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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors*

Mr. Choi Ka Tsan Karson
(Chairman and Chief Executive Officer)
 Dr. Fok Siu Wing Dominic
 Ms. Zhang Xiaoxue
 Mr. Liu Shiyin

Non-executive Directors*

Ms. Lee Wai Ling Linda
 Ms. Lau Suk Hing Clara
 Mr. Liu Yang
 Ms. Zhang Leidi

Independent Non-executive Directors*

Mr. Yu Xuezhong
 Dr. Xu Weiguo
 Mr. Han Wenxin
 Mr. Chan Wai Kan
 Mr. Cheung Ka Ming
 Mr. Tsui Wing Cheong Sammy

BOARD COMMITTEES

Audit Committee*

Mr. Chan Wai Kan *(Chairman)*
 Mr. Liu Yang
 Dr. Xu Weiguo
 Mr. Cheung Ka Ming

Remuneration Committee*

Mr. Cheung Ka Ming *(Chairman)*
 Mr. Liu Yang
 Mr. Yu Xuezhong
 Mr. Chan Wai Kan

Nomination Committee*

Mr. Choi Ka Tsan Karson *(Chairman)*
 Mr. Yu Xuezhong
 Dr. Xu Weiguo
 Mr. Tsui Wing Cheong Sammy

COMPANY SECRETARY

Mr. Kwok Chung On (Appointed on 20 June 2023)
 Mr. Kwan Chung Man (Resigned on 20 June 2023)

AUDITORS

Moore CPA Limited (formerly known as
 Moore Stephens CPA Limited)
 Certified Public Accountants
 Registered Public Interest Entity Auditor

REGISTERED OFFICE

(With effect from 4 March 2024)
 Clarendon House
 2 Church Street
 Hamilton HM 11
 Bermuda

(Before 4 March 2024)
 Victoria Place, 5th Floor
 31 Victoria Street
 Hamilton HM 10
 Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKERS

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



CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

(With effect from 4 March 2024)

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

(Before 4 March 2024)

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

* As at the date of this annual report. For further information about the Board of Directors, please refer to the Report of Directors on page 72 to 75 of this annual report.



CHAIRMAN AND CEO'S STATEMENT



Dear Shareholders,

On behalf of Town Health, I hereby present the annual report for the year of 2023.

In 2023, the global economy was uncertain and the world situation was complex and volatile. The Group is one of the largest listed healthcare groups with the longest history in Hong Kong and it is one of the few local comprehensive medical institutions that provides healthcare services in both Hong Kong and the Mainland China. It has demonstrated operational resilience in the face of changes. During the Year, the Group's medical services, managed medical network, hospital management, health management, aesthetic medical and beauty and wellness businesses accommodated and coordinated with each other, and achieved excellent business development.

The Hong Kong economy staged a recovery in the aftermath of the Pandemic. Yet, the challenging external environment constrained the pace of recovery. Despite this, domestic demand rebounded strongly. The improvement in local labour market conditions has led to a rebound in private consumption expenditure, more companies providing group medical benefits to employees, and the government encourages citizens to participate in Voluntary Health Insurance Schemes, all of which support the growth in demand for private medical services. In addition, the ageing population and rising prevalence of chronic diseases pose challenges to the public healthcare system. In recent years, the Hong Kong government cooperated with the private medical sector in launching a number of funding or public-private partnership programmes, and announced the "Primary Healthcare Blueprint" at the end of 2022, proposing the establishment of community-based primary healthcare system. The Hong Kong government made good use of the resources of the private medical sector to respond to the demand for public healthcare services, which is not only an important measure to relieve the pressure on the public medical system, but also an important force guiding the development of Hong Kong's private medical service industry.

In the face of changes in public medical and health policies, the Group recognizes and closely follows the Hong Kong government's primary healthcare initiatives. It proactively cooperates in establishing the "family doctor for all" model and promotes the concept of "prevention beats cure". Rooted in Hong Kong, the Group goes deep into the communities. It has established chain medical centres in many districts across Hong Kong that focus on serving community residents. As at the end of 2023, the Group provided medical services including general practice services, specialist services and dental services at more than 400 service points. These community medical centres have been implementing the concept of "treatment of mild cases in the community" for many years and play a gatekeeper role in the field of disease prevention and chronic disease management. The Group hopes that its medical services and managed medical network in Hong Kong will assist the Hong Kong government in shifting the focus of the medical system from a treatment-oriented, institution-centric secondary and tertiary healthcare to prevention-oriented, family-centric primary healthcare system. In the long run, the "medical sector and community cooperation" will benefit the public.



CHAIRMAN AND CEO'S STATEMENT

In order to assume the social responsibilities as a medical institution and promote the sustainable development of the Group's business, the Group proactively supported the government's primary healthcare development strategy. As one of the largest and most extensive medical centre chains in Hong Kong, the Group's chain medical centres spread throughout the territory has participated in a number of government-funded or public-private partnership programmes for primary healthcare to provide comprehensive primary healthcare and chronic disease management to customers in the communities where they live and work. In respect of dental services, since the second half of 2023, a number of the Group's dental centres have also gradually joined the Pilot Scheme on Dental Services (Dental Scaling) for Civil Service Eligible Persons. In respect of specialist services, the Group adopts a multi-brand strategy and currently its sub-brand matrix covers a number of specialties, of which the performance of cardiology and orthopaedics was particularly outstanding during the Year. Hong Kong Medical Consultants, the premier integrated specialty brand of the Group, also continued to develop, resulting in a continuous growth of its specialist and allied health team. The Group's multi-level and diversified medical service layout covering from primary healthcare to high-end cross-specialty services has been effective, laying a solid foundation for the Group to develop an integrated healthcare service ecosystem for the Guangdong-Hong Kong-Macao Greater Bay Area.

Dr. Vio & Partners Ltd. operates the managed medical network of the Group in Hong Kong with over 380 service outlets and around 600 practitioners. Vio recorded over 38% growth in earnings in 2023, partly because its third-party medical schemes administration (TPA) services attracted more new customers. As the only major medical network with the ISO 9001:2015 quality management system certification, Vio always strives to make continuous improvement in service quality and customer satisfaction. Orientation of new recruits, on-the-job training and regular staff meetings are held to help us achieve such improvement. In addition, Vio has launched a project to enhance information security, with a view to obtaining accreditation in information security management. The Group manages both a large medical network and operates a self-operated chain of centres numbering 109. The managed medical network and our own medical centres have many inherent synergies, which the Group will further harness in the future. The two business segments have also joined hands to support the government's primary healthcare blueprint and its Chronic Disease Co-Care Scheme. Vio plans to further strengthen its cooperation with all likeminded operators in the healthcare sector, to promote more efficient and comprehensive care to patients as well as health gain for the whole community.

In addition, with the full resumption of normal travel between Hong Kong and the Mainland China, exchanges and cooperation in terms of medical and health development between the two places become closer and more frequent. The Hong Kong government encourages private medical institutions in Hong Kong to develop in the Mainland China, especially in the market of Guangdong-Hong Kong-Macao Greater Bay Area. During the Year, the Group entered into strategic partnerships with a number of medical institutions and large enterprises in the Mainland China, marking a solid step forward in building an integrated healthcare service ecosystem in the Guangdong-Hong Kong-Macao Greater Bay Area.

Meanwhile, the Mainland China is also facing the challenges of ageing population and rising prevalence of chronic diseases, and the public's demand for high-quality medical resources has also increased significantly. The Group's comprehensive health business layout in the Mainland China has demonstrated its effectiveness. During the Year, Nanyang Xiangrui, a subsidiary of the Company, which is mainly engaged in hospital management in the Mainland China, recorded continuous growth in revenue and net profit, and health management institutions in various places also operated smoothly.



CHAIRMAN AND CEO'S STATEMENT



Nanyang Xiangrui, a subsidiary of the Company, is mainly engaged in hospital management business. During the Year, its revenue recorded a double-digit growth, and its net profit also continued to grow, fully demonstrating the Group's excellent governance performance in the hospital management business. Nanshi Hospital, managed by Nanyang Xiangrui, advocates the coordinated development of "medical treatment, education and research" and continues to promote discipline construction, to maintain the leading position of a comprehensive Grade III Level A hospital in Nanyang City. The "general hospital + branches" operation model exported by Nanyang Xiangrui to Nanshi Hospital was effective. During the Year, it recorded double-digit growth in the number of overall outpatient visits, inpatients and surgeries, driving double-digit growth in revenue from medical services and pharmaceuticals. Nanyang Ruishi Ophthalmology Hospital, which has the leading technology in femtosecond laser myopia surgery, even recorded a high double-digit growth in net profit during the Year. In addition, the internet hospital of Nanshi Hospital is the first licensed internet hospital in Nanyang City, Henan Province. From March 2022 when the internet hospital of Nanshi Hospital was put into service to December 2023, it has served over 600,000 visits. The internet hospital of Nanshi Hospital provides services such as online consultation, medication consultation, online and offline prescription, online appointment, online registration, online payment, report inquiry, drug delivery, and mailing of electronic medical records, etc., which helped Nanshi Hospital to break through geographical restrictions and achieve integration inside and outside the hospital, to cover nearly 20 million people in southwestern Henan Province with high-quality medical resources. Nanyang Xiangrui owns companies engaged in medical technologies and services, sales and delivery of medical devices, property management, extended services for home care and other fields, which provide more comprehensive and continuous support to Nanshi Hospital, offer growth momentum for Nanyang Xiangrui's overall business development, and enable Nanyang Xiangrui to continue to be the growth driver of the Group's businesses in the Mainland China.

The Group's health management institutions located in Shenzhen City and Guangzhou City in Guangdong Province and Jinan City in Shandong Province gradually recovered from the epidemic. The local management team captured the development opportunities of the comprehensive health industry after the Pandemic. While continuing to promote the existing characteristic health management business, it has also seized the opportunities to develop new businesses with development potential. In Shandong Province, Town Health International Health Management Centre in Jinan City and Shanghai Huada Medical Laboratory cooperated to establish a base for early tumor screening and cardiovascular disease genetic testing to provide customers with genetic testing that can be performed at home, improving medical care efficiency and reducing testing costs. In Guangdong Province, the VIP service for reproductive medicine launched by Ganghe Clinic in Shenzhen City and Guangzhou Integrated Clinic in Guangzhou City is gradually taking shape. Both parties worked closely and established the two-way referral mechanism so that customers can enjoy high-quality medical resources in both places. After achieving full resumption of normal travel between Hong Kong and the Mainland China, Ganghe Clinic also cooperated with medical institutions in Hong Kong to provide cross-border services to customers with a one-stop seamless medical experience. Facing the increasing cross-border medical needs of customers in the Guangdong-Hong Kong-Macao Greater Bay Area, the Group's health management institutions in Guangdong Province will proactively play the role of linking the businesses in the Mainland China and Hong Kong to exchange resources and complement each other's advantages, and promote the business development of the Group's integrated healthcare services in the Guangdong-Hong Kong-Macao Greater Bay Area.



CHAIRMAN AND CEO'S STATEMENT

TBMG, which was engaged in aesthetic medical and beauty and wellness, adapted to the rapid changes in the consumer healthcare industry. During the Year, it optimised its centre network and adjusted its marketing strategy to overcome the adverse effects of the business environment, resulting in a double-digit revenue growth year-on-year. During the Year, TBMG made rapid strategic choices and took decisive actions to increase capacity and drive sustainable profit growth. It has established a total of 36 centres in Hong Kong, Shenzhen, Shanghai and Guangzhou. With the focus on improving customer experience, TBMG has built a complete customer database in order to tap customer needs accurately, while strengthening customer conversion between beauty and wellness and aesthetic medical. TBMG also continued to increase online and offline marketing efforts to consolidate the loyalty of existing customers, while attracting new customers to expand the customer base, thereby increasing revenue and market share.

Established in 1989, the Group was listed on the GEM of the Hong Kong Stock Exchange in 2000 and then transferred to the Main Board in 2008, becoming the first medical group listed in the Hong Kong Stock Exchange with the business of medical centre chain. The year 2024 is an important milestone for the Group's 35th anniversary. The Group has expanded from a community medical centre to the present company with its business extending into multiple areas of healthcare services, and it has developed into an industry leader with high-quality medical resources and a strong professional medical team, which is all due to the trust and support of our customers. The Group will live up to expectations, continuously make improvements and strive for excellence to provide every customer with better healthcare services!

As the Pandemic recedes, society activities returns to normal. In the future, the Group will assess the situation to cater to market demand and development trends and further integrate existing medical resources in Hong Kong and the Mainland China. It will connect its chain medical centres, high-end medical imaging and diagnostic centres, health check centres, health management centres, hospitals and internet hospital, and telemedicine platform. The Group aims to establish an integrated healthcare service ecosystem in the Guangdong-Hong Kong-Macao Greater Bay Area, in order to satisfy customers' all-round needs from the perspectives of prevention, diagnosis, outpatient, hospitalization, rehabilitation, and nursing.

While striving to achieve business goals, the Group will take the initiative to shoulder the social responsibilities of a medical enterprise, take practical actions to promote the sustainable development of the medical industry, economy, society and environment, and is determined to a world-class medical group rooted in Hong Kong and based in the Greater Bay Area which serves the whole country and connects with the world.



CHAIRMAN AND CEO'S STATEMENT

I would like to take this opportunity of submitting the first annual report since I was appointed as the Chairman and CEO to express my sincere gratitude to every employee for their hard work and long-term contribution, to every customer and business partner for their continued trust and support, and to every shareholder for their recognition and love to the Group! Despite arduous tasks and a long way to go, I will lead my colleagues on the Board to move forward based on the past and forge ahead into the future, lead the Group to develop pragmatically, seek to create greater value for shareholders and customers and benefits for grassroots citizens, and to make contributions to building a harmonious and inclusive society and promoting the important national strategy of "Healthy China".

Choi Ka Tsan Karson

Chairman and CEO

25 March 2024



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Company hereby reports the results of the Group for the Year.

During the Year, although the Group's revenue grew by approximately 19.37%, the Group recorded a consolidated loss of approximately HK\$159,089,000 (2022: profit of approximately HK\$49,522,000) and a consolidated loss attributable to owners of the Company of approximately HK\$194,210,000 (2022: profit of approximately HK\$15,289,000). While without taking into account of the other gains and losses (net) of approximately HK\$245,475,000 net other losses for the Year (2022: approximately HK\$44,167,000 net other gains) occurred in the non-ordinary course of business, the Group recorded an operating profit of approximately HK\$86,386,000 (2022: approximately HK\$5,355,000) and an operating profit attributable to owners of the Company of approximately HK\$51,265,000 (2022: loss of approximately HK\$28,878,000) in the ordinary course of business.

Such significant change from consolidated profit attributable to owners of the Company to consolidated loss attributable to owners of the Company was mainly due to the positive effect from the increase in the revenue of the Group recorded for the Year which was outweighed by the negative effects from the significant increase on fair value losses of the Group's investment properties recorded for the Year and the significant increase on impairment losses recognised on the Group's various assets recorded for the Year.

Increase in Revenue

The Group recorded revenue of approximately HK\$1,833,038,000 for the Year (2022: approximately HK\$1,535,580,000), which was mainly attributable to the increase in demand for medical services and managed medical network services as well as mainland hospital management services due to the rebound after the COVID-19 pandemic; and the contribution from Central Medical Holding Limited after the Group's acquisition in August 2022. Detail of revenue from business segments of the Group will be explained in subsequent paragraphs.

Significant Increase on Fair Value Losses on Investment Properties

The Group recorded fair value losses on its investment properties of approximately HK\$98,626,000 for the Year (2022: approximately HK\$6,893,000), which was mainly attributable to the significant contraction in Hong Kong property market during the Year.

Significant Increase on Impairment Losses Recognised on Various Assets

The Group recorded impairment losses on various assets of approximately HK\$158,112,000 for the Year (2022: approximately HK\$4,944,000), which was mainly attributable to the generally adverse economic conditions in Hong Kong and the Mainland China, in light of which the management has, for certain business units not attaining the targeted performance levels, adopted a more conservative performance projection than that adopted during the year ended 31 December 2022, thereby imposing negative impacts on the valuation on various assets when the relevant impairment tests were being carried out. Please refer to notes 4, 17, 20 to 23 of the consolidated financial statements for details on such impairment losses.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Annual Business Review

In 2023, despite the full of challenges in the external environment, with the normalization of the epidemic in Hong Kong and the Mainland China, social and economic activities returned to normal. Both places also achieved full resumption of normal travel, and the economy was in an overall recovery. However, the pace of recovery varied among industries. Benefited from the continued recovery of internal demand and the rise in awareness of preventive medicine, the medical industry took the lead in recovery after three years of Pandemic. The Group seized the opportunity of post-pandemic economic recovery and industry growth to develop its businesses. During the Year, the Group recorded revenue of approximately HK\$1,833,038,000 (2022: approximately HK\$1,535,580,000), representing a year-on-year increase of approximately HK\$297,458,000 or approximately 19.37%. Although the Group's businesses development progressed smoothly during the Year, the Group recorded a consolidated loss of approximately HK\$159,089,000 (2022: profit of approximately HK\$49,522,000) and a consolidated loss attributable to owners of the Company of approximately HK\$194,210,000 (2022: profit of approximately HK\$15,289,000). It was due to the significant increase on fair value loss of the Group's investment properties and the impairment losses recognised on the Group's various assets recorded for the year ended 31 December 2023.

In terms of the businesses in Hong Kong, domestic demand continued to be the core growth driver for the local economy, supporting the continued growth in demand for private medical services. Under the normalization of the epidemic, the operation of the Group's medical services and managed medical network in Hong Kong returned to normal, and the number of patient visits rebounded during the Year, driving an increase in revenue. Meanwhile, in recent years, the government cooperated with the private medical sector to launch a number of funding or public-private partnership programmes, and continued to promote primary healthcare development strategies, injecting growth momentum for the private medical service industry in Hong Kong.

In terms of the businesses in the Mainland China, although the way to economic recovery in the Mainland China was relatively bumpy, the residents' strong demand for high-quality medical resources supported the flourish of the Group's businesses in the Mainland China after the epidemic. The Group's comprehensive health business layout in the Mainland China demonstrated its effectiveness. During the Year under review, the hospital management business and the health management business operated smoothly, continuing to contribute considerable revenue and profit to the Group.

Healthcare Service Network of the Group

As of 31 December 2023, the Group had 419 healthcare service points covering multiple practices, including 239 general practice service points, 68 specialist service points, 21 dental service points and 91 auxiliary service points. As of 31 December 2023, the Group had 780 doctors, dentists and auxiliary service staff (including 384 general practitioners, 238 specialists, 34 dentists and 124 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 2023
Medical services	307
General practice services	239
Specialist services	68
Dental services	21
Auxiliary services	91
Physiotherapy services	46
Diagnostic imaging and laboratory testing services	30
Traditional Chinese medicine services	14
Health management services	1
Total:	419

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

	As of 31 December 2023
Medical services	75
General practice services	39
Specialist services	36
Dental services	11
Auxiliary services	23
Diagnostic imaging and laboratory testing services	16
Physiotherapy services	6
Health management services	1
Total:	109



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(Continued)*

Business in Hong Kong

Medical Services

In 2023, the revenue from the Group's medical services in Hong Kong was approximately HK\$770,996,000 (2022: approximately HK\$617,116,000), accounting for approximately 42.06% (2022: approximately 40.19%) of the Group's revenue for the Year. Despite the end of the Group's Covid vaccination and community isolation facilities management during the Year, the rapid rebound in medical demand led to an overall increase in the number of visits by more than 20%, resulting in a strong growth in revenue of medical services in Hong Kong.

In respect of general practice services, the Group owns one of the largest and most extensive medical centre chains in Hong Kong, with medical centres spread throughout Hong Kong Island, Kowloon and the New Territories, which can provide comprehensive primary care and chronic disease management to customers in the communities where they live and work. Benefited from the increase in medical demand which led to a significant increase in the number of patient visits, the revenue and net profit of the general practice services increased significantly year-on-year. The Group supports the government's primary healthcare development strategy. In recent years, the Group's chain medical centres have successively participated in a number of government-funded or public-private partnership programmes for primary healthcare. Adhering to the philosophy of family doctor for all, the Group adopts the strategy of early detection and early treatment, and collaborates with the government in building a prevention-oriented, community-based and family-centric primary healthcare system, thereby promoting the sustainable development of the Group's general practice services and also shouldering the corporate social responsibility of making contribution to the improvement of the overall health status of citizens.

