*HK$'000*
Trade payables of hospital operations, of eldercare related services operation and to construction contractors	**162,798**	146,508

Trade payables of hospital operation and eldercare related services operation principally comprise amounts outstanding for trade purchases. Trade payables to construction contractors comprise construction costs for property development and other projects. The normal credit period taken for these trade payables is 30–90 days.

The following is an aging analysis of trade payables of hospital operations, of eldercare related services operation and to construction contractors denominated in RMB and presented based on the invoice date:

	2023	2022
	HK$'000	*HK$'000*
0–30 days	**84,168**	68,420
31–60 days	**32,773**	34,035
61–90 days	**15,794**	19,564
91–365 days	**21,711**	16,684
More than one year but not exceeding two years	**1,452**	3,889
More than two years but not exceeding five years	**6,900**	3,916
	162,798	146,508

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the year ended 31 December 2023, the Group recorded a total revenue of HK$1,572,305,000 (2022: HK$1,437,863,000) representing an approximately 9.35% increase as compared with the total revenue for the year ended 31 December 2022 and a profit attributable to owners of the Company of HK$11,295,000 versus a loss for the corresponding year (2022: loss of HK$123,574,000).

The profit attributable to owners of the Company was mainly due to (i) the increase in revenue from operations of the healthcare division amid the relaxation of epidemic preventive measures and the resumption of economic and social activities in the PRC; (ii) the decrease in loss on fair value of investment properties; (iii) the decrease in net foreign exchange loss; (iv) the decrease in impairment loss under expected credit losses ("ECL") model; (v) the increase in interest income from bank deposits but were partially off-set by (vi) the increase in cost of pharmaceutical and medicine.

Earnings per share (basic) for the year ended 31 December 2023 was HK1.22 cents (2022 (restated): loss per share (basic) of HK16.94 cents) which has been adjusted to reflect the effect of the bonus element of the rights issue in June 2023 on the basis of one rights share for every two issued shares of the Company.

The Group's net asset value per share, attributable to shareholders of the Company ("Shareholder(s)"), as at 31 December 2023 amounted to HK$1.72 (2022: HK$2.15 (adjusted for the effect of share consolidation effective on 24 February 2023)).

FINAL DIVIDEND

The Directors recommended the payment of a final dividend of HK1 cent per share in cash for the year ended 31 December 2023 (2022: nil), subject to approval by the Shareholders at the 2023 annual general meeting of the Company (the "AGM"). The Company will further announce the period of closure of the Company's register of members for determining the entitlement to the proposed final dividend in due course.

CLOSURE OF REGISTER OF MEMBERS

Entitlement to attend and vote at the AGM:

The AGM is scheduled to be held on Monday, 20 May 2024. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 14 May 2024 to Monday, 20 May 2024, both dates inclusive, during which period no transfer of shares of the Company will be effected. In order to be eligible to attend and vote at the AGM, all transfers of ordinary shares, duly accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration, no later than 4:30 p.m. on Monday, 13 May 2024.

REVIEW OF OPERATIONS

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

Healthcare Division:

Since December 2022, despite the full-lifting of epidemic preventive measures, the Healthcare Division of the Group has been operating under high pressure as the numbers of out-patient visits and in-patient admissions of COVID-19-infected patients reaching the peak two weeks after the release of restrictions and continuing to mid to late January 2023. Although the impact of the epidemics gradually subsided, the operating results of the Division during such period was severely affected. Commencing from March 2023, given that improvement in the external restrictive environment, patients' needs for receiving medical treatments have been moderately released but was negatively affected by the weaker-than-expected recovery of the macro-economy and the consumer sentiment.

Under such challenging operating conditions, the Group's Healthcare Division, operated through its wholly-owned subsidiary, Tongren Healthcare Industry Group Company Limited (同仁醫療產業集團有限公司), achieved an increased revenue of HK$1,521,859,000 (2022: HK$1,382,134,000) and an improved profit of HK$85,839,000 (2022: HK$12,828,000) inclusive of a decrease in impairment loss under ECL model of HK$3,494,000 (2022: HK$34,493,000). Without interest, tax, depreciation and amortization, the Healthcare Division generated an EBITDA, being earnings before interest, tax, depreciation and amortization, of HK$202,095,000 (2022: HK$143,774,000) for the year ended 31 December 2023.

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

For NJH, a Class III B integrated hospital located in Jiangning Development Zone, Nanjing City, Jiangsu Province, the PRC and the Division's flagship hospital, currently it operates 43 clinical medical & technical departments including 1 national key clinical specialty (otorhinolaryngology ("ENT"), head and neck surgery), 1 provincial key clinical specialty (ENT, head and neck surgery), 6 municipal key medical specialties (ENT, head and neck surgery, ophthalmology, neurology, medical imaging, anesthesiology and clinical laboratory), as well as the approved NJH's ENT Hospital, Nanjing Tongren Internet Hospital and Nanjing Tongren Children's Hospital.

During the year under review:

(i) For scientific and educational research:

NJH's department of ENT, head and neck surgery successfully applied for one district-level project in Jiangning District;

A conference on ENT, head and neck surgery and medical laboratory science was held in September 2023 with many well-known experts and professors from Jiangsu Province participated in the conference and lectures covering new clinical theories, technologies, knowledge and disciplines construction and development concepts, further enhancing the popularity and influence of NJH's related specialties in the industry; and

The ENT, head and neck surgery project of NJH was awarded the first prize for Provincial New Technology Introduction by Jiangsu Health Commission in November 2023.