In respect of dental services, during the Year, the Group invited more outstanding dentists to join the professional team to further enhance the service efficiency and capability. Since the second half of 2023, a number of the Group's dental centres have successively joined the Pilot Scheme on Dental Services (Dental Scaling) for Civil Service Eligible Persons. Under the 18-month Pilot Scheme, which is a public-private partnership, arrangements will be made for more than 140,000 civil service eligible persons in Hong Kong to receive dental scaling services at private dental clinics.

In respect of specialist services, the Group adopts a multi-brand strategy and its sub-brand matrix covers a number of specialties, and has a team of specialists with outstanding reputation and extensive clinical experience in their respective specialties. During the Year, the performance of cardiology and orthopaedics was particularly outstanding. In recent years, the cardiology and orthopaedics departments continued to expand the team of doctors and allied medical personnel, increase the number of healthcare service points and strengthen marketing and health education. Through a number of measures, the Group has established a number of cardiology and orthopaedics brands with market-leading positions, including "Hong Kong Cardiac Centre", "Hong Kong Cardiac Diagnostic Centre", "Hong Kong Traumatology & Orthopaedics Institute" and "TOI Physiotherapy Centre". During the Year, the department of orthopaedics expanded the service coverage of medical centres in Tsuen Wan and Sha Tin, and established a new sports trauma physical therapy sub-brand "Elite Physiotherapy and Sports Rehabilitation" to provide one-stop services for trauma treatment, rehabilitation training and sports performance improvement for athletes.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(Continued)*

Business in Hong Kong *(Continued)*

Medical Services (Continued)

In addition, the multi-specialty medical centres in Hong Kong's core Central Business District established by Hong Kong Medical Consultants, the premier integrated specialty brand of the Group, provides comprehensive, high-quality and effective cross-specialty medical and clinical services to customers in Hong Kong and the Guangdong-Hong Kong-Macao Greater Bay Area. The medical team of Hong Kong Medical Consultants brings together experienced and top senior specialists, and currently provides 23 types of specialist and clinical services. During the Year, the specialist team further enhanced its strength through recruitment of new specialists in respiratory medicine, haematology and haematological oncology, orthopaedics and traumatology, general surgery, cardiothoracic surgery, plastic surgery, ophthalmology, urology, psychiatry and dentistry. In addition, Hong Kong Medical Consultants has an allied health team to provide clinical psychological services, psychological counselling therapy, nutritional therapy, occupational therapy, podiatry services and speech and swallowing therapy to customers. During the Year, new dietitians, occupational therapists, podiatrists and speech therapists joined the allied health team to further enhance the rehabilitation and extended care service capabilities of Hong Kong Medical Consultants. The sustained and stable development of Hong Kong Medical Consultants proves that the Group's multi-level and diversified medical service layout covering from primary care to high-end cross-specialty services is effective.

In order to improve the service efficiency and quality, during the Year, in addition to inviting more general practitioners, dentists, specialists and allied medical personnel to join the medical team, the Group also recruited a large number of health care assistants and dental surgery assistants to join the professional team and provided them with comprehensive induction and on-the-job training courses. The Group also continuously understands customers' needs and pain points through internal performance assessment, customer questionnaire survey and complaint handling mechanism, and conducts continuous tracking to optimize the healthcare service experience.

In the wake of the Pandemic, in light of the enhanced overall health awareness of the society and the close people-to-people exchanges and frequent economic and trade cooperation between Hong Kong and the Mainland China after the full resumption of normal travel, residents in the Mainland China demand for quality private medical services in Hong Kong increased, creating a good opportunity for the Group to develop integrated healthcare services in the Guangdong-Hong Kong-Macao Greater Bay Area. During the Year, the Group cooperated with a number of medical institutions and large enterprises in the Mainland China to provide quality overseas medical benefits to their customers and employees. In addition, the Group has entered into strategic partnerships with major Grade III Level A public hospitals in Shenzhen City and designated medical institutions under the "Measure of Using HK Registered Drugs and Medical Devices used in HK Public Hospitals in Guangdong-Hong Kong-Macao Greater Bay Area" to jointly explore the northbound mode of "Hong Kong Doctors and Hong Kong Pharmaceuticals". In the long run, the Group hopes to provide full-cycle, integrated and one-stop healthcare services to the more than 86 million residents in the Guangdong-Hong Kong-Macao Greater Bay Area.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(Continued)*

Business in Hong Kong *(Continued)*

Managed Medical Network – Vio

In 2023, the Group's managed medical network in Hong Kong recorded revenue of approximately HK\$498,189,000 (2022: approximately HK\$429,458,000), accounting for approximately 27.18% (2022: approximately 27.97%) of the Group's revenue for the Year; and segment results of approximately HK\$43,097,000 amounting to 38.51% growth (2022: approximately HK\$31,115,000). This growth was partly due to Vio's third-party medical schemes administration (TPA) services acquiring more new businesses, expanding its quality customer base and increasing its revenue sources. At the same time, as Hong Kong entered the post-pandemic era, the Vio team had worked hard to shrug off the direct and indirect negative impacts caused by the Covid-19 pandemic. Vio's managed medical network operation and its primary and secondary care services generated by its polyclinics are gradually working towards normalcy. Meanwhile, resumption of social interactions coupled with the population's weakened immunity to respiratory infections due to past extended period of masking led to resurgence of influenza and other respiratory viral infections, which resulted in raised clinic attendance numbers in 2 peak phases. On the other hand, net emigration and significant decline in the labour force in Hong Kong has meant that Vio's patient pool has shrunk, and total visit number has not yet returned to the pre-pandemic level.

As the only major medical network awarded with the ISO 9001:2015 quality management system certification, Vio strives to make continuous improvement in service quality and customer satisfaction. Staff are regularly reminded of the importance of quality customer service, updated on any new or change of medical scheme rules, and briefed on data security.

Vio continued to invest resources in upgrading I.T. systems in 2023 with further enhancements in its paperless electronic voucher system and electronic medical expense pre-approval procedures, especially in pre-hospitalization. These should strengthen relevant cost control for payers and speed up any claims settlement for patients. With a close eye on the needs of customers and streamlining internal operations, Vio also developed and launched several new I.T. modules for medical centres and the back office. During the year, Vio started a project to enhance information security, striving to protect the privacy, confidentiality and security of patients' personal data and medical records, with a view to obtaining accreditation in information security management.

During the year, Vio invited more specialists to join the medical network. It also started to operate a medical centre at Citylink Plaza in Sha Tin in March 2023, to provide consultation and health screening services to residents in this populous area. In light of the smouldering influenza and other respiratory viral infections, Vio's medical centres continued to maintain standard infection control measures and regularly carried out environmental optimization.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(Continued)*

Business in Mainland China

Hospital Management Business

The hospital management business of Nanyang Xiangrui, a subsidiary of the Company, operated steadily. During the Year, Nanyang Xiangrui's revenue and net profit continued to grow, which not only corroborated sufficient growth momentum for the long-term performance growth of hospital management business once again, but also fully highlighted the Group's competitive advantages in respect of hospital management business.

Nanyang Xiangrui owns companies engaged in medical technologies and services, sales and delivery of medical devices, property management, extended services for home care and other fields, which provide comprehensive support to Nanshi Hospital, a national Grade III Level A hospital managed by Nanyang Xiangrui. In particular, Nanyang Jianke Medical Technology Co., Ltd., which is engaged in the sales of medical devices, performed outstandingly, with revenue and net profit recording double-digit growth year-on-year. The "general hospital + branches" operation model exported by Nanyang Xiangrui to Nanshi Hospital was effective. 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 maintained a sustained and positive growth trend during the Year. Nanshi Hospital recorded double-digit growth in the number of overall outpatient visits, inpatient visits and surgeries, driving double-digit growth in revenue from medical services and pharmaceuticals.

In terms of the general hospital, Nanshi Hospital advocates the coordinated development of "medical treatment, education and research" and continues to strengthen its discipline construction. In respect of medical level, as a national stroke screening and prevention base, a national advanced stroke centre, and a national training base for intravenous thrombolytic technology of stroke, the Cerebrovascular Disease Centre of Nanshi Hospital ranked the first in terms of intravenous thrombolytic therapy in the country for three consecutive months from March to May 2023; 1,156 cases of intravenous thrombolytic therapy were completed throughout the Year, ranking the first in Henan Province. During the Year, the Department of Neurology under the Cerebrovascular Disease Centre of Nanshi Hospital was awarded the first batch of "14th Five-Year Plan" provincial key clinical specialties of Henan Province, marking that its professional and technical capabilities has reached a new level. Nanshi Hospital signed a strategic cooperation agreement with Shandong Heze Luxin Hospital, the only private Grade III hospital specializing in cardiovascular and cerebrovascular diseases in Shandong Province, to jointly establish a stroke medical alliance. Both parties integrated each other's high-quality medical resources, and improve the combined stroke treatment capabilities of private hospitals in Henan Province and Shandong Province. The cooperation marked the first step in the development of Nanshi Hospital's Cerebrovascular Disease Centre out of Henan Province.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(Continued)*

Business in Mainland China *(Continued)*

Hospital Management Business (Continued)

At the same time, the Burn and Plastic Surgery Centre of Nanshi Hospital is now a national key clinical specialty. During the Year, relying on its technical strength, it became the only provincial-level burn rescue hospital in Nanyang City during the emergency rescue of burn (explosion) injuries. It established a burn (explosion) injury emergency rescue alliance with medical institutions in various places to strengthen technical exchanges and form the capacity to carry out joint diagnosis and treatment or transfer hospital for treatment. The Department of Burn and Scar Rehabilitation under the Burn and Plastic Surgery Centre of Nanshi Hospital also became the vice-chairman unit of the Trauma Cosmetology and Restoration Professional Committee of the Cosmetology and Plastic Surgery Branch of the Henan Provincial Hospital Association.

In terms of education of talents, during the Year, Nanshi Hospital and Sanquan College of Xinxiang Medical University jointly established a clinical college and the doctors of Nanshi Hospital were selected to give all-round lectures to the first batch of students of Sanquan College. Both parties launched a new model of hospital and school cooperation, focusing on building a growth ladder for medical talents and promoting the high-quality development of regional medical and health services.

In terms of scientific research capabilities, Nanshi Hospital focused on both clinical and scientific research, it became a key regional hospital of National Clinical Research Center for Orthopaedics, Sports Medicine and Rehabilitation. It continued to improve the level of clinical scientific research and technical capability. During the Year, the revenue from clinical trials for new medicines doubled, the number of national and provincial scientific research projects hit a record high, and the number of provincial and municipal science and technology awards also constantly increased.

In terms of branches, in early years, Nanyang Ruishi Ophthalmology Hospital took the lead in introducing the world's leading VisuMax femtosecond laser system in Nanyang City, Henan Province. In recent years, the femtosecond myopia laser surgery carried out by the refractive surgery team has been highly recognised and praised both inside and outside the industry in terms of medical technology, diagnosis and treatment services, and patient satisfaction. As of the end of 2023, the myopic refractive surgery team of Nanyang Ruishi Ophthalmology Hospital has completed more than 10,000 SMILE femtosecond laser myopia surgeries, driving Nanyang Ruishi Ophthalmology Hospital to continue to achieve rapid development. During the Year, Nanyang Ruishi Ophthalmology Hospital recorded double-digit growth in revenue, and even higher double-digit growth in net profit, showing impressive performance.

As the first licensed internet hospital in Nanyang City, Henan Province, the internet hospital of Nanshi Hospital currently has 16 specialties and more than 400 doctors online for a long time to provide services covering online consultation, medication consultation, online and offline prescription, online appointment, online registration, online payment, report inquiry, drug delivery, and mailing of electronic medical records, etc. During the Year, Nanshi Hospital continued to promote the convenience of using internet hospital services to residents in Nanyang City and surrounding areas, including regular distribution of leaflets to inpatients and their families in the hospital, as well as promotion outside the hospital through telephone visits, live streaming, social media and other channels. From March 2022 when the internet hospital of Nanshi Hospital was put into service to December 2023, it has served over 600,000 visits.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(Continued)*

Business in Mainland China *(Continued)*

Health Management Business

During the Year, the Group's health management institutions located in Guangdong Province and Shandong Province gradually recovered from the epidemic and resumed normal business operations. The local management team developed characteristic health management services according to local conditions and seized opportunities to promote sustainable business development.

In Guangdong Province, Guangzhou Integrated Clinic located in Guangzhou City continued to strengthen differentiated gynecological services including peripheral supporting services for assisted reproductive services and life cycle healthcare services for female and to deepen strategic cooperation with nearby hospitals and reproductive medicine centres to consolidate its business foundation. In addition, the pharmacy business of Guangzhou Integrated Clinic made steady progress, and more assisted reproductive-related medicines and healthcare products were introduced during the Year to meet the diverse needs of customers. Ganghe Clinic located in Shenzhen City continued to serve the insurance customers of the Shenzhen Branch of China Life Insurance and focus on providing special services such as reproductive medicine, gynecological services and Helicobacter pylori screening, etc. During the Year, Ganghe Clinic signed cooperation agreements with a number of institutions of reproductive medicine in the Mainland China to provide customers with various types of tests, ovulation tracking and other reproductive healthcare services. Meanwhile, after achieving full resumption of normal travel between Hong Kong and the Mainland China, Ganghe Clinic also cooperated with medical institutions in Hong Kong to provide cross-border services to customers with a one-stop seamless medical experience, and to promote the development of the Group's integrated healthcare services in the Guangdong-Hong Kong-Macao Greater Bay Area.

In Shandong Province, the three main businesses of Town Health International Health Management Centre in Jinan City, i.e. health check, stomatology and beauty services, operated steadily. The health check segment remained the main source of income for Town Health International Health Management Centre. Town Health International Health Management Centre signed a medical consortium agreement with the Grade III Level A hospitals in the province, and regularly invited experts from various specialties to the centre for consultation. Town Health International Health Management Centre also invited experts from various specialties from Grade III Level A hospitals in the province to develop attractive high-end health check packages. In the meantime, Town Health International Health Management Centre continued to optimize customer acquisition channels, attracting individuals and corporate group health check customers to successively come to the centre for health check. Moreover, Town Health International Health Management Centre and Shanghai Huada Medical Laboratory cooperated to establish a base for early tumor screening and cardiovascular disease genetic testing to provide customers with genetic testing that can be performed at home, improving medical care efficiency and reducing testing costs. During the Year, Town Health International Health Management Centre implemented payment methods such as Outpatient Coordination of Shandong Provincial Medical Insurance, Shandong Provincial Medical Insurance and Medical Insurance of Jinan City, Shandong Province.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(Continued)*

Other Business

During the Year, TBMG, which was engaged in aesthetic medical and beauty and wellness, employed 13 full-time or part-time doctors (2022: 14 doctors), and had 14, 10, 9 and 3 centres in Hong Kong, Shenzhen, Shanghai and Guangzhou, respectively (2022: 15, 11, 9 and 3 centres). Although local consumption in Hong Kong remained strong, the performance of inbound tourism had not fully recovered; the sluggish pace of economic recovery in the Mainland China weakened residents' spending power and confidence, and the recovery speed of the medical beauty industry was not as expected. TBMG continued to evaluate the situation and made timely optimization of the centre network and flexible adjustment of its marketing strategy. TBMG overcame the adverse effects of the business environment and recorded a double-digit revenue growth year-on-year.

In terms of centres, TBMG made strategic adjustments to its centre network layout and continued to improve operational efficiency. During the Year under review, TBMG streamlined and made structural adjustment to the network layout, and strategically optimized the business scope and merged certain centres. Due to this strategy, its overall operating capacity and profitability were significantly improved.

In terms of manpower allocation, TBMG continued to adjust its human resource allocation in response to changes in its business strategy, striving to create better customer experience. During the Year, TBMG hired new staff for the marketing and operation departments in Hong Kong and the Mainland China to enhance customer experience vigorously. Meanwhile, TBMG has built a complete customer database in order to analyze, track and manage the consumption of new and existing customers and tap customer needs accurately. Big data enable consolidation of the existing customer base, development of more potential new customers, promotion of mutual diversion between customers and enhancement of customer loyalty.

In addition, TBMG has never stopped its online and offline promotion. Through close monitoring and reviewing the cost of publicity and promotion, cost-effective publicity channels were selected to enhance promotion effectiveness and improve efficiency.



MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

The Group was established in 1989, and the year 2024 is an important milestone for the Group's 35th anniversary. After more than 30 years of development and growth, the Group has expanded from a community medical centre to the present company with its business extending into multiple areas of healthcare services, covering medical services, managed medical network, hospital management, health management, and aesthetic medical and beauty and wellness, with its business layout spanning Hong Kong and the Mainland China, and it has developed into an industry leader with high-quality medical resources and a strong professional medical team.

In 2024, risks and opportunities will coexist. On the one hand, the global economic growth is slowing down and the economic recovery path of the Mainland China is relatively bumpy. The constraints caused by monetary tightening policies on real economic activities may become more apparent. On the other hand, as the Pandemic recedes, society returns to normal and the job market continues to improve. The continued strong consumer spending of citizens and the gradual recovery of the inbound tourism industry will be the two major supports for Hong Kong's economic recovery and drive the continued development of the local private medical service industry. In the long run, population ageing in Hong Kong and the Mainland China is an irreversible trend, and the prevalence of chronic diseases continues to rise. The ageing society has an increasing demand for medical, health care, long-term care and other services, which provides a favourable environment for the long-term development of the Group's businesses with certainty.

After Hong Kong and the Mainland China achieved full resumption of normal travel last year, personnel and economic and trade exchanges between the two places have become increasingly closer, perhaps even better than the situation before the Pandemic. The government also encourages the development of "Hong Kong Doctors and Hong Kong Pharmaceuticals" in the Mainland China, especially the Guangdong-Hong Kong-Macao Greater Bay Area market with a permanent population of more than 86 million. The Group will closely monitor macroeconomic changes and trends in the healthcare industry, balance growth and risks, and seek to further integrate existing healthcare resources in Hong Kong and the Mainland China. It will connect its chain medical centres, high-end medical imaging and diagnostic centres, health check centres, health management centres, hospitals and internet hospital, and telemedicine platform in establishing a full-cycle, integrated and one-stop healthcare service ecosystem in the Guangdong-Hong Kong-Macao Greater Bay Area.

In view of the dual challenges of the ageing population and the increasing prevalence of chronic diseases in Hong Kong, the Group will continue to support the government in promoting primary healthcare policies, proactively participate in various funding or public-private partnership programmes for primary healthcare, and strengthen cooperation and business contacts with the government. The Group will cooperate with the government's primary healthcare development strategy which is prevention-oriented, community-based and family-centric, and featured by focus on early detection and early treatment. The Group is well prepared to maximize the effectiveness of its two-way referral mechanism between primary care and specialists to provide convenient, comprehensive, coherent and coordinated healthcare services in the communities where customers live and work.



MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK *(Continued)*

Hong Kong

In terms of medical services, the multi-level and diversified medical service layout covering from primary care to high-end cross-specialty services of the Group allows customers to receive treatment for “mild case” or chronic disease management from family doctors at medical centres in the community, to be referred to specialists for intensive treatment when their condition worsens, and to family doctors for continuous monitoring and follow-up after their condition stabilizes. The Group’s medical centres have participated in a number of government-funded or public-private partnership programmes for primary healthcare, and its doctors have successively been registered in the eHealth. After registration in eHealth, the Group’s doctors will be able to access customers’ electronic health records according to the “need to know” principle when providing medical services, thus providing more timely diagnosis and treatment to customers and reduce duplication of tests. The Group’s medical service layout in Hong Kong runs through the first, middle and last three stages, covering prevention, diagnosis, outpatient, inpatient, rehabilitation, nursing and other aspects, which can not only provide the citizens of the Hong Kong with a full range of healthcare services, but also has sufficient conditions to develop an integrated healthcare service ecosystem in the Guangdong-Hong Kong-Macao Greater Bay Area. The continuous development of the Group’s medical services in Hong Kong is expected to drive the Group’s overall revenue growth steadily and further enhance its profitability.

Hong Kong Medical Consultants, the Group’s premier integrated specialty brand, is planning to collaborate with various organizations to develop medical tourism in order to further expand its customer base and revenue sources. Meanwhile, Hong Kong Medical Consultants will continue to optimize the treatment environment, medical equipment and facilities of the medical centres to promote medical effectiveness and improve operational and service efficiency. Hong Kong Medical Consultants will also invite more outstanding senior specialists and allied medical personnel to join the medical team to meet the growing demand of high net worth customers in Hong Kong and the Guangdong-Hong Kong-Macao Greater Bay Area for one-stop high-end medical services.

For the managed medical network business, we see that many more employers are offering group medical scheme benefits to employees as incentives to attract and retain staff due to the tight labour market. The government also encourages citizens to purchase Voluntary Health Insurance Schemes to ease pressure on the public medical sector. Thus, enterprises and insurance companies have an increasing demand for third-party medical schemes administration (TPA) services. Vio’s business is a mature one and it has remained profitable during the pandemic, fully demonstrating its operational resilience and competitive advantages, accumulated over the last 75+ years. The Group believes that the ageing population with concomitant rise in chronic disease prevalence will lead to an increased demand for medical care. Government policies to attract talents to work in Hong Kong will also raise the local labour force and replenish the overall patient number we serve. Against this backdrop, Vio plans to seize more market share and drive further revenue growth based on high service quality and bidding for new businesses. Vio supports the government’s primary care blueprint and is also keen to provide cost-effective care to medical scheme members funded by medical insurers or direct corporate clients. The Group is one of the few medical groups in Hong Kong that operates both a large medical network and a self-operated clinic chain. Vio plans to further strengthen its cooperation with the Group’s self-operated centres and its affiliates, to provide more efficient and comprehensive care to patients as well as improvement in scheme cost-effectiveness to both medical insurers and direct corporate clients.



MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK *(Continued)*

Mainland China

In terms of hospital management business, Nanyang Xiangrui's subsidiaries engaged in different fields will provide more support for the hospital management business and support Nanshi Hospital's continued strategy of coordinated development of "medical treatment, education and research" and its strategic goal of building provincial key disciplines, consolidating Nanshi Hospital's leading position as a comprehensive Grade III Level A hospital in Nanyang City. During the Year, after being listed as a "national rehabilitation centre" by the Chinese Association of Rehabilitation Medicine, the rehabilitation centre of Nanshi Hospital has been jointly approved by Nanyang Science and Technology Bureau, Nanyang Health and Sports Commission and Nanyang Municipal Administration for Market Regulation to build a clinical research centre for rehabilitation medicine. The rehabilitation centre of Nanshi Hospital plans to integrate the resources of Nanshi Chinese Medicine Rehabilitation Hospital and the rehabilitation centre of Nanshi Hospital's Youtian Branch. It targets to build a regional integrated rehabilitation centre and to expand the scope of rehabilitation medical services. In addition, Nanshi Hospital will continue to promote the construction and development of a medical alliance for cardiovascular and cerebrovascular diseases. It plans to deeply connect with dozens of grassroots hospitals in Shandong Province and Henan Province in the field of cardiovascular and cerebrovascular diseases to promote specialties construction, scientific research management, talent training, and telemedicine, etc. It strives to bring high-quality medical resources to the surrounding areas, explore the opportunities to form medical alliances for different specialties, promote operation and trusteeship systems, build business partnerships, hoping to achieve the steady growth of Nanyang Xiangrui. Besides, Nanshi Hospital will examine the connection of data from its electronic medical record system and the community healthcare system to truly realize the integration of outpatient and inpatient, as well as the integration inside and outside the hospital, so as to strengthen the tracking and observation of discharged patients, improve patients' satisfaction and loyalty, and further enhance the rate of follow-up consultations. Nanshi Hospital will also continue to improve the service capabilities of the internet hospital, including adding mobile payment function for outpatient medical insurance, making medical treatment more convenient and faster, to better serve patients and their families.

In terms of health management business, health management institutions in various places will make detailed plans, control costs reasonably, and continue to deeply explore the markets where their business operations are located. While continuing to develop existing characteristic businesses, health management institutions in various places will grasp the opportunities to develop new businesses with potential to enrich business portfolios, enhance service capabilities, and improve profitability. In particular, the trend of late marriage and childbearing is conspicuous, Guangzhou Integrated Clinic in Guangzhou City will develop the service of miscarriage prevention to target the needs of pregnant women who in face of instability of embryos after IVF transfer. Ganghe Clinic in Shenzhen City also plans to cooperate with more medical institutions in the Mainland China and Hong Kong to promote implementation of cross-border medical linkage and cooperation projects, proactively play the role as a hub connecting the Mainland China and Hong Kong. The VIP service of reproductive medicine launched by Ganghe Clinic and Guangzhou Integrated Clinic is gradually taking shape. Both parties will strengthen internal communication and cooperation and consolidate the two-way referral mechanism so that customers can enjoy high-quality medical resources in both places. Town Health International Health Management Centre in Jinan City will consolidate and expand its high-quality customer base by providing high-end health check services and innovative health check products and strengthening graphic and textual publicity in Shandong Province.



MANAGEMENT DISCUSSION AND ANALYSIS



OUTLOOK *(Continued)*

Others

The downward pressure on the economy is still prominent and the demand for consumer healthcare after the Pandemic is unstable, which may pose challenges to the business development of TBMG. TBMG will seize the opportunity of the recovery of the inbound tourism industry in Hong Kong, striving to attract more visitors to Hong Kong to receive aesthetic medical and beauty and wellness services at its centres in Hong Kong, which will further expand its customer base and increase its revenue and market share. At the same time, TBMG plans to further strengthen its marketing efforts to consolidate customer conversion between beauty and wellness and aesthetic medical, in order to improve marketing effectiveness, increase conversion rates and achieve sustained business growth. In addition, TBMG will continue to proactively seek suitable potential merger and acquisition opportunities in Hong Kong and the Mainland China, and establish partnerships with different institutions, with the aim of expanding its operation scale and business scope.

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.



MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a prudent cash and financial management policy. As at 31 December 2023, the Group held bank balances and cash of approximately HK\$1,032,079,000 (2022: HK\$971,939,000) and fixed and pledged bank deposits of approximately HK\$399,347,000 (2022: HK\$398,653,000). The majority of the Group's bank balances and cash are deposited with banks in Hong Kong and the Mainland China and denominated mostly in HK\$ and RMB. In order to strengthen fund management, the Group's treasury activities are relatively centralized. Under the premise of ensuring the safety of funds, the Group, adhering to standardized operation, risk prevention, prudent investment and capital preservation as the primary principles, mainly utilizes funds to purchase bank time deposits to create more returns for the Group and its shareholders. As at 31 December 2023, the Group had bank borrowings of approximately HK\$87,563,000 (2022: HK\$113,896,000) of which approximately HK\$6,568,000 (2022: HK\$33,740,000) are repayable within one year. The Group's loans were arranged on a floating interest rate basis. As at 31 December 2023, the Group had available unutilised banking facilities of HK\$300,000,000 (2022: HK\$270,000,000). Details of the bank borrowings of the Group are set out in note 35 to the consolidated financial statements for the Year.

As at 31 December 2023, the Group's net current assets amounted to approximately HK\$1,344,516,000 (2022: HK\$1,433,526,000) and the Group had a current ratio (defined as total current assets divided by total current liabilities) of 3.25 (2022: 3.90). As at 31 December 2023, the Group's gearing ratio (defined as total bank borrowings divided by equity attributable to owners of the Company) was 2.70% (2022: 3.26%). The Group considers the level of liabilities of a company reflects its financial health. The Group strives to keep the level of borrowings at a minimum and to maintain ample internal resources to support its business operations, not only to reduce interest burden, but also to enable the Group to respond to changes and capture business opportunities in a timely manner when they arise. As such, both current ratio and gearing ratio are useful in assessing the Group's financial positions. While higher current ratio reflects sufficiency of the Group's assets and the capability of the Group to meet its debt repayment obligations, lower gearing ratio represents lesser reliance on debt financing and greater financial stability of the Group. During the Year, the Group's liquidity position was well-managed and the Group's financial resources were sufficient to support its business operations. Where necessary, the Group may also consider other fund raising activities when opportunity arises under favourable market conditions.

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

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



MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

As at 31 December 2023, the Group had equity attributable to owners of the Company of approximately HK\$3,242,129,000 (2022: HK\$3,491,416,000).

HUMAN RESOURCES AND TRAINING SCHEME

As at 31 December 2023, the Group employed 1,399 staff (2022: 1,395 staff). Total employee costs for the Year, including directors' emoluments, amounted to approximately HK\$740,650,000 (2022: HK\$718,292,000). The salary and benefit levels of the employees of the Group are competitive and individual performance is rewarded through the Group's salary and bonus system. Remuneration packages are reviewed annually. Training is valued as essential to the personal growth of employees, which also ensures and improves the Group's customer services. Apart from the strict code of conduct that all employees shall follow, employees are also provided with customised trainings and handbooks with respect to their specialities.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group had no significant contingent liabilities (2022: Nil).

PLEDGE OF ASSETS

As at 31 December 2023, certain of the Group's assets of approximately HK\$313,130,000 (2022: HK\$330,914,000) were pledged to secure the Group's mortgage loans and general banking facilities granted.

CAPITAL COMMITMENTS

As at 31 December 2023, 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 (2022: Nil).



BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Choi Ka Tsan Karson ("Mr. Choi"), aged 38, was appointed as an executive director and the chairman of the Company on 15 December 2023. He was also appointed as the chief executive officer and the chairman of the nomination committee on 1 January 2024. Mr. Choi is the son of Dr. Choi Chee Ming ("Dr. Choi"). Dr. Choi owns 49.9% of Broad Idea International Limited, an investment company holding 1,418,576,764 Shares, representing approximately 20.94% of the issued capital of the Company, and is a substantial shareholder (as defined in the Listing Rules) of the Company.

Mr. Choi graduated from University of Southern California, the United States with a degree of bachelor of Arts in International Relations. Mr. Choi has been admitted to Honorary University Fellowship of the University of Hong Kong in October 2023.

Mr. Choi has been an independent non-executive director of Sing Tao News Corporation Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 1105) since 2021 and has been redesignated as an executive director and the co-chairman with effect from 30 May 2022. Mr. Choi is currently the vice-chairman of Early Light Industrial Company Limited ("Early Light"), the founder and chairman of Unique Timepieces Watches Group Limited and the chairman of Fastwheel Motors Group Limited. Early Light is the world's largest toys manufacturer. Under the leadership of Mr. Choi, Early Light has developed diversified businesses, including the industries of toys manufacturing, shopping mall development, property rental and management, luxury watches retail, motors sales and maintenance, bioplastic production and education.

Mr. Choi is a deputy director of The Population, Resources and Environment Committee of the Chinese People's Political Consultative Conference and a member of the National Committee of the Chinese People's Political Consultative Conference. Mr. Choi also serves as a member of the Court of the University of Hong Kong, members of various government advisory committees and leaders of social groups.

Dr. Fok Siu Wing Dominic ("Dr. Fok"), aged 63, was appointed as an executive director on 15 December 2023.

Dr. Fok received a Bachelor of Medicine and Bachelor of Surgery from the University of Hong Kong in 1985, a Diploma in Family Medicine from The Chinese University of Hong Kong in 1992, and was admitted as a Fellow of the Royal Australian College of General Practitioners and a Fellow of the Hong Kong College of General Practitioners both in 1996. Dr. Fok has served in the Department of Community and Family Medicine of The Chinese University of Hong Kong, which was later merged with the School of Public Health to establish the School of Public Health and Primary Care ("SPHPC") at The Chinese University of Hong Kong, successively as an honorary associate professor from 1996 to 1997, an adjunct assistant professor from 1997 to 2000 and from 2002 to 2003, an honorary clinical assistant professor from 2003 to 2007 and a clinical assistant professor (honorary) from 2007 to 2010. Since 2010, Dr. Fok has served as a clinical assistant professor (honorary) in SPHPC at The Chinese University of Hong Kong. Dr. Fok has served as an honorary clinical assistant professor in family medicine at the University of Hong Kong since 2014.

Dr. Fok is a registered doctor with the Medical Council of Hong Kong and has more than 30 years of practicing experience. Dr. Fok has served in the Group as a registered medical practitioner since 1999.



BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS *(Continued)*

Ms. Zhang Xiaoxue (“Ms. Zhang”), aged 34, was appointed as an executive director on 12 January 2024. Ms. Zhang obtained a master’s degree of Science in Finance (international money, finance and investment) from University of Durham in the United Kingdom in January 2014.

Ms. Zhang has approximately 9 years of experience in equity investment, financial management and risk management. Ms. Zhang is currently a deputy director of the investment management center in China Life Private Equity Investment Company Limited. As at the date of this annual report, China Life Private Equity Investment Company Limited is a wholly-owned subsidiary of China Life Insurance (Group) Company (中國人壽保險(集團)公司), a substantial shareholder (as defined in the Listing Rules) of the Company.

Ms. Zhang worked as an auditor in the audit department of KPMG Huazhen LLP (畢馬威華振會計師事務所(特殊普通合夥)) from October 2014 to October 2016. From October 2016 to August 2021, Ms. Zhang worked in the transaction advisory department of KPMG Advisory (China) Limited (畢馬威企業諮詢(中國)有限公司), successively serving as assistant manager and manager. Since August 2021, Ms. Zhang has worked in China Life Private Equity Investment Company Limited, successively serving as senior manager and deputy director of the investment management center.

Mr. Liu Shiyin (“Mr. Liu”), aged 39, was appointed as an executive director on 12 January 2024. Mr. Liu holds a master’s degree in Business Administration from Tsinghua University (清華大學) and a doctoral degree in Law from Minzu University of China (中央民族大學). Mr. Liu passed the securities practitioner qualification exam (證券從業人員資格考試) of the Securities Association of China (中國證券業協會).

Mr. Liu has approximately 11 years of experience in equity investment. Mr. Liu is currently an executive director in the department of healthcare investment in China Life Healthcare Investment Company Limited (國壽健康產業投資有限公司). As at the date of this annual report, China Life Healthcare Investment Company Limited is a wholly-owned subsidiary of China Life Insurance (Group) Company (中國人壽保險(集團)公司), a substantial shareholder (as defined in the Listing Rules). From February 2012 to February 2022, Mr. Liu worked in CCB International (China) Limited (建銀國際(中國)有限公司) and successively served as investment manager in the investment banking department, assistant investment vice president in the business innovation department, and general manager of the strategic investment department. Since March 2022, Mr. Liu has worked in China Life Healthcare Investment Company Limited, successively working as senior investment vice president and executive director in the department of healthcare investment.



BIOGRAPHICAL DETAILS OF DIRECTORS

NON-EXECUTIVE DIRECTORS

Ms. Lee Wai Ling Linda (“Ms. Lee”), aged 66, was appointed as a non-executive director on 15 December 2023. Ms. Lee is the sister of the wife of Dr. Choi.

Ms. Lee obtained a Bachelor of Arts from the University of Toronto in Canada in 1980, a Professional Diploma in Management and Marketing for Business Events from the Hong Kong Productivity Council and the Hong Kong Exhibition & Convention Industry Association Limited in 2003 and a Master of Science in Human Resources Management and Development from the University of Leicester in the United Kingdom in 2013. Ms. Lee has extensive experience in corporate human resources and corporate management. Ms. Lee has served as a vice president of responsible sourcing in BioLogiQ Elite (HK) Ltd. since 4 June 2019. Ms. Lee served the Vocational Training Council from October 1998 to March 2019 with her last position as the deputy head of the human resources division, and the personnel and administration manager of Early Light Industrial Company Limited from June 1995 to June 1997.

Ms. Lau Suk Hing Clara (“Ms. Lau”), aged 62, was appointed as a non-executive director on 15 December 2023.

Ms. Lau has served Early Light International (Holdings) Limited (“Early Light International”) since June 1992. She has served as the personal assistant to the chairman of Early Light International and also serves as a director of several companies of Early Light International in Hong Kong and Mainland China. Ms. Lau has extensive experience in assisting the chairman of Early Light International in handling the group’s real estate development, manufacturing and retail businesses for many years, including internal supervision, finance and general daily management and operations.

Mr. Liu Yang (“Mr. Liu”), aged 44, was appointed as a non-executive director, a member of each of the audit committee and the remuneration committee on 12 January 2024. Mr. Liu obtained a bachelor’s degree in Economics from University of International Business and Economics (對外經濟貿易大學) in July 2002. Mr. Liu is a non-practicing member of the Chinese Institute of Certified Public Accountants, a member of CPA Australia and has been awarded the professional designation of Certified Internal Auditor by The Institute of Internal Auditors.

Mr. Liu has over 20 years of experience in equity investment, financial management and risk management. Mr. Liu is currently the deputy general manager of China Life Private Equity Investment Company Limited, and serves as a director and/or supervisor in several subsidiaries of China Life Private Equity Investment Company Limited. As at the date of this annual report, China Life Private Equity Investment Company Limited is a wholly-owned subsidiary of China Life Insurance (Group) Company (中國人壽保險(集團)公司), a substantial shareholder (as defined in the Listing Rules) of the Company.



BIOGRAPHICAL DETAILS OF DIRECTORS

NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. Liu worked in the audit department of KPMG Huazhen LLP (畢馬威華振會計師事務所(特殊普通合夥)) from August 2002 to March 2011, where he successively worked as auditor, assistant manager, manager, and senior manager. From March 2011 to May 2011, Mr. Liu served as the chief financial officer in Beijing Yuanjing Hokay Sports Development Co., Ltd. (北京遠景浩泰體育發展有限公司). From May 2011 to February 2017, Mr. Liu worked in China Mobile Finance Co., Ltd. (中國移動通信集團財務有限公司), where he successively held various positions including project manager in the special project preparatory group, project manager in the risk management department, deputy general manager, general manager, deputy general manager of the audit and compliance department and supervisor. Since February 2017, Mr. Liu worked in China Life Private Equity Investment Company Limited, successively working as the chief director and the person in charge of the investment management center, the person in charge of the financial management center, management committee member, and deputy general manager.

From January 2021 to October 2022, Mr. Liu served as a director in Goodwill E-Health Info Co., Ltd. (嘉和美康(北京)科技股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 688246)); and from December 2020 to January 2022, Mr. Liu served as a director in Dareway Software Co., Ltd. (山大地緯軟體股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 688579)).

Ms. Zhang Leidi (“Ms. Zhang”), aged 44, was appointed as a non-executive director on 12 January 2024. Ms. Zhang obtained a master’s degree in economics from Peking University in July 2003.

Ms. Zhang has over 20 years of experience in equity investment and project management. Ms. Zhang is currently the vice-president (presiding over the work) (副總經理(主持工作)) of China Life Private Equity Investment Company Limited, and serves as a director and/or supervisor in several subsidiaries of China Life Private Equity Investment Company Limited. As at the date of this annual report, China Life Private Equity Investment Company Limited is a wholly-owned subsidiary of China Life Insurance (Group) Company (中國人壽保險(集團)公司), a substantial shareholder (as defined in the Listing Rules) of the Company.

Ms. Zhang worked in Roland Berger Strategy Consultants from July 2003 to February 2010, where she successively worked as consultant, senior consultant and project manager. From March 2011 to September 2011, she worked as a part-time consultant in Roland Berger Strategy Consultants. From October 2011 to September 2016, Ms. Zhang worked in China Life Investment Holdings Co., Ltd. (國壽投資控股有限公司), where she successively worked as senior manager, investment director and senior investment director of the direct investment department. Since October 2016, Ms. Zhang has worked in China Life Private Equity Investment Company Limited, successively working as managing director, chairperson of management committee and vice-president (presiding over the work) (副總經理(主持工作)).

From March 2019 to April 2022, Ms. Zhang was a director of Bloomage Biotechnology Corporation Limited (華熙生物科技股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 688363)); from March 2020 to May 2023, Ms. Zhang was a director of Nanjing Vazyme Biotech Co., Ltd. (南京諾唯贊生物科技股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 688105)); from September 2020 to August 2023, Ms. Zhang was a director of Shanghai United Imaging Healthcare Co., Ltd. (上海聯影醫療科技股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 688271)); and since November 2022, Ms. Zhang has been a non-executive director of Biocytogen Pharmaceuticals (Beijing) Co., Ltd. (百奧賽圖(北京)醫藥科技股份有限公司) (a company listed on the Main Board of the Stock Exchange (stock code: 02315)).