(ii) For specialties and departments development:

NJH established the "Allergy Specialist Out-patient Clinics", which is led by the department of ENT, head and neck surgery and partnered with departments of respiratory medicine, pediatrics, dermatology, ophthalmology, Chinese medicine and other disciplines, providing more comprehensive and professional "One-Stop" clinical services to its patients and improving NJH's treatment standard for allergies;

The hospital removed the daily admission quota of its specialist out-patient clinics, extended out-patient clinics service in weekends, strengthened the out-patient management of medium to senior level specialists aiming to improve the quality and standard of its clinical services and establishing a good public image of the hospital;

NJH completed the inspection and acceptance of the online payment system of medical insurance (智捷付), allowing policy holders to pay for appointment, inspection and medicine through the online payment system, which significantly reducing the waiting time of its patients, improved patients' experience and raised patient satisfaction for its services; and

A new endoscope center has commenced its operation. Meanwhile, the successful launch of the studio of Professor Fan Zhining facilitates the technical standard and comprehensive capability of the gastroenterology of the hospital to reach a new stage.

(iii) For marketing:

In respect of medical consortium development, NJH increased its interaction with grassroots medical institutions. Through party building and mutual exchange activities with multiple grassroots institutions, as well as school-hospital cooperation, NJH successively entered into medical consortium cooperation agreements and actively interacted with various medical institutions, such as the School Hospital of Nanjing University of Aeronautics and Astronautics (南京航空航天大學校醫院), Nanjing Welfare Institution (南京福利院), Jiangqiao (江喬), Xiangyue (享悦), Nuohetang (諾和堂) and Bojia Hospital (博嘉醫院);

NJH participated in a total of 64 social service activities, including 20 corporate healthcare lectures and 42 volunteer health clinic services, achieving good social effects; and

In respect of media publicity, NJH participated in 6 episodes of《健康新7點》 by Jiangsu TV, 12 episodes of《健康大講堂》by Nanjing Broadcasting System and 12 episodes of《名醫面對面》by Nanjing Radio and published around 50 articles on external media.

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

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

During the year under review:

(i) For scientific and educational research:

KMH won a provincial-level's Thousand Engineering Project (千工程項目) and completed the mid-term assessment of municipal scientific research projects;

KMH convened an international spinal cord injury academic seminar in September 2023. Many international academicians and experts jointly guided, exchanged and discussed the latest research results, treatment methods and rehabilitation technologies in the field of spinal cord injury, bringing new hopes to patients with spinal cord injury and further boost Kunming's medical and healthcare development;

KMH has applied for 7 municipal-level health research projects (including 1 project in gynecology, 1 project in ENT, 2 projects in anesthesiology and 3 projects in the nursing department), and 5 provincial-level continuing medical education projects; and

KMH became the chairman unit of the Yunnan Provincial Private Hospital Branch, further playing a leading role in the region.

(ii) For specialties and departments development:

KMH received the "From Basic to Standard (基轉標)" on-site verification and certification for its heart failure center. It is expected that KMH will successfully pass the acceptance and be approved as a standard heart failure center.

(iii) For marketing:

A total of 20 departments, including ultrasound medical department, department of ENT, department of orthopedics and department of gynecology, have conducted more than 260 volunteer health clinic services and 47 ward visits in surrounding communities and elderly homes, serving more than 7,400 people; and

KMH and Zhishan Foundation (智善公益基金會) jointly organized the China Dream — Spinal Project Volunteer Health Clinic Services and Relief Program (中國夢•脊樑工程義診救助活動). Professor Luo Zhuojing, the dean of department of orthopedics of Xijing Hospital (西京醫院) and Professor Hu Xueyu of Xijing Hospital (西京醫院) provided volunteer health clinic services for 51 spinal patients from Kunming, Yuxi, Lijiang and other places, and assisted the department of spine and spinal cord to recruit spinal cord injury patients to participate in clinical trial projects.

(iv) For development of KMH Phase II:

The KMH Phase II includes, among others, the integrated in-patient building, oncology and nuclear medical building and the rehabilitation medical building with an approved total construction area of approximately 66,021 m^2. During the year under review, the main basement works of the oncology and nuclear medical building were completed while the construction of basement works of the integrated in-patient building and the rehabilitation medical building were commenced in October 2023.

Nanjing Cedar Care Polyclinic of the Healthcare Division ("NCCPC"):

NCCPC, the high-end integrated clinic situated at the prime commercial building in the central business district of Hexi, Nanjing, commenced operation in October 2022, offers a wide range of healthcare services, such as general practice, ophthalmology, ENT, stomatology and medical aesthetics to patients.

(i) NCCPC focused on enhancing the performance of the departments of ophthalmology, medical aesthetics and ENT. Given that these specialties have relatively high degree of market differentiation, NCCPC will invest more resources into these departments to enhance its professional standard of medical technology level;

(ii) The Children's Growth and Development Center Project (兒童生長發育中心項目) was introduced using height management as the entry point to establish a membership-based customized health management system to create a traffic portal for its general practice; and

(iii) In respect of marketing, NCCPC has increased marketing investment and strengthened cooperation with third-party channel. Through collaborative operations of specialties and general practice departments, it aims to attract mid-to-high-end customers to boost its popularity and accumulate customer base, gradually driving its business income.