BIOGRAPHICAL DETAILS OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yu Xuezhong (“Mr. Yu”), aged 66, has been appointed as an independent non-executive director since June 2015. Mr. Yu is also a member of each of 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 resigned 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) with effect from 15 March 2024.

Dr. Xu Weiguo (“Dr. Xu”), aged 72, 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 and the nomination 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).

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

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



BIOGRAPHICAL DETAILS OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

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

Mr. Han Wenxin (“Mr. Han”), aged 49, has been appointed as an independent non-executive director since 15 August 2022. He 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. Chan Wai Kan (“Mr. Chan”), aged 66, was appointed as an independent non-executive director on 15 December 2023. He was also appointed as the chairman of the audit committee on 1 January 2024 and a member of the remuneration committee on 12 January 2024.

Mr. Chan holds a Bachelor of Science degree in Economics & Accountancy from City, University of London, United Kingdom, as well as a Master of Business Administration from The Chinese University of Hong Kong. He is a member of both the Institute of Chartered Accountants in England and Wales and The Hong Kong Institute of Certified Public Accountants.

With an extensive background spanning over three decades in financial management, Mr. Chan currently holds the position of executive director at Shui On Investment Company Limited. Additionally, starting from September 1, 2023, he has assumed the role of non-executive director at SOCAM Development Limited, a Main Board-listed company on the Stock Exchange (stock code: 983).

Throughout his professional journey, Mr. Chan has been grateful for the valuable opportunities he has had to make contributions in senior management roles across diverse industries, including real estate development and investment, toy development and marketing, and magazine publishing.

Mr. Cheung Ka Ming (“Mr. Cheung”), aged 62, was appointed as an independent non-executive director on 15 December 2023. He was also appointed as the chairman of the remuneration committee on 1 January 2024 and a member of the audit committee on 12 January 2024.

Mr. Cheung received a Bachelor of Science degree from the University of Hong Kong in 1983 and a Master of Business Administration from the City University, London, United Kingdom in 1989. He is experienced in investment and financial services from his previous services in local and multinational financial institutions.



BIOGRAPHICAL DETAILS OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. Tsui Wing Cheong Sammy (“Mr. Tsui”), aged 59, was appointed as an independent non-executive director on 15 December 2023. He was also appointed as a member of the nomination committee on 12 January 2024.

Mr. Tsui obtained a Master of Business Administration from The Chinese University of Hong Kong. He was also a mentor in the HKU Media Mentorship Program at the Journalism and Media Studies Center of the University of Hong Kong.

Mr. Tsui founded China Tech Global Limited (now known as China Tech Global (Holdings) Limited) (“China Tech”) in 2014 and then started to run the sanitizing business under BioEm Air Sanitizing Technology Company Limited, which is a subsidiary of China Tech. Mr. Tsui founded Golden Wealth Technology Limited (“Golden Wealth”) in March 2020, and Golden Wealth became the SenseTime innovation partner and the distributor in Hong Kong and Macau of SenseTime Group Limited. Golden Wealth is engaged in provision of artificial intelligence solutions. The clients of Golden Wealth include Disciplined Services and major infrastructures in Hong Kong.

Mr. Tsui was appointed as an executive director and deputy chief executive officer of Celestial Asia Securities Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 1049), with effect from October 2013 and was appointed as the chief executive officer of Celestial Asia Securities Holdings Limited with effect from January 2014 to July 2014. Mr. Tsui was an executive director and the chief executive officer of China Outdoor Media Group Limited (now known as National United Resources Holdings Limited), a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 254), from April 2011 to September 2013.



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 C2 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. This ESG report covered the overall environmental and social performances of its business operations in:

- the headquarter office in Shatin, Hong Kong;
- the back office in Sheung Wan, Hong Kong;
- the medical centres of Town Health Healthcare Services Limited in Hong Kong;
- the office and medical centres of Hong Kong Medical Consultants Limited in Hong Kong; and
- the office of the hospital management and medical services business in Nanyang Xiangrui of the PRC.

The reporting period covered from 1 January 2023 to 31 December 2023 (“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.

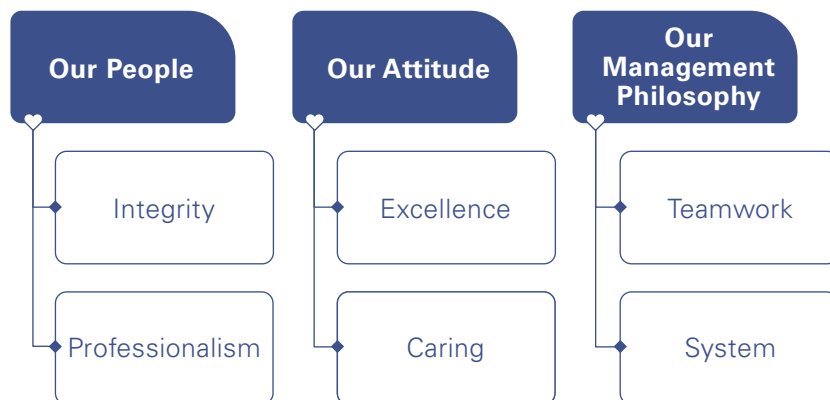
Balance: Performance of the Group was presented impartially, avoiding choices, omissions or presentation formats that may unduly influence readers’ decisions or judgments.

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 GROUP’S CORPORATE SOCIAL RESPONSIBILITY POLICY

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

Protecting the Environment

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

Caring for Staff

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



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



THE GROUP'S CORPORATE SOCIAL RESPONSIBILITY POLICY

(Continued)

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	

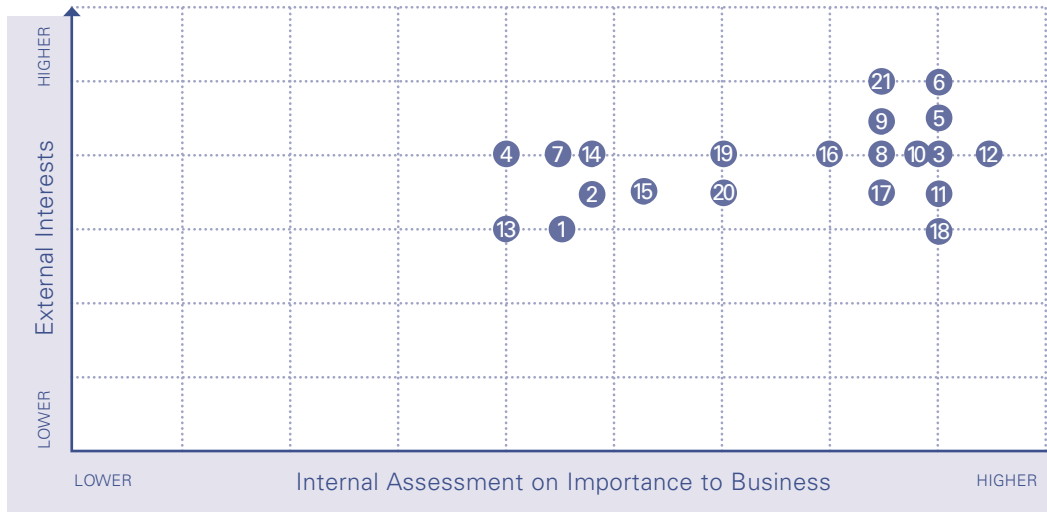


ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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:

- Environmental protection policies
- Other raw material consumption
- Air emission
- Supply chain management
- Labour standards

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.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



A. ENVIRONMENTAL

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

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

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 0.19 kg of sulphur oxides (“SOx”), 116.61 kg of nitrogen oxides (“NOx”), and 8.59 kg of respiratory suspended particles (“PM”) during the Reporting Period¹.

Air Emissions (in kg)	2023	2022
SOx	0.19	0.32
NOx	116.61	269.55
PM	8.59	22.15

Note: There was no change to the calculation methodologies used in 2022 and 2023.

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.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL (Continued)

A1.2 Greenhouse Gas Emissions

Scope of GHG Emissions	Emission Sources	Emission in 2023 (in tonnes of carbon dioxide equivalent "tCO ₂ e")	Emission in 2022 (in "tCO ₂ e")
Scope 1			
Direct Emission			
	Combustion of fuel for mobile sources – Petrol	27.04	39.01
	Combustion of fuel for mobile sources – Diesel	3.39	18.25
Scope 2			
Energy Indirect Emission	Purchased electricity	1,975.57	1,220.53
Scope 3			
Other Indirect Emission			
	Paper waste disposal at landfills	0.14	15.91
	Electricity used for freshwater processing	Nil	1.59
	Electricity used for sewage processing	Nil	0.78
Total (in tCO₂e)		2,006.14	1,296.07
Emission Intensity (in tCO₂e/million HKD)		1.09	0.84

Note 1: Emission factors were made by reference to Appendix C2 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 0.5810 tCO₂e/MWh was used for purchased electricity from the National Grid of the PRC in 2022. Emission factor of 0.608 tCO₂e/MWh was used for purchased electricity from the National Grid of the PRC in 2023.

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 2022 and 2023.

The Group's activities contributed to 2,006.14 tCO₂e, with emission intensity of 1.09 tCO₂e/million HKD, of the Group's total revenue, which included mainly carbon dioxide, methane, nitrous oxide and hydrofluorocarbons emissions, during the Reporting Period.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



A. ENVIRONMENTAL *(Continued)*

A1.3. Hazardous Waste

The Group mainly involves in the provision of medical services, which generates clinical waste and expired medication from its operation. The Group complied with the Waste Disposal Ordinance, Chapter 354 of the Laws of Hong Kong, and all applicable regulations and laws of Hong Kong and the PRC when handling and disposing of waste during the Reporting Period. A total of 0.85 tonnes of hazardous waste² were generated during the Reporting Period, which included clinical waste, batteries, and computer hardware. The overall hazardous waste generation intensity was 0.46 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 0.78 tonnes of clinical waste, representing an intensity of 0.43 kg/million HKD (2022: 0.96 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 20 L and 50 kg of chemical wastes (2022: 4.31 L and 163.14 kg of chemical wastes) were collected by the regulatory body.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 1.88 tonnes of paper, with an intensity of 1.03 kg/million HKD (2022: 2.16 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 ₂ e	1,375.79 tCO ₂ e	2,006.14tCO ₂ e	In progress

In terms of GHG emission reduction, the Group was lagged behind the target. 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.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



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	2.73tonnes	Achieved

In terms of waste reduction, the Group has achieved 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.



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 3,173 MWh for vehicles and electricity for its daily operation during the Reporting Period. The energy consumption intensity during the Reporting Period was 1.73 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 2023	Consumption in 2023 (in MWh)	Consumption in 2022 (in MWh)
Petrol	For vehicles	11,458 L	77	130
Diesel	For vehicles	1,299 L	13	66
Electricity	For daily operation	2,467 MWh	3,083	2,819
TOTAL (in MWH)			3,173	3,015
Energy Consumption Intensity (in MWh/million HKD)			1.73	1.96

Note 1: Emission factors were made by reference to Appendix C2 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 2022 and 2023.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



A. ENVIRONMENTAL *(Continued)*

A2.2. Energy Use Efficiency Initiatives and Targets

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

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

When compared to that of the last reporting period, the energy consumption intensity has reduced by 11.7% 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	3,173 MWh	Achieved

In terms of energy use reduction, the Group has achieved the target. 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

3,501 m³ of water was consumed by the Group during the Reporting Period, with water consumption intensity of 1.91 m³/million HKD (2022: 2.42 m³/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	3,501 m ³	Achieved

In terms of water use reduction, the Group has achieved the target. 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.

**ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT****A. ENVIRONMENTAL** *(Continued)**A2.5. Packaging Materials*

Medicinal bottles, pill pouches, ointment jars, ointment bottles, dropper bottles and plastic bags have been used for packaging of medicine, pills or topical ointment. During the Reporting Period, the total pieces of packaging materials consumed were 3,522,034 pieces and the consumption intensity was 1,921.46 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 2023 (pieces)	Consumption in 2022 (pieces)	Consumption in 2021 (pieces)
Pill pouches	2,884,900	1,228,600	1,081,000
Medicinal bottles	522,450	162,050	116,100
Plastic bags	60,000	32,500	48,000
Topical medicine jars	70,100	63,128	76,856
Topical medicine and drug bottles	16,184	6,200	6,200
Medicine spoons	7,000	1,000	5,000
Sample containers and measuring cups	8,400	1,600	3,600
Others (e.g. plastic card holders and paper bags)	1,000	4,000	3,000
Consumption Total (pieces)	3,570,034	1,499,078	1,339,756
Consumption Intensity (pieces/ million HKD of total revenue)	1,921.46	976.23	911.42

A3. The Environment and Natural Resources*A3.1. Significant Impacts of Activities on the Environment*

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

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



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL *(Continued)*

A4. Climate Change

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 specific policy addressing 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.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



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.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL

1. Employment and Labour Practices

B1. Employment

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

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

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

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



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

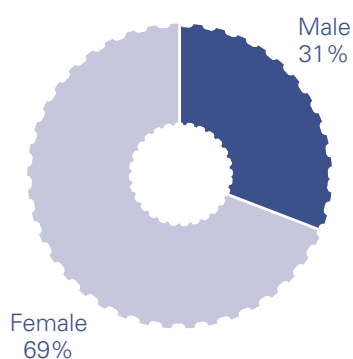


B. SOCIAL (Continued)

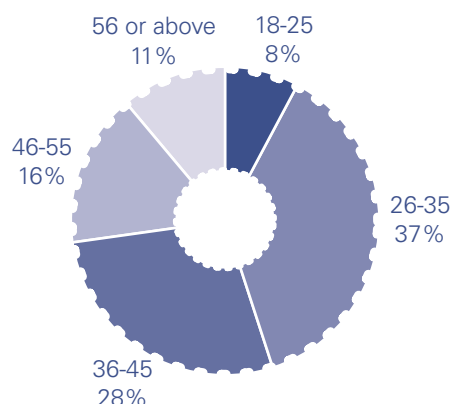
Total Workforce

The Group had a total of 1,247 employees as of 31 December 2023, 88% of them were full time employees and 12% of them were part time employees. Details of the employees' distribution are shown below.

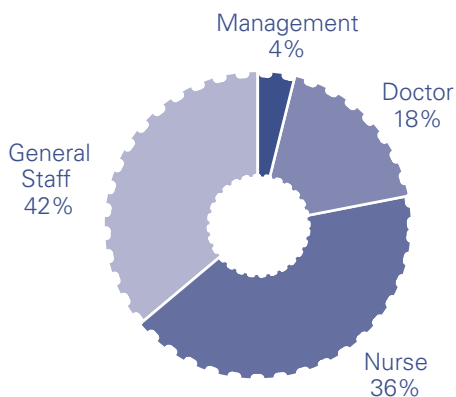
Total Workforce by Gender



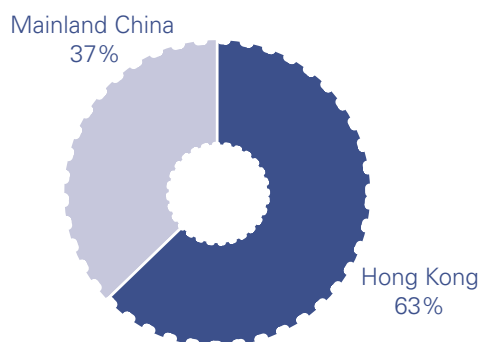
Total Workforce by Age Group



Total Workforce by Employment Category



Total Workforce by Geographical Region



The total number of staff of the Group as shown in the Group's Annual Report 2023 was 1,399 since it includes the number of visiting doctors and specialists of the Group, personal data of whom was not collected.

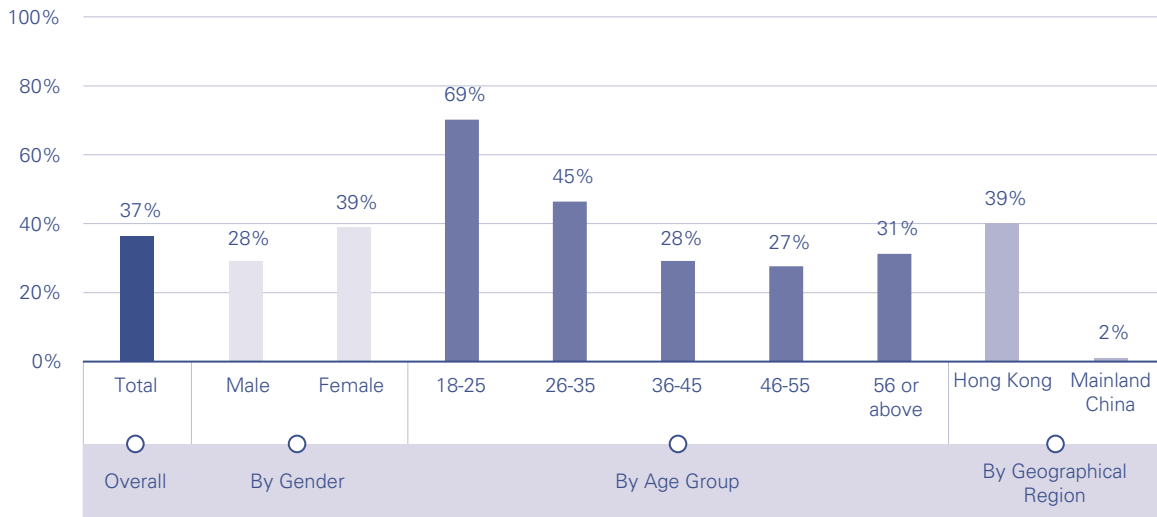


ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (Continued)

During the Reporting Period, a total of 300 employees left the Group. The overall turnover rate was 37%⁴. The employee turnover by category⁵ 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.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



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 1 year, 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.

**ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT****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.

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

	2023	2022	2021
Work related fatality	0	0	0
Work related fatality rate	0%	0%	0%
Work injury cases >3 lost days	7	3	3
Work injury cases <=3 lost days	14	7	4
Lost days due to work injury	225.5	18.5	15.5



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, 163 employees had received training with a total training hour of 279 hours.

Overall Training Data of the Group

		Percentage of Employees Trained	Average Hours of Training Received by Each Employee
Overall Employee Category	Group Total	20%	0.34
	Management	23%	0.52
	Doctors	17%	0.24
	Nurse including Health Care Assistants ("HCA")	12%	0.09
	General staff	61%	1.27
Gender	Male	17%	0.34
	Female	20%	0.34

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



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



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)*

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.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



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 438 suppliers, 380 of which were from Hong Kong and 54 of which were from Mainland China. The majority of the suppliers from Hong Kong was pharmaceutical distributors. All engaged suppliers have passed the Group's assessment and evaluation.

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.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



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 44 complaints were received. 95% of which was general complaints and 5% 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.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



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.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



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

B. SOCIAL (Continued)

B8. Community Investment

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

Focus Areas	Activities	Details
Health	Free vision and cataract screening test	Provided free vision and cataract screening test for the neighbour community, schools, and corporates. A total of 99 staff of the Group has participated in the event as volunteers. A total of 105 hours were spent on this event.
1	Emission factors were made by reference to Appendix C2 to the Listing Rules and their referred documentation as set out by The Stock Exchange of Hong Kong Limited, unless stated otherwise.	
2	The total amount of hazardous wastes excluded the expired medication collected by regulatory body.	
3	Waste generation includes clinical waste and non-hazardous wastes generated.	
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%.	



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 represent 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 32 to 64 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 legislation is 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 32 to 64 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 127 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 (2022: Hong Kong 0.12 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.

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 260 of this annual report.

DONATIONS

Charitable donations made by the Group during the Year amounted to approximately HK\$nil (2022: HK\$195,000).

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 2023 using the fair value of the investment properties as at 31 December 2023. 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\$98,626,000.

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 259 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 (collectively, the "First Net Proceeds").