For the year under review, NJH recorded a total of 1,084,533 (inclusive of 10,423 related to nucleic acid testing) out-patients visits (2022: 2,961,246 (inclusive of 2,042,781 related to nucleic acid testing)), 34,730 in-patient admissions (2022: 27,963) and 61,377 body-checks (2022: 58,643), KMH recorded a total of 449,657 out-patients visits (2022: 358,445), 21,543 in-patient admissions (2022: 16,839) and 68,146 body-checks (2022: 91,581) and NCCPC recorded a total of 30,754 out-patients visits (2022: 1,813).

As at 31 December 2023, NJH operated with 414 doctors (2022: 403), 552 nurses (2022: 525) and 1,144 beds (2022: 1,144), KMH operated with 269 doctors (2022: 267), 390 nurses (2022: 401) and 500 beds (2022: 500) and NCCPC operated with 66 doctors (2022: 41) and 21 nurses (2022: 16).

Eldercare Division:

Under a difficult operating conditions, for the year ended 31 December 2023, the Group's Eldercare Division, operated through its wholly-owned subsidiary, Aveo China (Holdings) Limited, recorded a decreased revenue of HK$41,716,000 (2022: HK$49,787,000) and a decreased loss of HK$46,684,000 (2022: HK$51,169,000) inclusive of a decreased loss on fair value of its investment properties of HK$4,533,000 (2022: HK$11,318,000) and a decreased provision for properties held for sale of HK$3,089,000 (2022: HK$5,694,000) which were partially off-set by the provision for properties under development for sale of HK$2,998,000 (2022: nil).

As at 31 December 2023, Tide Health Campus (天地健康城) of the Eldercare Division located in Zhu Jia Jiao County, Qingpu District, Shanghai, the PRC, a retirement community village that integrates community eldercare, institutional eldercare, home eldercare and eldercare nursing hospital (Shanghai Deyi Hospital, "SDH"), sold 857 Independent Living Units ("ILU(s)") out of a total inventory of 868 ILUs and among which 1 ILU (2022: 2 (net)) were recorded as sales in the year under review with more than 347 residents (2022: 347) moved into the retirement community village. In addition, the Division's serviced apartments ("SA(s)") consist of two 11-storey buildings with the construction and renovation of the first building and the second building completed in November 2016 and May 2020 respectively, offering a total of 210 SAs (2022: 210) for lease. As at 31 December 2023, the Division leased out 70 SAs (2022: 57).

Amid a weak real estate market, the sales of the Division's key products were weak. Although the Division strictly implemented the strategy of cost reduction and efficiency enhancement, the operating income of the eldercare business declined and fell short of the expected target.

During the year under review:

(i) For eldercare community operation:

The three major working platforms namely training, quality control, complaints and feedbacks have been improved and strengthened to improve the service quality of the eldercare product line. At the same time, the Division further explored the potential of the members' health and medical rehabilitation needs and continued to deepen the quality and content of services in areas such as healthcare services follow-up, chronic disease intervention, medication guidance, and in-depth interpretation of medical examination reports. In respect of cost control, the Division has adjusted the number of care workers to maximize the worker-to-service ratio, implemented the energy-saving and consumption-reducing policies, controlled the use of consumables, and reduced wastage. Elderly homes have strengthened its basic services coverage in all aspects and met the mental and physical health needs of tenants by holding birthday parties, providing volunteer health clinic services and other activities.

(ii) For eldercare nursing hospital operation:

Post-pandemic, Shanghai's eldercare institutions and nursing hospital generally reduced their staff by about 30% on average, and competition among nursing homes intensified. To cope with this operational challenge, SDH has gradually improved the income structure of the nursing home by offering examinations, inspections and rehabilitation treatments, and increasing the proportion of medical insurance in a reasonable and compliant manner. Various drug suppliers have been arranged to optimize the drug consumption structure and price system, and reduce the cost of drugs and consumables. SDH have increased sales efforts and strengthened cooperation with key departments of Zhongshan Qingpu Hospital (中山青浦醫院), Zhuren Hospital (朱人醫), Qingzhong Hospital (青中醫) and other hospitals to divert patients.

During the year ended 31 December 2023, SDH recorded a total of 18,610 out-patients visits (2022: 16,510) and 8,731 in-patient admissions (2022: 8,998). As at 31 December 2023, SDH operated with 21 doctors (2022: 22), 16 nurses (2022: 17) and 100 beds (2022: 100). As at 31 December 2023, home care services were rendered to nil elders (2022: 40) with nil visits (2022: 3,795) since SDH no longer provides such trial-run services in 2023.

As at 31 December 2023, the Division's investment properties portfolio, 100% attributable to the Group, comprising two SAs (2022: two) (two 11-storey buildings with total gross floor area ("GFA") of 17,117 m^2) and the retail shopping precinct (retail shops with GFA of 1,980 m^2 and shopping mall with GFA of 7,354 m^2) with a total value amounted to HK$338,000,000 (2022: HK$350,086,000). The Division's property under development for sale consisted of a residential property in Shanghai, the PRC, amounted to HK$141,147,000 (2022: HK$147,402,000).

Property Development:

For the year ended 31 December 2023, the Group's property development business recorded a decreased revenue of HK$125,000 (2022: HK$732,000) but a decreased loss of HK$2,065,000 (2022: HK$24,329,000) mainly due to decrease in provision for properties under development for sale of HK$1,344,000 (2022: HK$5,000,000) and written off of property, plant and equipment of nil (2022: HK$10,296,000).