As at 1 January 2023, the unutilised net proceeds from the Ordinary Shares Subscription and the CPS Subscription amounted to approximately HK\$312 million. During the Year, the net proceeds from the Ordinary Shares Subscription and the CPS Subscription of approximately HK\$65 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. Details on the use of the First Net Proceeds during the year is set out as follows:

Use of net proceeds	Planned use of net proceeds (HK\$ million)	Actual use of net proceeds as at 31 December 2023 (HK\$ million)	Unutilised balance of net proceeds as at 31 December 2023 (HK\$ million)
Acquisition, investment and development of hospitals and medical institutions in the PRC, and medical or healthcare related business in Hong Kong	650	602	48
Investment and development of several medical specialty centres in Hong Kong and one dental chain in the PRC	150	13	137
Developing a "one-stop, IT O2O platform" to integrate the Group's growing variety of healthcare and well-being business segments	80	18	62
Total	880	633	247

On 1 and 12 January 2024, upon expiry of the original timeline for deployment of the First Net Proceeds, in view of the adverse impacts of COVID-19 and the post-pandemic slow-down in the global economic growth on the medical and healthcare industry, and to utilize the Group's financial resources in a more efficient manner, the Board has resolved to apply the remaining First Net Proceeds as follows:–

Use of the unutilised balance of the First Net Proceeds	Amount (HK\$ million)	Timeline for utilisation
Acquisition, investment and development of hospitals and medical institutions, and medical or healthcare related business	110	End of 2026
Investment and development of medical specialty centres and dental chains	137	End of 2026
Total	247	

The Group plans to apply the unutilised net proceeds in the manner as disclosed above.



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 (the "Second Net Proceeds").

As at 1 January 2023, the unutilised net proceeds from the CLG Subscription amounted to approximately HK\$996 million. Details of the use of the Second Net Proceeds during the Year is set out as follows:

Use of net proceeds	Planned use of net proceeds (HK\$ million)	Actual use of net proceeds as at 31 December 2023 (HK\$ million)	Unutilised balance of net proceeds as at 31 December 2023 (HK\$ million)
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
Developing or acquiring business in provision of health check, laboratory testing and medical diagnostic services in the PRC	150	104	46
Developing managed care business in the PRC and cross border healthcare platform for medical tourism business	96	0	96
Total	1,746	750	996

On 1 and 12 January 2024, upon expiry of the original timeline for deployment of the Second Net Proceeds, in view of the adverse impacts of COVID-19 and the post-pandemic slow-down in the global economic growth on the medical and healthcare industry, and to utilize the Group's financial resources in a more efficient manner, the Board has resolved to apply the remaining Second Net Proceeds as follows:–

Use of the unutilised balance of the Second Net Proceeds	Amount (HK\$ million)	Timeline for utilisation
Acquisition, investment and development of medical and healthcare related business in the provision of medical, dental, rehabilitation, nursing, aged care, health check, laboratory testing, medical diagnostic, managed care and medical tourism services	996	End of 2026
Total	996	

Please also refer to the Company's announcements dated 1 and 12 January 2024 with respect to these changes in the use of proceeds.

The Group plans to apply the unutilised net proceeds in the manner as disclosed above.



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 was 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.

The Acquisition Completion

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 have since been consolidated into the consolidated financial statements of the Company.

Profit guarantee

As part of the transaction terms under the Central Medical Acquisition, 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 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.



REPORT OF THE DIRECTORS

SHARE CAPITAL *(Continued)*

Profit guarantee *(Continued)*

Based on the audited consolidated accounts of the Target Group for the year ended 31 March 2023, the Adjusted Net Profit of the Target Group for the year ended 31 March 2023 amounted to approximately HK\$23.5 million, which is below the Performance Target. Please refer to the Company's announcement dated 19 April 2024 for further details.

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 on 26 August 2022 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 Wah Tak, Kenneth (a former executive Director and a Deputy Chairman until the conclusion of the AGM which was held on 20 June 2023) and Wealth Basin Limited, a company wholly owned by Mr. Shiu Shu Ming (a former executive Director until the conclusion of the AGM which was held on 20 June 2023).

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 of HK\$0.76 per Conversion Share.



REPORT OF THE DIRECTORS

SHARE CAPITAL *(Continued)*

Outstanding principal amount of the Convertible Bonds

As at 31 December 2023, there were no the outstanding principal amount of the Tranche A Convertible Bonds, and the outstanding principal amount of the Tranche B Convertible Bonds and the Tranche C Convertible Bonds amounted to HK\$120,000,000 and HK\$116,000,000. The full principal amount of Tranche B Convertible Bonds has been fully settled on 20 March 2024.

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.

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 130 and 131 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 2023, comprised share premium, capital redemption reserve, contributed surplus, distributable reserve and accumulated profits of approximately HK\$3,637,266,000 (2022: approximately HK\$3,684,477,000).

DIRECTORS

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

Executive Directors:

Mr. Choi Ka Tsan Karson *(Chairman and Chief Executive Officer) (Note 1)*

Dr. Fok Siu Wing Dominic *(Note 2)*

Ms. Zhang Xiaoxue *(Note 3)*

Mr. Liu Shiyin *(Note 4)*

Mr. Jin Zhaogen *(Note 5)*

Ms. Zhao Xiangke *(Note 6)*

Dr. Tsang Wah Tak, Kenneth *(Note 7)*

Mr. Shiu Shu Ming *(Note 8)*

Mr. Liu Gefeng *(Note 9)*

Dr. Wong Chi Kit Nelson *(Note 10)*

Dr. Wong Chun Wa *(Note 11)*

Mr. Ng Ting Chi *(Note 12)*

Ms. Yao Yuan *(Note 13)*

Ms. Lau Wai Yee, Susanna *(Note 14)*

Dr. Law Kwan Kin *(Note 15)*



REPORT OF THE DIRECTORS

DIRECTORS *(Continued)*

Non-executive Directors

Ms. Lee Wai Ling Linda *(Note 16)*

Ms. Lau Suk Hing Clara *(Note 17)*

Mr. Liu Yang *(Note 18)*

Ms. Zhang Leidi *(Note 19)*

Mr. Hou Jun *(Note 20)*

Mr. Kong Dechang *(Note 21)*

Mr. Chan Chun Hong *(Note 22)*

Independent Non-executive Directors

Mr. Yu Xuezhong *(Note 23)*

Dr. Xu Weiguo *(Note 24)*

Mr. Han Wenxin

Mr. Chan Wai Kan *(Note 25)*

Mr. Cheung Ka Ming *(Note 26)*

Mr. Tsui Wing Cheong Sammy *(Note 27)*

Mr. Ho Kwok Wah, George, *MH (Note 28)*

Mr. Chui Tsan Kit *(Note 29)*

Mr. Hung Hing Man *(Note 30)*

Mr. Tang Chi Kong *(Note 31)*

Notes:

1. On 15 December 2023, Mr. Choi Ka Tsan Karson was appointed as an executive Director and the Chairman. On 1 January 2024, he was appointed as the Chief Executive Officer and appointed as the chairman of the Nomination Committee.
2. On 15 December 2023, Dr. Fok Siu Wing Dominic was appointed as an executive Director.
3. On 12 January 2024, Ms. Zhang Xiaoxue was appointed as an executive Director.
4. On 12 January 2024, Mr. Liu Shiyin was appointed as an executive Director.
5. With effect from the conclusion of the Annual General Meeting held on 20 June 2023, Mr. Jin Zhaogen retired as an executive Director and ceased to be a member of each of the Nomination Committee and the Remuneration Committee. On 20 June 2023, he resigned as the Chief Executive Officer.
6. With effect from the conclusion of the Annual General Meeting held on 20 June 2023, Ms. Zhao Xiangke retired as an executive Director.
7. With effect from the conclusion of the Annual General Meeting held on 20 June 2023, Dr. Tsang Wah Tak, Kenneth retired as an executive Director, ceased to be a member of each of the Nomination Committee and the Remuneration Committee and ceased to be a Deputy Chairman.
8. With effect from the conclusion of the Annual General Meeting held on 20 June 2023, Mr. Shiu Shu Ming retired as an executive Director.



REPORT OF THE DIRECTORS

DIRECTORS *(Continued)*

Notes: *(Continued)*

9. With effect from the conclusion of the Annual General Meeting held on 20 June 2023, Mr. Liu Gefeng retired as an executive Director and ceased to be a Deputy Chairman.
10. On 20 June 2023, Dr. Wong Chi Kit Nelson, an executive Director was appointed as the Chief Executive Officer. On 1 January 2024, he resigned as (i) an executive Director; and (ii) the Chief Executive Officer.
11. On 7 August 2023, Dr. Wong Chun Wa was appointed as the Chairman. On 15 December 2023, he resigned as the Chairman. On 1 January 2024, he resigned as an executive Director.
12. On 1 January 2024, Mr. Ng Ting Chi resigned as an executive Director.
13. On 1 January 2024, Ms. Yao Yuan resigned as an executive Director.
14. With effect from 20 June 2023, Ms. Lau Wai Yee, Susanna was appointed as a member of the Nomination Committee. On 1 January 2024, she resigned as (i) an executive Director; and (ii) a member of each of the Nomination Committee and the Remuneration Committee.
15. On 2 March 2023, Dr. Law Kwan Kin resigned as an executive Director.
16. On 15 December 2023, Ms. Lee Wai Ling Linda was appointed as a non-executive Director.
17. On 15 December 2023, Ms. Lau Suk Hing Clara was appointed as a non-executive Director.
18. On 12 January 2024, Mr. Liu Yang was appointed as a non-executive Director. On 12 January 2024, he was appointed as a member of each of the Audit Committee and the Remuneration Committee.
19. On 12 January 2024, Ms. Zhang Leidi was appointed as a non-executive Director.
20. On 11 January 2024, Mr. Hou Jun resigned as a non-executive Director.
21. With effect from the conclusion of the Annual General Meeting held on 20 June 2023, Mr. Kong Dechang retired as a non-executive Director. On 20 June 2023, He ceased to be the chairman of the Nomination Committee.
22. On 2 March 2023, Mr. Chan Chun Hong was appointed as an executive Director. With effect from 20 June 2023, he was appointed as a member of each of the Nomination Committee and the Remuneration Committee. On 20 June 2023, he was appointed as the Chairman. On 7 August 2023, he was removed as the Chairman. He was re-designated from an executive Director to a non-executive Director and ceased to be a member of each of the Nomination Committee and the Remuneration Committee. On 18 September 2023, he resigned as a Director.
23. On 12 January 2024, Mr. Yu Xuezhong resigned as a member of the Audit Committee.
24. On 12 January 2024, Dr. Xu Weiguo resigned as a member of the Remuneration Committee.
25. On 15 December 2023, Mr. Chan Wai Kan was appointed as an independent non-executive Director. On 1 January 2024, he was appointed as the chairman of the Audit Committee. On 12 January 2024, he was appointed as a member of the Remuneration Committee.
26. On 15 December 2023, Mr. Cheung Ka Ming was appointed as an independent non-executive Director. On 1 January 2024, he was appointed as the chairman of the Remuneration Committee. On 12 January 2024, he was appointed as a member of the Audit Committee.
27. On 15 December 2023, Mr. Tsui Wing Cheong Sammy was appointed as an independent non-executive Director. On 12 January 2024, he was appointed as a member of the Nomination Committee.



REPORT OF THE DIRECTORS

DIRECTORS (Continued)

Notes: (Continued)

28. On 20 June 2023, Mr. Ho Kwok Wah, George, *MH* was appointed as the chairman of the Nomination Committee. On 1 January 2024, he resigned as (i) an independent non-executive Director; and (ii) the chairman of each of the Audit Committee, the Nomination Committee and the Remuneration Committee.
29. On 1 January 2024, Mr. Chui Tsan Kit resigned as (i) an independent non-executive Director; and (ii) a member of each of the Nomination Committee and the Remuneration Committee.
30. On 10 February 2023, Mr. Hung Hing Man was appointed as a independent non-executive Director. On 15 December 2023, he resigned as an independent non-executive Director.
31. On 10 February 2023, Mr. Tang Chi Kong was appointed as an independent non-executive Director. On 7 August 2023, he was appointed as a member of each of the Nomination Committee and the Remuneration Committee. On 1 January 2024, he resigned as (i) an independent non-executive Director; and (ii) a member of each of the Nomination Committee and the Remuneration Committee.

DIRECTORS' SERVICES CONTRACTS

Mr. Choi Ka Tsan Karson, Dr. Fok Siu Wing Dominic have been appointed as executive Directors for a term from 15 December 2023 to 31 December 2024. Ms. Zhang Xiaoxue and Mr. Liu Shiyin have been appointed as executive Director for a term from 12 January 2024 to 31 December 2024. Mr. Jin Zhaogen has been appointed as executive Director for a term from 26 March 2021 to 25 March 2024. Mr. Jin Zhaogen has been re-appointed as executive Director for a term from 22 December 2022 to 31 December 2024. Mr. Jin Zhaogen has entered into an employment contract commencing on 13 August 2021. He has entered into a new employment contract commencing on 23 December 2022. With effect from the conclusion of the Annual General Meeting held on 20 June 2023, he retired as an executive Director and resigned as the Chief Executive Officer. Ms. Zhao Xiangke has been appointed as executive Director for a term from 26 March 2021 to 25 March 2024. With effect from the conclusion of the Annual General Meeting held on 20 June 2023, she retired as an executive Director. Dr. Tsang Wah Tak, Kenneth was appointed as an executive Director for a term from 11 November 2022 to 31 December 2024; and was appointed as a Deputy Chairman for a term from 22 December 2022 to 31 December 2024 and he retired as an executive Director and ceased to be a Deputy Chairman with effect from the Annual General Meeting held on 20 June 2023. Mr. Shiu Shu Ming was appointed as an executive Director for a term from 11 November 2022 to 31 December 2024 and he retired as an executive Director with effect from the Annual General Meeting held on 20 June 2023. Mr. Liu Gefeng was appointed as an executive Director and a Deputy Chairman for a term from 22 December 2022 to 31 December 2024 and he retired as an executive Director with effect from the Annual General Meeting held on 20 June 2023. Dr. Wong Chi Kit Nelson, Dr. Wong Chun Wa, Mr. Ng Ting Chi, Ms. Yao Yuan and Ms. Lau Wai Yee, Susanna were appointed as executive Directors for a term from 28 June 2022 to 31 December 2024. They resigned as executive Directors with effect from 1 January 2024. Dr. Law Kwan Kin 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.

Ms. Lee Wai Ling Linda and Ms. Lau Suk Hing Clara have been appointed as a non-executive Directors for a term from 15 December 2023 to 31 December 2024. Mr. Liu Yang and Ms. Zhang Leidi have been appointed as a non-executive Directors for a term from 12 January 2024 to 31 December 2024. Mr. Hou Jun was appointed as a non-executive Director for a term from 25 May 2020 to 31 December 2021 has been re-appointed as a non-executive Director for a term from 1 January 2022 to 31 December 2024 and he resigned as a non-executive Director on 11 January 2024. Mr. Kong Dechang has been appointed as a non-executive Director and the chairman of the Company for a term from 21 May 2021 to 20 May 2024 and he retired as a non-executive Director and ceased to be a chairman with effect from the Annual General Meeting held on 20 June 2023. Mr. Chan Chun Hong was appointed as an executive Director for a term from 2 March 2023 to 31 December 2024. He was removed as the Chairman and he was re-designated from an executive Director to a non-executive Director on 7 August 2023. He resigned as a non-executive Director on 18 September 2023.



REPORT OF THE DIRECTORS

DIRECTORS' SERVICES CONTRACTS *(Continued)*

Mr. Chan Wai Kan, Mr. Cheung Ka Ming and Mr. Tsui Wing Cheong Sammy were appointed as independent non-executive Directors from a term from 15 December 2023 to 31 December 2024. Mr. Ho Kwok Wah, George, *MH* was re-appointed as independent non-executive Director for a term from 1 January 2022 to 31 December 2024 and he resigned as an independent non-executive Director on 1 January 2024. Mr. Yu Xuezhong was appointed as independent non-executive Director for a term from 2 December 2019 to 31 December 2021; and has been re-appointed for a term from 1 January 2022 to 31 December 2024. Dr. Xu Weiguo has been appointed as an independent non-executive Director for a term from 31 March 2021 to 30 March 2024; and he has been re-appointed for a term from 31 March 2024 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. Chui Tsan Kit was appointed as an independent non-executive Director for a term from 28 June 2022 to 31 December 2024 and he resigned as an independent non-executive Director on 1 January 2024. Mr. Hung Hing Man and Mr. Tang Chi Kong was appointed as an independent non-executive Directors for a term from 10 February 2023 to 31 December 2024. Mr. Hung Hing Man resigned as an independent non-executive Director on 15 December 2023. Mr. Tang Chi Kong resigned as an independent non-executive Director on 1 January 2024.

As at 31 December 2023 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

Pursuant to Rule 13.51B(1) of the Listing Rules, the following table sets out the changes in the information regarding the Directors which are reportable in this annual report:-

Name of Director	Particulars of Change
Ms. Zhang Xiaoxue	Ms. Zhang has on 12 March 2024 entered into a service contract with the Group (which is terminable with 3 month's notice), pursuant to which she, subject to her obtaining of the relevant work visa, is appointed as the Chief Financial Officer of the Group. Pursuant to such service contract, she is entitled to a monthly salary of HK\$95,000, an annual discretionary bonus as well as housing accommodation.
Mr. Liu Shiyin	Mr. Liu has on 12 March 2024 entered into a service contract with the Group (which is terminable with 3 month's notice), pursuant to which he, subject to his obtaining of the relevant work visa, is appointed as Executive Vice President, Mainland Operations of the Group. Pursuant to such service contract, he is entitled to a monthly salary of HK\$145,000, an annual discretionary bonus as well as housing accommodation.
Mr. Yu Xuezhong	Mr. Yu has resigned 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) with effect from 15 March 2024.

Updated biographical details of the Directors are set out in the section headed "Biographical Details of Directors" on pages 25 to 31 of this annual report.



REPORT OF THE DIRECTORS

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 2023, 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)
Ms. Lau Suk Hing Clara	Beneficial owner	242,560,000	242,560,000	3.58%
Dr. Wong Chun Wa (Note 2)	Beneficial owner	20,000	20,000	0.00030%
Ms. Yao Yuan (Note 2)	Beneficial owner	120,000	120,000	0.00177%
Ms. Lau Wai Yee, Susanna (Note 2)	Beneficial owner	8,000	8,000	0.00012%
Mr. Chui Tsan Kit (Note 2)	Beneficial owner	4,000	4,000	0.00006%

Notes:

1. The total number of Shares as at 31 December 2023 (that was, 6,773,522,452 Shares) has been used for the calculation of the approximate percentage.
2. Dr. Wong Chun Wa, Ms. Yao Yuan, Ms. Lau Wai Yee, Susanna and Mr. Chui Tsan Kit resigned on 1 January 2024.



REPORT OF THE DIRECTORS

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

Name of Director	Name of associated corporation	Capacity	Number of shares held	Approximate % of shareholding
Dr. Wong Chi Kit Nelson (Note 1)	Easton Flame Global Limited	Beneficial owner	13	13.00%
Dr. Wong Chi Kit Nelson (Note 1)	Dr. Vio & Partners Limited	Interest of a controlled corporation	57 (Note 2)	5.7%
Dr. Wong Chi Kit Nelson (Note 1)	Ever Ease Holdings Limited	Interest of a controlled corporation	57 (Note 3)	5.7%
Dr. Wong Chi Kit Nelson (Note 1)	Standard Glory International Limited	Interest of a controlled corporation	57 (Note 4)	5.7%
Dr. Wong Chi Kit Nelson (Note 1)	Win Legend Holdings Limited	Interest of a controlled corporation	57 (Note 5)	5.7%
Dr. Wong Chun Wa (Note 6)	Best Tree	Beneficial owner	49	49.00%
Dr. Wong Chun Wa (Note 6)	HKTOIL	Interest of a controlled corporation	850 (Note 7)	85.00%
Dr. Wong Chun Wa (Note 6)	TOI Anaesthesiology and Pain Centre Limited	Interest of controlled corporations	6 (Note 8)	60.00%

Notes:

1. Dr. Wong Chi Kit Nelson resigned on 1 January 2024.
2. Such 57 shares of Dr. Vio & Partners Limited were held by Crown Glory Assets Ltd., which is wholly owned by Dr. Wong Chi Kit Nelson. As such, Dr. Wong Chi Kit Nelson was deemed to be interested in the 57 shares of Dr. Vio & Partners Limited held by Crown Glory Assets Ltd.
3. Such 57 shares of Ever Ease Holdings Limited were held by Crown Glory Assets Ltd., which is wholly owned by Dr. Wong Chi Kit Nelson. As such, Dr. Wong Chi Kit Nelson was deemed to be interested in the 57 shares of Ever Ease Holdings Limited held by Crown Glory Assets Ltd.
4. Such 57 shares of Standard Glory International Limited were held by Crown Glory Assets Ltd., which is wholly owned by Dr. Wong Chi Kit Nelson. As such, Dr. Wong Chi Kit Nelson was deemed to be interested in the 57 shares of Standard Glory International Limited held by Crown Glory Assets Ltd.