As at 31 December 2023, the Division's properties under development for sale decreased to HK$36,826,000 (2022: HK$38,204,000) consisted of a parcel of commercial land in Lianyungang, the PRC and an office, premise in Guangzhou, the PRC.

Property Investment:

For the year ended 31 December 2023, the Group's investment properties portfolio, for leasing, located in Hong Kong and the PRC recorded a rental income of HK$5,124,000 (2022: HK$5,188,000) and a profit of HK$4,481,000 (2022: loss of HK$9,397,000) with a gain on fair value of investment properties of HK$1,009,000 (2022: loss of HK$12,628,000).

As at 31 December 2023, the Division's investment properties portfolio, 100% attributable to the Group, increased to HK$207,920,000 (2022: HK$207,003,000).

Securities Trading and Investments:

For the year under review, the Group's activities in securities trading and investments recorded a revenue of HK$3,481,000 (2022: HK$22,000) and a loss of HK$2,009,000 (2022: HK$2,594,000). This was mainly due to the loss in fair value of investments held for trading of HK$1,984,000 (2022: HK$2,702,000).

As at 31 December 2023, the Group maintained a portfolio of investments held for trading of HK$6,624,000 (2022: HK$12,089,000).

Investments held for trading:

As at 31 December 2023, the Group's investments held for trading consisted of securities listed in different geographic locations and their respective performance were as follows:

Geographic Location	Carrying value 2023 *HK$'000*	Carrying value 2022 *HK$'000*	Realized loss 2023 *HK$'000*	Loss on fair value 2023 *HK$'000*	Dividend received 2023 *HK$'000*	% of carrying value to the Group's total assets 2023 *%*
Hong Kong	4,949	9,966	(14)	(1,536)	—	0.14%
Australia	1,236	1,369	—	(133)	—	0.03%
Philippines	439	754	—	(315)	—	0.01%
Total	6,624	12,089	(14)	(1,984)	—	

As at 31 December 2023, the Group's investments held for trading consisted of investments in different category of companies and their respective performance were as follows:

Principal Business	Carrying value 2023 HK$'000	Carrying value 2022 HK$'000	Realized loss 2023 HK$'000	(Loss)/gain on fair value 2023 HK$'000	Dividend received 2023 HK$'000	% of carrying value to the Group's total assets 2023 %
Entertainment and media	737	1,210	—	(473)	—	0.02%
Financial services and investment	70	140	—	(70)	—	0.00%
Industrial materials	267	3,747	(14)	1	—	0.01%
Property and construction	5,550	6,992	—	(1,442)	—	0.15%
Total	6,624	12,089	(14)	(1,984)	—	

As at 31 December 2023, there was no investment held for trading which was significant to the Group (exceeded 5% the total assets of the Group).

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

Money Lending:

For the year ended 31 December 2023, the Group's money lending business recorded no interest income (2022: nil) and a loss of HK$2,189,000 (2022: HK$5,202,000). As at 31 December 2023, the carrying value of the loan receivable ("Loan"), after full impairment provision, is nil (2022: nil).

References are made to the Company's announcements dated 10 September 2018 and 26 September 2019 respectively, the paragraph headed "Money Lending" on pages 26 to 27 of the announcement of the final results for the eighteen months ended 31 December 2019 dated 30 March 2020, the announcements dated 28 April 2020, 6 May 2020 and 19 May 2020 respectively, the paragraph headed "Money Lending" on pages 21 to 24 of the announcement of the interim results for the six months ended 30 June 2020 dated 27 August 2020, the announcements dated 29 October 2020 and 10 November 2020 respectively, the paragraph headed "Money Lending" on pages 23 to 27 of the announcement of the annual results for the year ended 31 December 2020 dated 30 March 2021, the announcement dated 20 April 2021, the paragraph headed "Money Lending" on pages 22 to 23 of the announcement of the interim results for the six months ended 30 June 2021 dated 26 August 2021, the paragraph headed "Money Lending" on pages 25 to 26 of the announcement of the annual results for the year ended 31 December 2021 dated 29 March 2022, the paragraph headed "Money Lending" on page 23 of the announcement of the interim results for the six months ended 30 June 2022 dated 25 August 2022, the paragraph headed "Money Lending" on page 24 of the announcement of the annual results for the year ended 31 December 2022 dated 28 March 2023 and the paragraph headed "Money Lending" on page 23 of the announcement of the interim results for the six months ended 30 June 2023 dated 18 August 2023. Capitalized terms used in this paragraph headed "Money Lending" shall have the same meanings as those defined in the aforesaid announcements unless the context requires otherwise.

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

Business Model and Customer Profile:

The Group provides secured and unsecured term loans to its customers under its financial services segment. Money lending activities diversifies the income stream and business risks of the Group, and generates a stable return with the Group's available financial resources on hand from time to time. The Group mainly financed its money lending business by its internal resources and/or borrowings.

The Group does not set a specific target for the industry, business or level of annual revenue to corporate customers. The customers of the Group's money lending business were referred to the Group through its corporate or business networks.

Risk Management Policies:

The Group adopts a thorough credit assessment and approval process, and will assess and approve each loan transaction on a case-by-case basis. The account & finance department of the Group is responsible for conducting a background check on the prospective customer in compliance with the applicable laws and regulations, reviewing the background, financial position and strength of such customer and/or the guarantor (if any), and enquiring the prospective customer about the purpose of the loan and the expected source of funds for loan repayment. To support its analysis, the Group will obtain corporate documents, financial statements and search reports of the customer and/or the guarantor (if any), and thereafter, assess the credit risk of the loan and negotiate the terms thereof after considering (i) the background and financial position of the customer and/or the guarantor (if any), including net asset value and gearing ratio; and (ii) the value of the securities, if any. Each loan transaction will be approved by either the Board, if such transaction is material or by the executive committee of the Board. The account & finance department monitors the loan and interest repayment regularly and reviews the annual financial statements of the borrowers and guarantors (if any). It would promptly report to the management of the Group for any delay or default in repayment upon maturity, who would then formulate plans for loan collection, including but not limited to requesting for additional securities or initiating legal actions.

Loan Impairment Policies:

The Group adopts ECL allowances according to the requirements of HKFRS 9 issued by the HKICPA. Accordingly, it shall review the recoverable amount of each loan at the end of each reporting period to ensure that adequate impairment losses are made. The Group applies a general approach on loan receivables to assess for the ECLs. Assessment is based on the Group's historical credit loss experience, adjusted for factors that are specific to the borrower. In order to measure the ECLs of loan receivables, the Group will apply a credit rating for each of its borrowers by reference to each borrower's past default records, current past due exposure, an analysis of its current financial position, likelihood or risk of a default, an assessment on any significant increase in credit risk, and fair value of collaterals (if any), and adjust for forward-looking information that is available without undue cost or effort, such as the current and forecasted global economy and the general economic conditions of the industry in which the borrower operates. 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 any significant increase in credit risk before the loan amount becomes past due.

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

As at 31 December 2023, the Group's non-current assets of HK$2,256,627,000 (2022: HK$2,199,101,000) consisted of investment properties of HK$545,920,000 (2022: HK$557,089,000), property, plant and equipment of HK$1,564,586,000 (2022: HK$1,480,940,000), right-of-use assets of HK$120,572,000 (2022: HK$130,156,000), financial assets at FVTPL of HK$2,151,000 (2022: HK$802,000) and prepayments for acquisition of property, plant and equipment of HK$23,398,000 (2022: HK$30,114,000). These non-current assets are principally financed by the Group's shareholders' funds.

As at 31 December 2023, the total borrowings of the Group amounted to HK$760,050,000 (2022: HK$933,603,000) consisting of secured bank borrowings of HK$137,216,000 (2022: HK$134,782,000), unsecured bank borrowings of HK$301,406,000 (2022: HK$452,179,000), secured other borrowings of nil (2022: HK$33,803,000) and unsecured term loans of HK$321,428,000 (2022: HK$312,839,000). Among the total borrowings of the Group, HK$312,561,000 (2022: HK$544,816,000) was with maturity of less than one year, HK$122,587,000 (2022: HK$369,604,000) was with maturity more than one year but not exceeding two years and HK$324,902,000 (2022: HK$19,183,000) was with maturity more than two years but not exceeding five years.

As at 31 December 2023, the Group's gearing ratio, calculated on the basis of the Group's net borrowings (after pledged bank deposits, restricted bank deposits and bank balances and cash) over total equity, was approximately -8.6% (2022: 20.2%). The Group's gearing ratio would be adjusted to approximately –8.9% (2022: 19.5%) with marketable securities inclusive of investments held for trading deducted from the net borrowings.

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

In May 2023, the Company proposed to issue 362,001,819 rights shares by way of the rights issue, on the basis of one rights share for every two shares held by the qualifying shareholders of the Company on the record date at the subscription price of HK$0.88 per rights share ("Rights Issue") to raise approximately HK$318.6 million before expenses. The Rights Issue was completed in June 2023 and the net proceeds from the Rights Issue after deducting all relevant expenses was approximately HK$309.3 million. The Company currently intends to apply the net proceeds of approximately HK$309.3 million from the Rights Issue for financing the development of the KMH Phase II as set out in the prospectus.

As at 31 December 2023, details of use of net proceeds from the Rights Issue were as follows:

Intended use	**Planned use of the net proceeds** *HK$'000*	**Net proceeds used as at 31 December 2023** *HK$'000*	**Remaining balance of the net proceeds unutilized as at 31 December 2023** *HK$'000*
KMH Phase II	309,292	—	309,292

For the year ended 31 December 2023, construction cost payable for hospital buildings (KMH Phase II) inclusive of the first installment payment of approximately HK$79.3 million for the construction agreement in relation to the disclosure transaction announcement of the Company dated 8 July 2022 was accrued but not yet due.

During the year under review, the Company did not repurchase any shares (2022: nil) in the capital of the Company.

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

CHARGE ON GROUP ASSETS

As at 31 December 2023, the Group's investments held for trading of HK$6,624,000 (2022: HK$12,089,000), buildings (included in property, plant and equipment) of HK$237,692,000 (2022: HK$242,520,000), investment properties of HK$315,494,000 (2022: HK$326,049,000), properties under development for sale of HK$141,147,000 (2022: HK$147,402,000), pledged bank deposits of HK$32,984,000 (2022: HK$24,319,000) and medical equipment (included in property, plant and equipment) of HK$18,220,000 (2022: HK$42,400,000) were pledged to banks, financial institution, securities brokers houses and finance lease provider to secure credit facilities granted to the Group.

CAPITAL COMMITMENT

As at 31 December 2023, the Group had capital commitment contracted for but not provided relating to the acquisition of property, plant and equipment of HK$262,346,000 (2022: HK$276,746,000).