REPORT OF THE DIRECTORS

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 *(Continued)*

5. Such 57 shares of Win Legend Holdings Limited were held by Crown Glory Assets Ltd., which is wholly owned by Dr. Wong Chi Kit Nelson. As such, Dr. Wong Chi Kit Nelson was deemed to be interested in the 57 shares of Win Legend Holdings Limited held by Crown Glory Assets Ltd.
6. Dr. Wong Chun Wa resigned on 1 January 2024.
7. Such 850 shares of HKTOIL was held by Best Tree, which is beneficially owned as to 49% by Dr. Wong Chun Wa. As such, Dr. Wong Chun Wa was deemed to be interested in the 850 shares of HKTOIL held by Best Tree under Part XV of the SFO.
8. 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. Wong Chun Wa. As such, Dr. Wong Chun Wa 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 2023, 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.



REPORT OF THE DIRECTORS

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

As at 31 December 2023, 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	26.35%
Broad Idea	Beneficial owner	1,418,576,764 (Note 2)	1,418,576,764	20.94%
Dr. Cho	Interest of a controlled corporation	1,418,576,764 (Note 2)	1,418,576,764	20.94%
Dr. Choi	Interest of a controlled corporation Beneficial owner	1,418,576,764 (Note 2) 2,200,000	1,420,776,764	20.98%
Classictime	Beneficial owner	830,742,000 (Note 3)	830,742,000	12.26%
Minerva Group	Interest of a controlled corporation	830,742,000 (Note 3)	830,742,000	12.26%

Notes:

- The total number of Shares as at 31 December 2023 (that was, 6,773,522,452 Shares) has been used for the calculation of the approximate percentage.
- 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.
- Such 830,742,000 Shares were held by Classictime, a wholly-owned subsidiary of Minerva Group. Accordingly, Minerva Group was deemed to be interested in the 830,742,000 Shares held by Classictime under Part XV of the SFO.

Save as disclosed above, as at 31 December 2023, 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.



REPORT OF THE DIRECTORS

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 43% of the Group's total revenue respectively. The Group's largest supplier and five largest suppliers accounted for approximately 11% and 34% 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 number of issued shares in the Company), 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

Except for Dr. Wong Chun Wa (resigned on 1 January 2024) being a director and a shareholder of Hillwood MRI Centre Limited for Hong Kong Medical Service, 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

During the year end up until their respective retirement and cessation as Directors on 20 June 2023, each of (a) Dr. Tsang Wah Tak, Kenneth was deemed to be interested in the 141,879,000 underlying Shares and the debentures in the amount of HK\$107,828,000, comprising, respectively:- (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; (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; (iii) 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 (iv) 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. and (b) 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, comprising, respectively:- (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; (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) 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 (iv) 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. 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.



REPORT OF THE DIRECTORS

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 27,026,000 Shares on the Stock Exchange, with the aggregate consideration paid (before expenses) amounting to HK\$9,887,350 and such Shares were cancelled on 20 January 2023. Particulars of the repurchases of the Shares during the Year are as follows:

Date of repurchase	Number of Shares repurchased	Consideration per Share		Aggregate consideration paid (before expenses) HK\$
		Highest HK\$	Lowest HK\$	
4 January 2023	15,100,000	0.370	0.360	5,578,750
5 January 2023	11,000,000	0.365	0.360	3,985,000
9 January 2023	926,000	0.350	0.345	323,600
	27,026,000			9,887,350

Further details of the above Share repurchases are set out in the next day disclosure returns of the Company dated 4 January 2023, 5 January 2023, 9 January 2023 and 20 January 2023.

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

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 100 to 118 of this annual report.



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 (the CLIO Framework Agreement, CLIS Framework Agreement and the CLPS Framework Agreement together, the "Framework Agreements"). 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 ended 31 December 2022 and the Year 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.



REPORT OF THE DIRECTORS

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 ended 31 December 2022 and the Year 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 Kwan Kin (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. Wong Chun Wa (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 Kwan Kin and Dr. Wong Chun Wa was a director of a subsidiary of the Company, each of Dr. Law Kwan Kin, Dr. Wong Chun Wa, HKCCL (a company wholly-owned by Dr. Law Kwan Kin) and EW Clinic (a business wholly-owned by Dr. Wong Chun Wa) 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 Kwan Kin and Dr. Wong Chun Wa has become an executive Director with effect from the announcement of the Company dated 28 June 2022. Thus, each of Dr. Law Kwan Kin, Dr. Wong Chun Wa, 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 ended 31 December 2022, the Year and Year 2024 and the maximum aggregate annual transaction values in respect of the EWC CCTs for each of the year ended 31 December 2022, the Year 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. Wong Chun Wa 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.



REPORT OF THE DIRECTORS

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 Wah Tak, Kenneth (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 Wah Tak, Kenneth, 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 Wah Tak, Kenneth, 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 Wah Tak, Kenneth as an executive Director with effect from 11 November 2022, Dr. Tsang Wah Tak, Kenneth 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, the Year, 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, the Year, 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.



REPORT OF THE DIRECTORS

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 Kwan Kin (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. Wong Chun Wa (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 Licences 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 Kwan Kin and Dr. Wong Chun Wa 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 ended 31 December 2022, the Year 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 ended 31 December 2022, the Year 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 ended 31 December 2022, the Year 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 ended 31 December 2022, the Year 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 ended 31 December 2022, the Year 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.



REPORT OF THE DIRECTORS

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 year ended 31 December 2022, the Year 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 ended 31 December 2022 and the Year 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.



REPORT OF THE DIRECTORS

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 ended 31 December 2022, the Year 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\$17,800,000	HK\$2,573,000
HKCCL CCTs	HK\$12,000,000	HK\$7,658,000
EWC CCTs	HK\$12,000,000	HK\$8,533,000
Provision of the ERG Diagnostic Services	HK\$7,000,000	HK\$1,992,000
Provision of the ERG Specialist Medical Services	HK\$5,200,000	HK\$3,787,000
Provision of the BTG Specialist Medical Services	HK\$6,400,000	HK\$3,207,000
Grant of the BTG Licences and entering into of the BTG Leases	HK\$5,100,000	HK\$4,022,000
Provision of the Medical & Healthcare Services under the CGB Framework Agreement	HK\$500,000	HK\$nil

	Maximum aggregate annual transaction values during the Year	Actual aggregate annual transaction values during the Year
KTAL CCTs	HK\$14,300,000	HK\$5,801,000
HKMC CCTs	HK\$6,300,000	HK\$nil

	Maximum daily balance during the Year	Maximum 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\$72,408,000



REPORT OF THE DIRECTORS

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;



REPORT OF THE DIRECTORS

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS *(Continued)*

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

(iv) *(Continued)*

- (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;
- (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, (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 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



REPORT OF THE DIRECTORS

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS *(Continued)*

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

(iv) *(Continued)*

- (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.

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.



REPORT OF THE DIRECTORS

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS *(Continued)*

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

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 CPA Limited (formerly known as Moore Stephens CPA Limited) has been the auditors of the Group with effect from 15 February 2018. Moore 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 and 20 June 2023.

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



REPORT OF THE DIRECTORS

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

Choi Ka Tsan Karson

Chairman and Chief Executive Officer

25 March 2024



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. Save for the deviation as described below:

Code provision C.2.1 provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the Year, Mr. Choi Ka Tsan Karson (“Mr. Choi”), the chairman of the Board, also assumed the role as the Chief Executive Officer of the Company. Although such arrangement deviates from code provision C.2.1 of the CG Code, the Board believes that vesting the roles of both the Chairman and the Chief Executive Officer on the same person has the benefit of ensuring consistent leadership to shape and advance long-term strategy, and for optimizing operating efficiency of the Group. Furthermore, the Board considers that the arrangement does not impair the balance of power and authority between the Board and the management of the Group as the four non-executive directors, and six independent non-executive directors, form the majority in the Board comprising 14 members. The Company does not propose to comply with code provision C.2.1 of the CG Code for the time being but will continue to review such positions as the Board reviews its compositions from time to time.

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, save for the incident described below, all the Directors have complied with the required standard set out in the Model Code throughout the Year.

Ms. Lau Suk Hing Clara, a non-executive Director appointed on 15 December 2023, had on 18 December 2023 (being the business day next following her appointment) purchased 726,000 shares on the Stock Exchange without first notifying the Board as required under paragraph B.8 of the Model Code, before she has had a chance to receive training with respect to, among other things, requirements under the Model Code. Ms. Lau has subsequently been fully briefed on the requirements under the Model Code as regards Directors’ dealings in securities of the Company. To avoid recurrence of similar incidents, the Company will ensure that any new director to be appointed in the future will receiving training (including the requirements under the Model Code) before his/her appointment becomes effective.



CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES *(Continued)*

Board of Directors

As at the date of this annual report, the Board comprises fourteen members, four of which are executive Directors, namely Mr. Choi Ka Tsan Karson who is the Chairman and Chief Executive Officer of the Company, Dr. Fok Siu Wing Dominic, Ms. Zhang Xiaoxue and Mr. Liu Shiyin. Four members are non-executive Directors, namely Ms. Lee Wai Ling Linda, Ms. Lau Suk Hing Clara, Mr. Liu Yang and Ms. Zhang Leidi. The other six members are independent non-executive Directors, namely Mr. Yu Xuezhong, Dr. Xu Weiguo, Mr. Han Wenxin, Mr. Chan Wai Kan, Mr. Cheung Ka Ming and Mr. Tsui Wing Cheong Sammy. The biographical details of the Directors are set out in the section headed “Biographical Details of Directors” on pages 25 to 31 of this annual report.

During the Year, (a) the Company appointed ten Directors: (i) each of Mr. Choi Ka Tsan Karson was appointed as an executive Director and the Chairman with effect from 15 December 2023. (ii) Dr. Fok Siu Wing Dominic was appointed as an executive Director with effect from 15 December 2023; (iii) each of Ms. Lee Wai Ling Linda and Ms. Lau Suk Hing Clara was appointed as a non-executive Directors with effect from 15 December 2023. (iv) each of Mr. Chan Wai Kan, Mr. Cheung Ka Ming and Mr. Tsui Wing Cheong Sammy was appointed as an independent non-executive Director with effect from 15 December 2023. (v) each of Mr. Hung Hing Man and Mr. Tang Chi Kong was appointed as an independent non-executive Director with effect from 10 February 2023. (vi) Mr. Chan Chun Hong was appointed as an executive Director with effect from 2 March 2023.

On 20 June 2023, (i) Mr. Jin Zhaogen was retired as an executive Director and ceased to be a member of each of the Nomination Committee and the Remuneration Committee following his retirement as an executive Director. He resigned as the Chief Executive Officer. (ii) Ms. Zhao Xiangke was retired as an executive Director. (iii) Dr. Tsang Wah Tak, Kenneth was retired as an executive Director and ceased to be a Deputy Chairman and a member of each of the Nomination Committee and the Remuneration Committee. (iv) Mr. Shiu Shu Ming retired as an executive Director. (v) Mr. Liu Gefeng was retired as an executive Director and ceased to be a Deputy Chairman. (vi) Mr. Chan Chun Hong was appointed as a member of each of the Nomination Committee and the Remuneration Committee. (vii) Ms. Lau Wai Yee, Susanna, an executive Director was appointed as a member of the Nomination Committee. (viii) Mr. Kong Dechang was retired as a non-executive Director, ceased to be a Chairman and ceased to be the chairman of the Nomination Committee. (ix) Mr. Ho Kwok Wah, George, MH was appointed as the chairman of the Nomination Committee. (x) Mr. Chan Chun Hong was appointed as the Chairman. (xi) Dr. Wong Chi Kit Nelson was appointed as the Chief Executive Officer.

On 7 August 2023, (i) Mr. Chan Chun Hong was removed as the Chairman, re-designated from an executive Director to a non-executive Director and ceased to be a member of each of the Nomination Committee and the Remuneration Committee. (ii) Mr. Tang Chi Kong was appointed as a member of each of the Nomination Committee and the Remuneration Committee. (iii) Dr. Wong Chun Wa was appointed as the Chairman.

On 18 September 2023, Mr. Chan Chun Hong resigned as a non-executive Director.

On 15 December 2023, Dr. Wong Chun Wa resigned as the Chairman and Mr. Hung Hing Man resigned as an independent non-executive Director.



CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES *(Continued)*

Board of Directors *(Continued)*

On 1 January 2024, Mr. Choi Ka Tsan Karson was appointed as the Chief Executive Officer and as the chairman of the Nomination Committee. Mr. Chan Wai Kan was appointed as the chairman of the Audit Committee. Mr. Cheung Ka Ming was appointed as the chairman of the Remuneration Committee.

On 1 January 2024, (i) Mr. Chan Wai Kan was appointed as the chairman of the Audit Committee. (ii) Mr. Choi Ka Tsan Karson was appointed as the Chief Executive Officer and the chairman of the Nomination Committee and (iii) Mr. Cheung Ka Ming was appointed as the chairman of the Remuneration Committee.

On 1 January 2024, (i) Dr. Wong Chi Kit Nelson resigned as an executive Director and the chief executive officer of the Company. (ii) Dr. Wong Chun Wa resigned as an executive Director. (iii) Mr. Ng Ting Chi resigned as an executive Director. (iv) Ms. Yao Yuan resigned as an executive Director. (v) Ms. Lau Wai Yee, Susanna resigned as an executive Director and a member of each of the nomination committee and the remuneration committee. (vi) Mr. Ho Kwok Wah, George, MH resigned as an independent non-executive Director and the chairman of each of the audit committee and the Nomination Committee and the Remuneration Committee. (vii) Mr. Chui Tsan Kit resigned as an independent non-executive Director and a member of each of the Nomination Committee and the Remuneration Committee. (viii) Mr. Tang Chi Kong resigned as an independent non-executive Director and a member of each of the Nomination Committee and the Remuneration Committee.

On 11 January 2024, Mr. Hou Jun resigned as a non-executive Director. On 12 January 2024, Ms. Zhang Leidi was appointed as a non-executive Director.

On 12 January 2024, each of Ms. Zhang Xiaoxue and Mr. Liu Shiyin was appointed as an executive Director and Mr. Liu Yang was appointed as a non-executive Director in the SGM.

On 12 January 2024, (i) Mr. Yu Xuezhong resigned as a member of the Audit Committee. (ii) Dr. Xu Weiguo resigned as a member of the Remuneration Committee. (iii) Mr. Liu Yang was appointed as a member of each of the Audit Committee and the Remuneration Committee. (iv) Mr. Chan Wai Kan was appointed as a member of the Remuneration Committee. (v) Mr. Cheung Ka Ming was appointed as a member of the Audit Committee and (vi) Mr. Tsui Wing Cheong Sammy was appointed as a member of the Nomination Committee.

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.



CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES *(Continued)*

Board of Directors *(Continued)*

The Board held 18 meetings and passed 2 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 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.

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.



CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES *(Continued)*

Board of Directors *(Continued)*

2. Selection Criteria *(Continued)*

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.

(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.



CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES *(Continued)*

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.

As at the date of this annual report, the Board comprised four female members and ten 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 2023, the gender ratio of the workforce of the Group (including management) was 31%:69% 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 REPORT

CORPORATE GOVERNANCE PRACTICES *(Continued)*

Directors' continuous professional development

The Directors during the Year, namely Dr. Wong Chi Kit Nelson, Dr. Wong Chun Wa, Mr. Ng Ting Chi, Ms. Yao Yuan, Ms. Lau Wai Yee, Susanna, Mr. Chan Chun Hong, Mr. Hou Jun, 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 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, Mr. Kong Dechang resigned as the chairman and Mr. Chan Chun Hong was appointed as the chairman of the Company with effect from 20 June 2023. Mr. Chan Chun Hong was removed as the chairman of the Company and Dr. Wong Chun Wa was appointed as the chairman of the Company with effect from 7 August 2023. Dr. Wong Chun Wa resigned as the chairman of the Company and Mr. Choi Ka Tsan Karson was appointed as the chairman of the Company with effect from 15 December 2023. As at the date of this annual report, Mr. Choi Ka Tsan Karson is the chairman of the Company.

During the Year, Mr. Jin Zhaogen resigned as the Chief Executive Officer and Dr. Wong Chi Kit Nelson was appointed as the Chief Executive Officer with effect from 20 June 2023. On 1 January 2024, Dr. Wong Chi Kit Nelson resigned as the Chief Executive Officer and Mr. Choi Ka Tsan Karson was appointed as the Chief Executive Officer. As at the date of this annual report, Mr. Choi Ka Tsan Karson is the Chief Executive Officer.

Independent non-executive Directors

Pursuant to Rule 3.10 of the Listing Rules, the Company has six independent non-executive Directors, two 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.

Term of appointment of non-executive Directors

Each of Ms. Lee Wai Ling Linda and Ms. Lau Suk Hing Clara has been appointed as a non-executive Director under their letter of appointments for a term from 15 December 2023 to 31 December 2024; and Mr. Liu Yang and Ms. Zhang Leidi has been appointed as a non-executive Director under their letter of appointments for a term from 12 January 2024 to 31 December 2024.

Term of appointment of independent non-executive Directors

Each of Mr. Chan Wai Kan, Mr. Cheung Ka Ming and Mr. Tsui Wing Cheong Sammy has been appointed as an independent non-executive Director under their letter of appointments for a term from 15 December 2023 to 31 December 2024.

Mr. Yu Xuezhong has been appointed as an independent non-executive Director under his letter of appointment for a term from 1 January 2022 to 31 December 2024. Dr. Xu Weiguo has been appointed as an independent non-executive Director under his letter of appointment for a term from 31 March 2021 to 30 March 2024 and renewed his letter of appointment for a term from 31 March 2024 to 31 December 2024. Mr. Han Wenxin has been appointed as an independent non-executive Director under his letter of appointment for a term from 15 August 2022 to 31 December 2024.



CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES *(Continued)*

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 2023 to 19 June 2023, 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 Director, namely Mr. Jin Zhaogen, Ms. Lau Wai Yee, Susanna and Dr. Tsang Wah Tak, Kenneth.

From conclusion of the meeting of the Board held on 20 June 2023 to conclusion of the meeting of the Board held on 7 August 2023, the Remuneration Committee comprised four independent non-executive Directors, namely Mr. Ho Kwok Wah, George, *MH*, Mr. Yu Xuezhong, Dr. Xu Weiguo, Mr. Chui Tsan Kit and two executive Director, namely Mr. Chan Chun Hong and Ms. Lau Wai Yee, Susanna.

From 7 August 2023 to 31 December 2023, the Remuneration Committee comprised five independent non-executive Directors, namely Mr. Ho Kwok Wah, George, *MH*, Mr. Yu Xuezhong, Dr. Xu Weiguo, Mr. Chui Tsan Kit and Mr. Tang Chi Kong and one executive Director, namely Ms. Lau Wai Yee, Susanna.

As at the date of this annual report, the Remuneration Committee comprised three independent non-executive Directors, namely Mr. Cheung Ka Ming, Mr. Yu Xuezhong and Mr. Chan Wai Kan and one non-executive Director, namely Mr. Liu Yang.

From 1 January 2023 to 31 December 2023, Mr. Ho Kwok Wah, George, *MH*, was the chairman of the chairman of the Remuneration Committee. As at the date of this annual report, Mr. Cheung Ka Ming, was the chairman of the Remuneration Committee.