CONTINGENT LIABILITIES

Save as disclosed in this announcement, as at 31 December 2023, the Group is not aware of any material contingent liabilities.

MATERIAL ACQUISITIONS AND DISPOSAL, AND FUTURE PLANS

Save as disclosed in this announcement, during the year ended 31 December 2023, the Group did not hold any other significant investments nor have any material acquisitions or disposals of subsidiaries, associated companies and joint ventures.

Save as disclosed in this announcement, as at 31 December 2023, the Group did not have any plan for material investments or capital assets.

EMPLOYEES

The Group had 2,599 employees as at 31 December 2023 (2022: 2,577). The Group ensures that its employees are remunerated in line with market conditions and individual performance and the remuneration policies are reviewed on a regular basis.

CORPORATE DEVELOPMENT

References are made to the joint announcements of the Company dated 16 June 2023, 19 June 2023, 7 July 2023, 21 July 2023 and 5 October 2023 and the announcement of the Company dated 21 June 2023 in relation to, among others, the mandatory conditional cash offer by Yu Ming Investment Management Limited on behalf of Fareast Global Limited (the "Offeror") to acquire all the issued shares of the Company (other than those shares already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it).

Immediately after the completion of the Rights Issue, the Offeror, being a wholly-owned subsidiary of Tian An China Investments Company Limited ("TACI"), owns 358,717,000 shares of the Company (representing approximately 33.03% of the total issued shares capital of the Company). On 16 June 2023, the Offeror made a mandatory conditional cash offer to acquire all the issued shares of the Company (other than those shares already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it) at the offer price of HK$0.89 per share ("Offer"). The Offer was closed on 5 October 2023 and the Offeror had received valid acceptances for a total of 174,787,429 shares of the Company (representing approximately 16.09% of the total issued share capital of the Company). Immediately after the close of the Offer, the Offeror and parties acting in concert with it are interested in an aggregate of 609,808,510 shares of the Company (representing approximately 56.15% of the total issued shares capital of the Company) and, as such, the Company has become an indirectly non wholly-owned subsidiary of TACI.

PROSPECTS

Healthcare Division:

NJH

(i) For Class III A integrated hospital accreditation:

    2024 will be a critical year for NJH to continue its efforts and strive to become a Class III A integrated hospital in Jiangsu Province. On the basis of summarizing and analyzing existing shortcomings, the hospital will benchmark and identify divergence, search for and rectify any deficiencies and explore potential. The hospital will further take effective measures to continuously strengthen the quality of internal construction, actively promote refined hospital management, striving to enhance medical service standards and improve patient treatment experience. The hospital will make new achievements in strengthening the establishment of specialties, improving the vitality of its talent team, enhancing operational management to improve quality and efficiency, accelerating the upgrade and transformation of online hospital, leveraging the benefits of joint construction of medical consortiums, so as to establish reputation for the hospital's brand culture.

(ii) For specialties and departments development:

NJH will implement a new strategy for medical and surgical operations and strengthen medical and surgical operation management.

For the general medicine division system, NJH will take the revision of departmental secondary allocation plan as an opportunity to improve the subjective initiative of doctors at all levels, promote the introduction of case managers for chronic diseases in departments to increase the loyalty of chronic disease patients and increase the number of in-patients. As such, the operation and management capabilities of department directors shall be improved.

For the operation strategy of surgical departments, through diverting rare diseases by experts from leading hospitals in Nanjing, NJH will be able to meet the requirements of the accreditation of a Class III A integrated hospital. As a flexible private hospital, NJH's clinical departments could obtain supporting services from experts of other leading hospitals, as such the surgical skills of its surgeons can be enhanced. By establishing the "Joint Out-Patient Clinics + Joint Surgeries + Joint Wards", experts from other leading hospitals in Nanjing may be invited to NJH to provide patients with the high-quality medical treatments based on the principle of "Patients Not Run, Experts Run (患者不跑，專家跑)". NJH will seek for opportunities to introduce leaders of various specialties from other leading hospitals in Nanjing.

(iii) For scientific and educational research:

NJH will take full coverage of specialties technologies as its short-term goal. Meanwhile, NJH will constantly enhance other added values of technologies in the process of academic and technological development to derived benefits through technologies; accelerating the development of GCP (Good Clinical Practice) programs to promote the improvement of clinical research standards and strengthening research capacity training. NJH will serve as a platform to showcase the capabilities of its young talents, with a view to advancing the research quality and standards of young talents of the hospital. It will promote the development of clinical teaching by strengthening the cooperation with Medical School of Southeast University (東南大學醫學院), Clinical School of Medicine of Anhui Medical University (安徽醫科大學臨床醫學院), Fenyang College of Shanxi Medical University (山西醫科大學汾陽學院). NJH will strengthen the construction of clinical teaching bases, actively connect with teaching hospitals and affiliated hospitals, and continuously improve the construction of teaching bases and skills centers.

KMH

(i) For Class III A integrated hospital accreditation:

In 2024, the main goal of KMH is to meet the standard of Class III A integrated hospitals, with an emphasis on medical quality, safety and content development as well as refined operation and management, in order to continuously improve its medical technology and services while ensuring the stable development of its existing businesses. The focus will be the specialist technology of its existing departments, while also providing full support for departments to develop new businesses and technology and create more medical service highlights.