The Remuneration Committee held 8 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 Mr. Choi Ka Tsan Karson, Dr. Fok Siu Wing Dominic, Ms. Lee Wai Ling Linda, Ms. Lau Suk Hing Clara, Mr. Chan Wai Kan, Mr. Cheung Ka Ming, Mr. Tsui Wing Cheong Sammy, Mr. Chan Chun Hong, Mr. Hung Hing Man and Mr. Tang Chi Kong 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 2023 to 19 June 2023, 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, Mr. Kong Dechang and two executive Director, namely Mr. Jin Zhaogen and Dr. Tsang Wah Tak, Kenneth.

From conclusion of the meeting of the Board held on 20 June 2023, 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; and two executive Director, namely Mr. Chan Chun Hong and Ms. Lau Wai Yee, Susanna.

From 7 August 2023 to 31 December 2023, the Nomination Committee comprised five independent non-executive Directors, namely Mr. Ho Kwok Wah, George, *MH*, Mr. Yu Xuezhong, Dr. Xu Weiguo, Mr. Chui Tsan Kit and Mr. Tang Chi Kong and one executive Directors, namely Ms. Lau Wai Yee, Susanna.

As at the date of this annual report, the Nomination Committee comprised three independent non-executive Directors, namely Mr. Yu Xuezhong, Dr. Xu Weiguo and Mr. Tsui Wing Cheong Sammy and one executive Directors, namely Mr. Choi Ka Tsan Karson.

From 1 January 2023 to 20 June 2023, Mr. Kong Dechang was the chairman of the Nomination Committee. From 20 June 2023 to 31 December 2023, Mr. Ho Kwok Wah, George, *MH*, was the chairman of the Nomination Committee. As at the date of this annual report, Mr. Choi Ka Tsan Karson, 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 105 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.



CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES *(Continued)*

Nomination Committee *(Continued)*

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 8 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 pursuant to the Company's nomination policy set out on page 103 to 104 of this Annual Report.

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, the Audit Committee comprised three independent non-executive Directors namely Mr. Ho Kwok Wah, George, *MH*, Mr. Yu Xuezhong and Dr. Xu Weiguo. As at the date of this annual report, the Audit Committee comprised three independent non-executive Directors namely Mr. Chan Wai Kan, Mr. Cheung Ka Ming and Dr. Xu Weiguo and one non-executive Directors, namely, Mr. Liu Yang.

During the Year Mr. Ho Kwok Wah, George, *MH* was the chairman of the Audit Committee. As at the date of this annual report, Mr. Chan Wai Kan was the chairman of the Audit Committee.

The Audit Committee held 7 meetings during the Year and 2 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:

Directors	Number of meetings attended/held				
	General Meeting	Board meetings	Audit Committee meetings	Remuneration Committee meetings	Nomination Committee meetings
<i>Executive Directors</i>					
Mr. Choi Ka Tsan Karson (Note 1)	N/A	1/18	N/A	N/A	N/A
Dr. Fok Siu Wing Dominic (Note 2)	N/A	1/18	N/A	N/A	N/A
Ms. Zhang Xiaoxue (Note 3)	N/A	N/A	N/A	N/A	N/A
Mr. Liu Shiyin (Note 4)	N/A	N/A	N/A	N/A	N/A
Mr. Jin Zhaogen (Note 5)	1/1	4/18	N/A	3/8	2/8
Ms. Zhao Xiangke (Note 6)	1/1	4/18	N/A	N/A	N/A
Dr. Tsang Wah Tak, Kenneth (Note 7)	0/1	4/18	N/A	3/8	2/8
Mr. Shiu Shu Ming (Note 8)	0/1	4/18	N/A	N/A	N/A
Mr. Liu Gefeng (Note 9)	1/1	4/18	N/A	N/A	N/A
Dr. Wong Chi Kit Nelson (Note 10)	1/1	17/18	N/A	N/A	N/A
Dr. Wong Chun Wa (Note 11)	0/1	15/18	N/A	N/A	N/A
Mr. Ng Ting Chi (Note 12)	1/1	18/18	N/A	N/A	N/A
Ms. Yao Yuan (Note 13)	1/1	18/18	N/A	N/A	N/A
Ms. Lau Wai Yee, Susanna (Note 14)	1/1	18/18	N/A	8/8	6/8
Dr. Law Kwan Kin (Note 15)	N/A	1/18	N/A	N/A	N/A
<i>Non-executive Directors</i>					
Ms. Lee Wai Ling Linda (Note 16)	N/A	1/18	N/A	N/A	N/A
Ms. Lau Suk Hing Clara (Note 17)	N/A	1/18	N/A	N/A	N/A
Mr. Liu Yang (Note 18)	N/A	N/A	N/A	N/A	N/A
Ms. Zhang Leidi (Note 19)	N/A	N/A	N/A	N/A	N/A
Mr. Hou Jun (Note 20)	1/1	15/18	N/A	N/A	N/A
Mr. Kong Dechang (Note 21)	0/1	1/18	N/A	N/A	0/8
Mr. Chan Chun Hong (Note 22)	1/1	10/18	N/A	3/8	3/8
<i>Independent Non-executive Directors</i>					
Mr. Yu Xuezhong (Note 23)	1/1	5/18	7/7	8/8	8/8
Dr. Xu Weiguo (Note 24)	1/1	18/18	7/7	7/8	7/8
Mr. Han Wenxin	1/1	18/18	N/A	N/A	N/A
Mr. Chan Wai Kan (Note 25)	N/A	1/18	N/A	N/A	N/A
Mr. Cheung Ka Ming (Note 26)	N/A	1/18	N/A	N/A	N/A
Mr. Tsui Wing Cheong Sammy (Note 27)	N/A	1/18	N/A	N/A	N/A
Mr. Ho Kwok Wah, George, MH (Note 28)	1/1	18/18	7/7	8/8	8/8
Mr. Chui Tsan Kit (Note 29)	1/1	17/18	N/A	7/8	7/8
Mr. Hung Hing Man (Note 30)	1/1	15/18	N/A	N/A	N/A
Mr. Tang Chi Kong (Note 31)	1/1	17/18	N/A	2/8	3/8



CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES *(Continued)*

Attendance of Directors at meetings *(Continued)*

Notes:

1. On 15 December 2023, Mr. Choi Ka Tsan Karson was appointed as an executive Director and the Chairman. On 1 January 2024, he was appointed as the Chief Executive Officer and appointed as the chairman of the Nomination Committee.
2. On 15 December 2023, Dr. Fok Siu Wing Dominic was appointed as an executive Director.
3. On 12 January 2024, Ms. Zhang Xiaoxue was appointed as an executive Director.
4. On 12 January 2024, Mr. Liu Shiyin was appointed as an executive Director.
5. With effect from the conclusion of the Annual General Meeting held on 20 June 2023, Mr. Jin Zhaogen retired as an executive Director and ceased to be a member of each of the Nomination Committee and the Remuneration Committee. On 20 June 2023, he resigned as the Chief Executive Officer.
6. With effect from the conclusion of the Annual General Meeting held on 20 June 2023, Ms. Zhao Xiangke retired as an executive Director.
7. With effect from the conclusion of the Annual General Meeting held on 20 June 2023, Dr. Tsang Wah Tak, Kenneth retired as an executive Director, ceased to be a member of each of the Nomination Committee and the Remuneration Committee and ceased to be a Deputy Chairman.
8. With effect from the conclusion of the Annual General Meeting held on 20 June 2023, Mr. Shiu Shu Ming retired as an executive Director.
9. With effect from the conclusion of the Annual General Meeting held on 20 June 2023, Mr. Liu Gefeng retired as an executive Director and ceased to be a Deputy Chairman.
10. On 20 June 2023, Dr. Wong Chi Kit Nelson, an executive Director was appointed as the Chief Executive Officer. On 1 January 2024, he resigned as (i) an executive Director; and (ii) the Chief Executive Officer.
11. On 7 August 2023, Dr. Wong Chun Wa was appointed as the Chairman. On 15 December 2023, he resigned as the Chairman. On 1 January 2024, he resigned as an executive Director.
12. On 1 January 2024, Mr. Ng Ting Chi resigned as an executive Director.
13. On 1 January 2024, Ms. Yao Yuan resigned as an executive Director.
14. With effect from 20 June 2023, Ms. Lau Wai Yee, Susanna was appointed as a member of the Nomination Committee. On 1 January 2024, she resigned as (i) an executive Director; and (ii) a member of each of the Nomination Committee and the Remuneration Committee.
15. On 2 March 2023, Dr. Law Kwan Kin resigned as an executive Director.
16. On 15 December 2023, Ms. Lee Wai Ling Linda was appointed as a non-executive Director.
17. On 15 December 2023, Ms. Lau Suk Hing Clara was appointed as a non-executive Director.
18. On 12 January 2024, Mr. Liu Yang was appointed as a non-executive Director. On 12 January 2024, he was appointed as a member of each of the Audit Committee and the Remuneration Committee.



CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES *(Continued)*

Attendance of Directors at meetings *(Continued)*

Notes: *(Continued)*

19. On 12 January 2024, Ms. Zhang Leidi was appointed as a non-executive Director.
20. On 11 January 2024, Mr. Hou Jun resigned as a non-executive Director.
21. With effect from the conclusion of the Annual General Meeting held on 20 June 2023, Mr. Kong Dechang retired as a non-executive Director. On 20 June 2023, He ceased to be the chairman of the Nomination Committee.
22. On 2 March 2023, Mr. Chan Chun Hong was appointed as an executive Director. With effect from 20 June 2023, he was appointed as a member of each of the Nomination Committee and the Remuneration Committee. On 20 June 2023, he was appointed as the Chairman. On 7 August 2023, he was removed as the Chairman. He was re-designated from an executive Director to a non-executive Director and ceased to be a member of each of the Nomination Committee and the Remuneration Committee. On 18 September 2023, he resigned as a Director.
23. On 12 January 2024, Mr. Yu Xuezhong resigned as a member of the Audit Committee.
24. On 12 January 2024, Dr. Xu Weiguo resigned as a member of the Remuneration Committee.
25. On 15 December 2023, Mr. Chan Wai Kan was appointed as an independent non-executive Director. On 1 January 2024, he was appointed as the chairman of the Audit Committee. On 12 January 2024, he was appointed as a member of the Remuneration Committee.
26. On 15 December 2023, Mr. Cheung Ka Ming was appointed as an independent non-executive Director. On 1 January 2024, he was appointed as the chairman of the Remuneration Committee. On 12 January 2024, he was appointed as a member of the Audit Committee.
27. On 15 December 2023, Mr. Tsui Wing Cheong Sammy was appointed as an independent non-executive Director. On 12 January 2024, he was appointed as a member of the Nomination Committee.
28. On 20 June 2023, Mr. Ho Kwok Wah, George, MH was appointed as the chairman of the Nomination Committee. On 1 January 2024, he resigned as (i) an independent non-executive Director; and (ii) the chairman of each of the Audit Committee, the Nomination Committee and the Remuneration Committee.
29. On 1 January 2024, Mr. Chui Tsan Kit resigned as (i) an independent non-executive Director; and (ii) a member of each of the Nomination Committee and the Remuneration Committee.
30. On 10 February 2023, Mr. Hung Hing Man was appointed as a independent non-executive Director. On 15 December 2023, he resigned as an independent non-executive Director.
31. On 10 February 2023, Mr. Tang Chi Kong was appointed as an independent non-executive Director. On 7 August 2023, he was appointed as a member of each of the Nomination Committee and the Remuneration Committee. On 1 January 2024, he resigned as (i) an independent non-executive Director; and (ii) a member of each of the Nomination Committee and the Remuneration Committee.



CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES *(Continued)*

Accountability and audit

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

The statement issued by the auditors of the Company, Moore CPA Limited (formerly known as Moore Stephens CPA Limited), regarding their reporting responsibilities is set out in the section headed "Independent Auditor's Report" on pages 119 to 126 of this annual report.

Risk management and internal control

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

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

- (1) the management, with the assistance of the front-line personnel, identifies risks that may potentially affect the Group's business and operations;
- (2) the management and head of various business units assess on the risks identified by considering the impacts of the risks on the business caused by the adverse events associated with the risks and the likelihood of occurrence of these adverse events;
- (3) the management prioritises the risks based on their probability and the severity of impact on the business;
- (4) the management reports regularly to the Board on the risks identified and their impact on the Group for the Board's formulation of the risk management strategies and internal control processes to prevent, avoid and mitigate the risks;
- (5) the management performs ongoing and periodic monitoring of the risks to ensure that appropriate internal control processes are in place and material internal control defects can be resolved and reports its findings and results to the Board regularly;
- (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



CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES *(Continued)*

Risk management and internal control *(Continued)*

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

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

Internal audit

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

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

Having considered the reports of the external service provider and the internal audit department, the Audit Committee and the Board considered that the works performed by 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 Management Team accordingly for taking the appropriate prompt action. Based on the information obtained from internal reporting, the 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 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 Management Team and/or the Board may seek independent professional advice to ensure that the Company complies with the disclosure requirements. The Company discloses information to the public generally and non-exclusively through channels including websites of its own and the Stock Exchange, with an aim to achieve fair and timely disclosure of information.



CORPORATE GOVERNANCE REPORT



CORPORATE GOVERNANCE PRACTICES *(Continued)*

Dividend Policy

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

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

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

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

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

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

Directors’, senior management’s and employees’ emoluments

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

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

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

Fees by bands	Number of individuals
HK\$2,500,001 to HK\$3,000,000	2
HK\$3,000,001 to HK\$3,500,000	1
HK\$4,500,001 to HK\$5,000,000	1

No Director waived any emolument during the Year.



CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES *(Continued)*

Auditors' remuneration

For the Year, fees for statutory audit services provided by the auditors of the Group, Moore CPA Limited (formerly known as Moore Stephens CPA Limited), to the Group amounted to approximately HK\$4,000,000. Significant non-audit services include tax compliance and planning and agreed upon procedures on review of financial statements and transactions, in respect of which the total fees paid by the Group during the Year amounted to approximately HK\$288,000 and HK\$750,000 respectively.

COMPANY SECRETARY

From 1 January 2023 to 20 June 2023, Mr. Kwan Chung Man was the Company Secretary of the Company ("Company Secretary"). With effect from 20 June 2023, and as at the date of this Report, Mr. Kwok Chung On ("Mr. Kwok") was the Company Secretary. Mr. Kwok received over 15 hours of relevant professional training to update his skills and knowledge during the Year.

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 outlining the procedures for Shareholders to convene a general meeting and put forward proposals, as well as procedures for Shareholders to send enquiries to the Board. During the Year, the Board has reviewed the shareholder's communication policy of the Company.

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

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

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



CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS *(Continued)*

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

(Continued)

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.

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.



CORPORATE GOVERNANCE REPORT



COMMUNICATION WITH SHAREHOLDERS *(Continued)*

Procedures for Shareholders sending enquiries to the Board *(Continued)*

The Company has reviewed the implementation and effectiveness of its shareholders' communication policy during the Year. All members of the Board (except Mr. Kong Dechang, Dr. Tsang Wah Tak, Kenneth, Mr. Shiu Shu Ming and Dr. Wong Chun Wa) as at the time of the AGM held on 20 June 2023; and all members of the Board (except Mr. Yu Xuezhong and Mr. Chan Wai Kan) as at the time of the SGM held on 12 January 2024, to answer questions from the Shareholders attending the meetings. In addition, information relating to the Company, including interim and annual reports, announcements, circulars and poll results of the AGM and SGM, 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 CPA Limited**

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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 127 to 258, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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



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
<p>Impairment assessment of goodwill and intangible assets arising on acquisition of subsidiaries and medical practices</p> <p>We identified the impairment assessment of goodwill and intangible assets arising on acquisition of subsidiaries and medical practices as a key audit matter as significant judgement was required to be exercised by the Group's management on the estimation of the recoverable amounts of the cash generating units ("CGUs"), or groups of CGUs to which goodwill and intangible assets have been allocated for impairment assessment purposes.</p> <p>As disclosed in notes 4, 20 and 21 to the consolidated financial statements, the Group's goodwill and intangible assets as at 31 December 2023 were HK\$671,686,000 and HK\$402,944,000, respectively.</p> <p>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 the 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 were based on discounted cash flows taking into account key assumptions including discount rate, future growth rate and expected sales revenue and gross margins during the projection period. The recoverable amounts of the CGUs of Division B, C and D were assessed with the assistance of certain independent professional qualified valuers (the "Valuer(s)").</p> <p>Based on management's assessment, impairment losses on goodwill of HK\$102,877,000 have been recognised in profit or loss during the year ended 31 December 2023.</p>	<p>Our procedures in relation to the impairment assessment of goodwill and intangible assets arising on acquisition of subsidiaries and medical practices included:</p> <ul style="list-style-type: none"> 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; Assessed the qualification and experiences of the Valuer; Evaluated the appropriateness of the valuation model adopted by the management and/or the Valuer; 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 the arithmetical accuracy of the calculations; Tested the key inputs used in the discounted cash flows against the relevant supporting evidences and approved budgets; and Evaluated the sufficiency of the relevant disclosure of impairment assessment in the consolidated financial statements.



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of

Town Health International Medical Group Limited

(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
<p>Valuation of investment properties</p> <p>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.</p> <p>Management has estimated that the fair value of the Group's investment properties was HK\$594,155,000 as at 31 December 2023, with a fair value loss for the year ended 31 December 2023 recorded in consolidated profit or loss of HK\$98,626,000.</p> <p>In determining the fair value of investment properties, the key inputs included price per square feet with certain unobservable inputs that require significant management judgement by management and a Valuer, including the adjustment of the building age, location and people flows to reflect different locations or conditions.</p>	<p>Our procedures in relation to the valuation of investment properties included:</p> <ul style="list-style-type: none"> • 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
<p>Impairment assessment of interests in associates</p> <p>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.</p> <p>As disclosed in notes 4 and 22 to the consolidated financial statements, the carrying amount of the interests in associates was HK\$260,708,000 as at 31 December 2023.</p> <p>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.</p> <p>Based on management's assessment, impairment losses on interests in associates of HK\$29,702,000 have been recognised in profit or loss during the year ended 31 December 2023.</p>	<p>Our procedures in relation to the impairment assessment of interests in associates include:</p> <ul style="list-style-type: none"> 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
<p>Impairment assessment of the property, plant and equipment ("PPE") and the right-of-use assets ("ROU assets")</p> <p>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.</p> <p>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\$326,964,000 and HK\$134,835,000 as at 31 December 2023, net of accumulated depreciation and impairment loss of HK\$392,776,000 and HK\$389,495,000 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.</p> <p>Based on management's assessment, impairment losses on the PPE of HK\$18,540,000 and reversal of impairment loss on the ROU assets of HK\$1,402,000 have been recognised in profit or loss during the year ended 31 December 2023.</p>	<p>Our procedures in relation to the impairment assessment of the PPE and the ROU assets included:</p> <ul style="list-style-type: none"> • 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 HKSA's 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 HKSA's, 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 CPA Limited

Certified Public Accountants

Cheung Sai Kit

Practising Certificate Number: P05544

Hong Kong, 25 March 2024

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the year ended 31 December 2023



	Notes	2023 HK\$'000	2022 HK\$'000
Revenue	5	1,833,038	1,535,580
Cost of sales		(1,331,090)	(1,121,134)
Gross profit		501,948	414,446
Other income	7	47,599	49,359
Administrative expenses		(396,200)	(397,959)
Other gains and losses, net	8	(245,475)	44,167
Finance costs	9	(23,416)	(12,684)
Share of results of associates		4,829	(5,601)
Share of results of joint ventures		(10,148)	(9,225)
(Loss) profit before tax		(120,863)	82,503
Income tax expenses	12	(38,226)	(32,981)
(Loss) profit for the year	13	(159,089)	49,522
Other comprehensive (expense) income for the year			
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value changes in equity instruments at fair value through other comprehensive income		(20,314)	(8,102)
Fair value changes in revaluation of properties upon transfer from "property, plant and equipment" to "investment properties"		12,203	–
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on the translation of foreign operations		(39,408)	(99,131)
Share of other comprehensive expense of associates and joint ventures		(160)	(8,439)
		(47,679)	(115,672)
Total comprehensive expense for the year		(206,768)	(66,150)
(Loss) profit for the year attributable to:			
Owners of the Company		(194,210)	15,289
Non-controlling interests		35,121	34,233
		(159,089)	49,522
Total comprehensive (expense) income attributable to:			
Owners of the Company		(231,360)	(73,690)
Non-controlling interests		24,592	7,540
		(206,768)	(66,150)
(Loss) earnings per share (HK cent(s))			
Basic and diluted	15	(2.87)	0.21