(ii) For specialties and departments development:

KMH will implement a new batch of key departments. Pathology, supporting the rapid development of the surgical system and addressing the problem of timeliness in pathological examination, the hospital arranged an area of no less than 300 m^2 and 5 staff to facilitate the establishment of pathology department. Oncology center, based on the construction progress of the radiotherapy room, it will begin preparation and promotion for the establishment of nuclear medicine, tumor radiotherapy and other departments and recruit radiotherapist, physiotherapist, nuclear medicine technologist and other members of the clinical team. Rehabilitation medicine, KMH will improve and specialize its existing rehabilitation medicine department, and, at the same time, gradually launch its rehabilitation sub-departments of neurological rehabilitation, orthopedic rehabilitation, geriatric rehabilitation, pain rehabilitation, severe disease rehabilitation and Chinese medical rehabilitation and strengthen its service offering system in terms of rehabilitation evaluation, rehabilitation treatment and rehabilitation follow-up visits.

The hospital will expand the source of revenue growth of its existing departments. It will consolidate the development of its five centers, namely Trauma Center, Chest Pain Center, Stroke Center, High-risk Pregnant and Lying-in Women Treatment Center, and High-risk Children and Neonate Treatment Center and continuously improve its ancillary facilities. Driven by the development of its five centers, it will further improve its trauma center, chest pain center and stroke center, enhance its treatment for emergent, critical and severe diseases, lower the fatality rate of patients of emergent, critical and severe diseases, and lay the groundwork for the construction of critical and severe treatment center for pregnant woman, children and infant. It will also showcase these key department's specialty and technological capabilities, helping to drive the construction and development of other departments of the hospital, facilitating the high quality development of talents, technology and management of the hospital and allowing KMH to provide timely and efficient medical services to the public in the surrounding area. On top of its existing trauma center, with the increased intake and treatment of ICU (Intensive Care Unit) patients of accident & emergency department, "120" networks, orthopedics and neurosurgery, KMH could further optimize the operation mechanics and procedures of its trauma center and improve the treatment for patients with severe trauma and the quality and timeliness of such treatment.

Furthermore, it will optimize the content of its retail medical and high-end medical services. KMH will speed up the construction of the marketing and operation system of stomatology, health management center for children, health management center for women, aesthetic medicine and other retail medical projects. With the three drivers, namely the medical team, nursing team and market operation team, all teams could work simultaneously with clearly defined responsibility, so as to achieve unified and efficient operation.

(iii) For development of KMH Phase II:

The construction will reach multiple important milestones in 2024. In January 2024, the main building of the oncology and nuclear medicine department has been topped up while the construction of the comprehensive ward and rehabilitation ward will be completed up to ground level (±0.00). In June 2024, equipment installation and testing will be carried out for the building of the oncology and nuclear medical department. In December 2024, the comprehensive ward and rehabilitation ward will be topped up while the interior furnishing of the building of the oncology and nuclear medicine department will be completed.

NCCPC

In 2024, NCCPC will begin its second year of operation. While the economic environment is still tough, the management holds the believe that the health consumption trend has been integrating into the life of every citizen cherishing a better life. With the gradual refinement of our business layout for "General Out-Patient + Retail Specialty Services", the expansion of NCCPC's professional capability from medical to the healthcare field has been further consolidated. In 2024, the out-patient department will optimize its products and establish its service system by closely referencing to the market demand, driving business development with operation and working on its marketing and market development.

(i) General practice:

NCCPC has established a specialty out-patient service for children's growth targeting the teenager and children market with anxiety for body height and lack of support from medical institutions. It will provide customized medical and healthcare level comprehensive solutions of long-term health intervention, tracking and management for its customers. This will create entrance for traffic inflow, accumulating mid-to-high-end customer base, and facilitating the product conversion of other specialties. By connecting with commercial insurances, it can provide more professional services for foreign customers. Through special projects, hospitality, full interpreter coverage, medical insurance payment and other well-designed procedures, it provides comprehensive and high-quality service experience for foreign patients.

(ii) Specialties:

Ophthalmology — NCCPC will establish multiple hospital alliances and medical guide routes and actively recruits well-known ophthalmologist in Nanjing and establishes specialist workshops. In the ophthalmology market, it will aggressively explore public resources and participates in public welfare projects in Jianye District;

Otolaryngology — Special services are developed based on the four main treatments, which include standardized treatment for allergic rhinitis, inspection and treatment of OSAS (Obstructive Sleep Apnea Syndrome), voice rehabilitation and therapy and tinnitus therapy and treatment;

Stomatology — NCCPC will establish characteristics specialist workshop and an IP (Influential Property) with famous doctors. With children as the entry point, it provides family stomatological medical services; a high-end dental care team is formed, providing comfortable teeth cleaning and private teeth management services for high net-worth customers and maintaining and developing such customers; consultation teams implement dynamic triage system. Based on their capabilities and strengths, categorized and customized treatments can be performed for each big project. Bottom-out system is also implemented to further enhance its comprehensive capability; and

Aesthetic medicine — The main focus is on developing the customer base of the aesthetic medicine center by attracting new customers through existing customers; membership benefits and rights are further improved to build its core customer base.

Eldercare Division:

In 2024, the Division will focus on strengthening its marketing effort. Through partnership with various parties, it will fully establish sales channels to raise the occupancy rate of its nursing hospital, elderly homes and elderly apartments.

Specifically, the Division plans to establish referral and cooperation relationships with nearby hospitals (general hospital, rehabilitation hospital, mental health center, social healthcare service center, etc.), elderly homes, nursing outsourcing institutions, elderly insurance institutions and residential district offices, in order to actively introduce patients. It will launch voluntary medical consultant activities for nearby and target communities to raise the awareness for the project and the nursing and elderly homes. Online marketing effort will be further strengthened, especially in terms of the operation of corporate self-media.

For the operation of SDH, the Division plans to gradually implement the relevant policies to lower the ratio of services at patients' expenses and reasonably increasing the revenue from medical insurances. It will adjust the management and usage of its staff to improve service quality. Retired influential figures from public hospital organizations will be introduced to achieve effective referral of patients.

Others:

Against the backdrop of low economic growth and general consumption downgrade, the medical services providers face a series of industry-wide development problems and challenges. The Group believes that it must consolidate its existing comprehensive medical businesses and traditionally strong specialties like otolaryngology, ophthalmology, cardiology and gynecology, while at the same time, continue to diversify in the healthcare field, expand its business fields and coverages, enrich its service models and establish its competitive advantages.

Furthermore, facing the payment settlement pressure from the stringent national medical policies such as collective procurement and DRGs (Related Diagnosis Groups), the management will continue to urge its hospitals to adjust their revenue structure by moving medical treatments to its out-patient departments and expanding the scale of out-patient operations and businesses like hysteroscopy and painless gastrointestinal endoscopy which would positively raising the cash flow and profitability. Although anti-corruption efforts in the healthcare industry in PRC these years have been a major concern for the public and the industry, the Group will make use of this opportunity to contact and attract high-end talents in the industry to build up our clinical teams. With the academic and clinical leadership of our specialists, the Group could develop large scale or major clinical specialties within our general surgery and medicine system.

The Group considers it could break away from its strict medical business framework to expand and explore the healthcare field in parallel with its existing businesses laying down the foundation for the future sustainable development of hospitals. Specifically with health and aesthetic as the major directions, specialty services coverage will be further expanded for pre and post treatment. In the front end, the Group will develop preventive healthcare, functional medicine and precise body checks; while at the back end, the Group will develop rehabilitation medicine, aesthetic medicine and other businesses, as well as different levels of healthcare products for various target customers. Moreover, Group will establish an international department in the hospitals to launch our high-end healthcare services in cooperation with NCCPC. With the medical support of its general practice, the Group will develop its commercial insurance business to facilitate the high-end customer membership operation and healthcare consumption and establish a service system with high quality and premium, which will be an effective supplement for basic healthcare services.

The Company will steadily continue the development of KMH Phase II and establish the oncology and nuclear medicine department in preparation for subsequent developments of the Group. The oncology and nuclear medicine center will be an important strategic project of the Company. By combining our chemotherapy, surgical operation, radiotherapy, intrusive treatment, immunotherapy and other clinical technologies, the Group could create a closed management loop for the whole treatment procedure for tumor diseases. With a focus on cultivating compound specialties, this will drive the comprehensive improvement of the basic infrastructure, medical technology and scientific and academic standards of our hospitals.

As the economic outlook for PRC market remains soft while global uncertainties persisting, most of the challenges in the market place remain changed. The Group will remain cautious and focus on enhancing operational efficiency, cost control, and strengthening its medical and technical teams and supply chain to bolster its competitive position. It will continue to review and adjust its business and investment strategies, and investment portfolio to suit the prevailing challenging economic and investment environment and will seek investment and business opportunities in the PRC, Hong Kong and the Asia Pacific region to enhance value for its shareholders.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the year ended 31 December 2023, the Company has applied the principles of, and complied with, the applicable code provisions set out in the section headed "Part 2 — Principles of good corporate governance, code provisions and recommended best practices" of the Corporate Governance Code ("CG Code") under Appendix 14 (restructured as Appendix C1 since 31 December 2023) of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, except for the following:

Under code provision C.5.3 of the CG Code, notice of at least 14 days should be given of a regular board meeting to all Directors to give all Directors an opportunity to attend. During the year, one Board meeting was convened with 12 days notice only to facilitate the Directors' timely reaction and expeditious decision making process in respect of certain internal affairs of the Group. All Board meetings, nevertheless, were duly convened and held in the way prescribed by the bye-laws of the Company. The Board will use reasonable endeavour to meet the requirements of code provision C.5.3 of the CG Code in the future. Adequate and appropriate information are circulated normally three days in advance of Board meetings to the Directors. The Board will continue to monitor and review the corporate governance principles and practices to ensure compliance.

Further information on the Company's corporate governance practices during the year under review will be set out in the Corporate Governance Report to be contained in the Company's 2023 Annual Report which will be sent to the Shareholders by the end of April 2024.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the financial statements for the year ended 31 December 2023.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by BDO Limited on the preliminary announcement.

By Order of the Board
China Medical & HealthCare Group Limited
Kong Muk Yin
Executive Director

Hong Kong, 15 March 2024

As at the date of this announcement, the Board comprises Mr. Kong Muk Yin, Mr. Guo Meibao and Mr. Zhou Haiying being Executive Directors; Mr. Lee Seng Hui (Chairman), Mr. Mark Wong Tai Chun and Mr. Gao Zhaoyuan being Non-Executive Directors; and Mr. Zhang Jian, Dr. Xia Xiaoning, Dr. Wong Wing Kuen, Albert and Ms. Yang Lai Sum, Lisa being Independent Non-Executive Directors.