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
NON-CURRENT ASSETS			
Investment properties	16	594,155	528,580
Property, plant and equipment	17	326,964	542,857
Right-of-use assets	18	134,835	133,103
Loans receivable	19	39,156	49,904
Goodwill	20	671,686	781,704
Intangible assets	21	402,944	417,948
Interests in associates	22	260,708	292,190
Interests in joint ventures	23	–	22,211
Equity instruments at fair value through other comprehensive income	25	48,626	27,785
Deferred tax assets	37	2,586	2,117
Fixed bank deposits	31	77,018	23,436
		2,558,678	2,821,835
CURRENT ASSETS			
Inventories	27	52,499	57,298
Trade and other receivables	28	511,071	509,634
Financial assets at fair value through profit or loss	24	6,772	–
Loans receivable	19	15,200	9,069
Promissory notes	26	–	–
Amounts due from associates	29	1,070	1,184
Tax recoverable		868	3,504
Pledged bank deposits	31	163,570	148,286
Fixed bank deposits	31	158,759	226,931
Bank balances and cash	31	1,032,079	971,939
		1,941,888	1,927,845
CURRENT LIABILITIES			
Trade and other payables	32	299,517	291,511
Contract liabilities	33	16,833	17,256
Amount due to an investee	34	–	292
Amounts due to non-controlling interests	30	44,158	49,882
Bank borrowings	35	22,002	46,719
Lease liabilities	36	68,750	63,728
Convertible bonds	38	116,760	–
Tax payable		29,352	24,931
		597,372	494,319
NET CURRENT ASSETS		1,344,516	1,433,526
TOTAL ASSETS LESS CURRENT LIABILITIES		3,903,194	4,255,361

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

At 31 December 2023



		2023	2022
	Notes	HK\$'000	HK\$'000
NON-CURRENT LIABILITIES			
Bank borrowing	35	65,561	67,177
Lease liabilities	36	76,873	83,521
Deferred tax liabilities	37	35,018	37,195
Convertible bonds	38	106,996	213,878
		284,448	401,771
		3,618,746	3,853,590
CAPITAL AND RESERVES			
Share capital	39	67,735	68,364
Reserves		3,174,394	3,423,052
Equity attributable to owners of the Company		3,242,129	3,491,416
Non-controlling interests		376,617	362,174
Total equity		3,618,746	3,853,590

The consolidated financial statements on pages 127 to 258 were approved and authorised for issue by the board of directors of the Company on 25 March 2024 and are signed on its behalf by:

Mr. Choi Ka Tsan Karson
DIRECTOR

Ms. Zhang Xiaoxue
DIRECTOR



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to owners of the Company														Non-controlling interests	Total
	Share capital - Shares	Share premium	Capital redemption reserve	Capital reserve	Distributable reserve	Other reserves	Property revaluation reserve	Investment revaluation reserves	Treasury shares	Convertible bonds reserve	Translation reserve	Accumulated profits	Total			
	HK\$'000	HK\$'000	HK\$'000 (note i)	HK\$'000 (note ii)	HK\$'000 (note iii)	HK\$'000 (note iv)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2022	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 of foreign operations	-	-	-	-	-	-	-	-	-	-	(72,438)	-	(72,438)	(26,693)	(99,131)	
Share of other comprehensive expense of an associate and a joint venture	-	-	-	-	-	-	-	-	-	-	(8,439)	-	(8,439)	-	(8,439)	
Fair value changes in equity instruments at fair value through other comprehensive income ("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 interests	-	-	-	-	-	-	-	-	-	-	-	-	-	1,050	1,050	
Cancellation of ordinary shares ("Shares") (note 39)	(6,897)	(297,570)	-	-	-	-	-	-	-	-	-	-	-	-	-	
Repurchase of Shares (note 39)	-	-	-	-	-	-	-	-	304,467	-	-	-	-	-	-	
Issue of convertible bonds (note 38)	-	-	-	-	-	-	-	-	(315,286)	-	-	-	(315,286)	-	(315,286)	
Redemption of convertible bonds (note 38)	-	-	-	-	-	-	-	-	-	37,181	-	-	37,181	-	37,181	
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	(4,066)	-	4,066	-	-	-	
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	
Loss for the year	-	-	-	-	-	-	-	-	-	-	-	(194,210)	(194,210)	35,121	(159,089)	
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	-	-	-	-	(28,879)	-	(28,879)	(10,529)	(39,408)	
Share of other comprehensive expense of associates and joint ventures	-	-	-	-	-	-	-	-	-	-	(160)	-	(160)	-	(160)	
Fair value changes in revaluation of properties upon transfer from "property, plant and equipment" to "investment properties"	-	-	-	-	-	-	12,203	-	-	-	-	-	12,203	-	12,203	
Fair value changes in equity instruments at FVTOCI	-	-	-	-	-	-	-	(20,314)	-	-	-	-	(20,314)	-	(20,314)	
Other comprehensive income (expense) for the year	-	-	-	-	-	-	12,203	(20,314)	-	-	(29,039)	-	(37,150)	(10,529)	(47,679)	
Total comprehensive income (expense) for the year	-	-	-	-	-	-	12,203	(20,314)	-	-	(29,039)	(194,210)	(231,360)	24,592	(206,768)	
Transfer of reserve	-	-	-	-	-	6,890	-	-	-	-	-	(6,890)	-	-	-	
Partial disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	432	432	
Capital contribution from non-controlling interests	-	-	-	-	-	228	-	-	-	-	-	-	228	219	447	
Cancellation of Shares (note 39)	(629)	(20,217)	-	-	-	-	-	-	20,846	-	-	-	-	-	-	
Repurchase of Shares (note 39)	-	-	-	-	-	-	-	-	(10,027)	-	-	-	(10,027)	-	(10,027)	
Dividends declared	-	-	-	-	-	-	-	-	-	-	-	(8,128)	(8,128)	-	(8,128)	
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(10,800)	(10,800)	
At 31 December 2023	67,735	3,023,852	9,020	10,033	62,677	(57,346)	107,434	(114,425)	-	33,115	(74,861)	174,895	3,242,129	376,617	3,618,746	



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023



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 2023, approximately HK\$6,890,000 (2022: HK\$11,323,000) was transferred and the carrying amount of the PRC statutory reserves as at 31 December 2023 is approximately HK\$40,965,000 (2022: HK\$34,075,000).
 - (b) other reserves of the Group include the change in net assets attributable to the Group in relation to changes in ownership interest in subsidiaries without loss of control in prior years.



CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
OPERATING ACTIVITIES			
(Loss) profit for the year		(159,089)	49,522
Adjustments for:			
Income tax	12	38,226	32,981
Interest income	7	(31,700)	(29,493)
Finance costs	9	23,416	12,684
Amortisation of intangible assets	21	11,264	10,808
Depreciation of right-of-use assets	18	75,571	64,788
Depreciation of property, plant and equipment	17	58,794	51,964
Dividend income from equity instruments at FVTOCI	7	(1,545)	(1,327)
Impairment loss recognised on interest in a joint venture	8	3,693	97
Fair value changes on investment properties	8	98,626	6,893
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)
Rent concessions	7	–	(1,888)
Expected credit loss recognised on other receivables	8	–	1,177
Impairment loss recognised on goodwill	8	102,877	487
Written off of goodwill	8	–	1,315
Impairment loss (reversal of impairment loss) recognised on property, plant and equipment	8	18,540	(2,811)
(Reversal of impairment loss) impairment loss recognised on right-of-use assets	8	(1,402)	1,868
Expected credit loss recognised on loan receivable	8	3,300	–
Impairment loss recognised on interests in associates	8	29,702	–
(Gain) loss on disposal/written off of property, plant and equipment	8	(2,533)	279
Share of results of associates		(4,829)	5,601
Share of results of joint ventures		10,148	9,225
Fair value changes on financial assets at fair value through profit or loss ("FVTPL")	8	(6,772)	936
Operating cash inflow before movements in working capital		266,287	160,635
Decrease (increase) in inventories		4,302	(8,836)
Increase in trade and other receivables		(1,411)	(59,013)
Increase (decrease) in trade and other payables		12,011	(9,367)
(Decrease) increase in contract liabilities		(56)	11,952



CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Cash generated from operations		281,133	95,371
Income tax paid		(33,607)	(52,351)
NET CASH GENERATED FROM OPERATING ACTIVITIES		247,526	43,020
INVESTING ACTIVITIES			
Repayment (advances) of loans receivable		1,225	(44,045)
Interest received		31,700	29,493
Investment in a joint venture		–	(16,723)
Dividend received from associates		20,171	28,880
Dividend received from equity instruments at FVTOCI		1,545	1,327
Repayment from associates		114	–
Proceeds from disposal of property, plant and equipment		4,051	1,642
Purchase of equity instruments at FVTOCI		(41,156)	–
Purchase of additional interests in an associate		(20,000)	–
Distribution from a joint venture		6,860	–
Acquisition of subsidiaries	41	–	(96,214)
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	(17,740)	(37,196)
Repayment to a related company		–	(45,000)
Advance to an investee		–	(4)
Decrease in fixed bank deposits		11,583	827,597
Increase in pledged bank deposit		(19,298)	(152,434)
NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES		(20,945)	587,773



CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
FINANCING ACTIVITIES			
(Repayment to) advance from non-controlling interests		(5,724)	1,942
Acquisition of additional interests in subsidiaries		–	(1,015)
Capital contribution from non-controlling interests		447	1,050
Interest paid on bank borrowings		(6,655)	(2,225)
Repayment of lease liabilities		(77,398)	(68,110)
Interest paid on lease liabilities		(6,883)	(3,757)
Dividends paid to non-controlling interests		(10,800)	(12,926)
Repayment of bank borrowings		(26,333)	(2,229)
Redemption of convertible bonds		–	(115,895)
Payment for repurchase of shares	39	(10,027)	(315,286)
Partial disposal of a subsidiary		432	–
Dividend paid	14	(8,128)	(11,289)
NET CASH USED IN FINANCING ACTIVITIES		(151,069)	(529,740)
NET INCREASE IN CASH AND CASH EQUIVALENTS		75,512	101,053
CASH AND CASH EQUIVALENTS AT 1 JANUARY		971,939	910,458
EFFECT OF FOREIGN EXCHANGE RATES CHANGES		(15,372)	(39,572)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER			
representing bank balances and cash	31	1,032,079	971,939



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023



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 Clarendon House, 2 Church Street, Hamilton HM 11, 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.

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

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and 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 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
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
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies set out in Note 3 to the consolidated financial statements. In accordance with the guidance set out in the amendments, accounting policy information that is standardised information, or information that only duplicates or summarises the requirements of the HKFRSs, is considered immaterial accounting policy information and is no longer disclosed in the notes to the consolidated financial statements so as not to obscure the material accounting policy information disclosed in the notes to the consolidated financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023



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

Amendments to HKFRSs in issue but not yet effective

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

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 ¹
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	Non-current Liabilities with Covenants ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹
Amendments to HKAS 21	Lack of Exchangeability ²

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

² Effective for annual periods beginning on or after 1 January 2025.

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

The above amendments to existing standards are not expected to have a material impact on the consolidated financial statements of the Group. The Group will adopt the amendments to existing standards when they become effective.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

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 the material accounting policy information set out below.

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

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

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023



3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

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

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 material accounting policy information is set out below.

Material accounting policy information

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Material accounting policy information *(Continued)*

Basis of consolidation *(Continued)*

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.

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023



3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Material accounting policy information *(Continued)*

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.

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Material accounting policy information *(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).

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.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting.

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.

Acquisition of additional interests in associates or joint ventures

When the Group increases its ownership interest in an associate or a joint venture but the Group continues to use the equity method, goodwill is recognised at acquisition date if there is excess of the consideration paid over the share of carrying amount of net assets attributable to the additional interests in associates or joint ventures acquired. Any excess of share of carrying amount of net assets attributable to the additional interests in associates or joint ventures acquired over the consideration paid are recognised in the profit or loss in the period in which the additional interest are acquired.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Material accounting policy information *(Continued)*

Revenue from contracts with customers

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

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

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

Output method

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Material accounting policy information *(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

The Group as a lessee

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.

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023



3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Material accounting policy information *(Continued)*

Leases *(Continued)*

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.

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Material accounting policy information *(Continued)*

Leases *(Continued)*

The Group as a lessor

Classification and measurement of leases

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

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.

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.

If an owner-occupied property becomes an investment property that will be carried at fair value 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 (including the relevant leasehold land classified as right-of-use assets) at the date of transfer in the same way as a revaluation.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023



3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Material accounting policy information *(Continued)*

Property, plant and equipment *(Continued)*

Any revaluation increase arising from revaluation of property, plant and equipment is recognised in other comprehensive income and accumulated in revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognise in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of property, plant and equipment is recognised in profit or loss to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

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.

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

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

If a property becomes an owner-occupied property because its use has been changed as evidenced by commencement of owner-occupation, the fair value of the property at the date of change in use is considered as the deemed cost for subsequent accounting.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Material accounting policy information *(Continued)*

Investment properties *(Continued)*

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 on tangible and intangible assets other than goodwill 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023



3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Material accounting policy information *(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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Material accounting policy information *(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.

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.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023



3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Material accounting policy information *(Continued)*

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, joint ventures, and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Material accounting policy information *(Continued)*

Taxation *(Continued)*

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority.

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 2023



3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Material accounting policy information *(Continued)*

Financial instruments

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

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.

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

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

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 be transferred to accumulated profits.

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

(iii) Financial assets at FVTPL

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023



3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

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, 12-month ECL ("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.

(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;



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets (Continued)

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

- 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.

(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;



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023



3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets (Continued)

(iii) Credit-impaired financial assets *(Continued)*

- 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.

(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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL *(Continued)*

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.

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 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023



3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments (Continued)

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.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

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

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 bonds, 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 bonds using the effective interest method.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments (Continued)

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.

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 apply:
- (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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023



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, Vio with carrying amount of HK\$167,087,000 as at 31 December 2023 (2022: HK\$167,087,000) and the trade name under Central Medical Holdings Limited ("CMHL") and its subsidiaries (collectively the "CMHL Group"), with carrying amount of HK\$93,100,000 as at 31 December 2023 (2022: HK\$93,100,000) 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

Critical judgments in applying accounting policies *(Continued)*

Determination of 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 2023 and 2022 that contain renewal options, and thus, no assessment on renewal option was performed during both years. For the contracts previously signed with renewal options, there is no change in the decision made when the right-of-use assets and lease liabilities were recognised.

Principal versus agent consideration (agent)

The Group is considered as an agent for its contracts with customers relating to the sales of medical equipment as the Group did not obtain the control over medical equipment before passing on to customers taking into consideration indicators such as the Group is not primarily responsible for fulfilling the promise and not exposed to inventory risk. When the Group satisfies the performance obligation, the Group recognised a commission revenue in the amount which amounted to an average rate of 21.57% (2022: 21.22%) of the gross amount of consideration.

During the year ended 31 December 2023, the Group recognised the commission as revenue relating to sales of medical equipment with the Group being an agent which amounted to HK\$4,953,000 (2022: HK\$3,441,000).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

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 2023, the carrying amount of goodwill and intangible assets were HK\$671,686,000 and HK\$402,944,000 (net of accumulated impairment loss of goodwill and intangible assets of HK\$330,012,000 and HK\$nil respectively) (2022: 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 HK\$nil respectively)). During the year ended 31 December 2023, impairment loss on goodwill of HK\$102,877,000 (2022: HK\$487,000) and write off of goodwill of HK\$nil (2022:HK\$1,315,000) were recognised in profit or loss. Details of goodwill impairment assessment are disclosed in note 20 to the consolidated financial statements.

Valuation of investment properties

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

In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the assumptions used in the valuation is reflective of the current market conditions and current development of the investment properties. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss. As at 31 December 2023, the carrying amount of investment properties was HK\$594,155,000 (2022: HK\$528,580,000).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

Key sources of estimation uncertainty *(Continued)*

Fair value measurement of financial instruments

As disclosed in notes 25 and 46 to the consolidated financial statements, the Group's financial assets comprise unquoted equity instruments of HK\$48,626,000 as at 31 December 2023 (2022: HK\$27,785,000) 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 2023, the carrying amount of interests in associates amounted to HK\$260,708,000 (2022: HK\$292,190,000) net of accumulated impairment loss amounting to HK\$56,702,000 (2022: HK\$27,000,000). As at 31 December 2023, the carrying amount of interests in joint ventures amounted to HK\$nil (2022: HK\$22,211,000), net of accumulated impairment loss amounting to HK\$3,790,000 (2022: HK\$97,000). During the year ended 31 December 2023, impairment loss on interest in associates of HK\$29,702,000 (2022: HK\$nil) and impairment loss on interest in joint ventures of HK\$3,693,000 (2022: HK\$97,000) were recognised in profit or loss respectively.

Allowance of expected credit loss on trade and bills receivable

The Group uses practical expedient in estimating ECL on trade and bills receivables which are not assessed individually using a provision matrix. The provision rates are based on aging of debtors as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

As at 31 December 2023, the carrying amount of trade and bills receivable amounted to HK\$429,085,000 (2022: HK\$436,129,000). No expected credit loss was recognised for the years ended 31 December 2023 and 2022.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 2023, the carrying amount of loans receivable amounted to HK\$54,356,000 (2022: HK\$58,973,000). During the year ended 31 December 2023, expected credit loss on loans receivable of HK\$3,300,000 (2022: HK\$nil) was recognised in profit or loss.

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 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 since then, the promissory note was therefore fully impaired. During the year ended 31 December 2023 and 2022, no interest income was recognised.

As at 31 December 2023 and 2022, the carrying amount of such promissory note issued by Profit Castle was HK\$nil, net of accumulated allowance expected credit loss of HK\$330,000,000.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 2023, the carrying amounts of the property, plant and equipment and the right-of-use assets were HK\$326,964,000 and HK\$134,835,000, net of accumulated depreciation and impairment loss of HK\$392,776,000 and HK\$389,495,000 respectively (2022: 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).

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 2023, reversal of impairment losses of approximately HK\$1,402,000 and impairment loss of approximately HK\$18,540,000 (2022: impairment loss of approximately HK\$1,868,000 and reversal of impairment loss of approximately HK\$2,811,000) 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 2023

**5. REVENUE**

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

	2023	2022
	HK\$'000	HK\$'000

Revenue recognised under HKFRS 15

Hong Kong medical services		
– Medical services	711,629	552,091
– Dental services	59,367	65,025
	770,996	617,116
Hong Kong managed medical network business	498,189	429,458
Mainland hospital management and medical services	552,795	476,710
	1,821,980	1,523,284

Revenue recognised under other accounting standard

Others		
– Rental income	11,058	12,296
Total	1,833,038	1,535,580

	2023	2022
	HK\$'000	HK\$'000

Revenue recognised under HKFRS 15**Timing of revenue recognition**

At point in time	1,742,884	1,422,405
Over time	79,096	100,879
	1,821,980	1,523,284



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

5. REVENUE *(Continued)*

Revenue from Hong Kong medical services (including provision of medical and dental services), Hong Kong managed medical network business and majority of 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 2023 and 2022 are as follows (see note below):

	2023 HK\$'000	2022 HK\$'000
Gross basis	1,817,027	1,519,843
Net basis	4,953	3,441
Total revenue	1,821,980	1,523,284

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 2023

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 hospital management services and related services, provision of medical and dental services in the Mainland China
- Others – Leasing of properties and provision of other healthcare related services

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 2023

6. SEGMENT INFORMATION (Continued)

Segment revenues and results

For the year ended 31 December 2023

	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	770,996	498,189	552,795	11,058	-	1,833,038
Inter-segment sales	42,633	-	-	-	(42,633)	-
	813,629	498,189	552,795	11,058	(42,633)	1,833,038
Segment results before expected credit loss and impairment losses	68,994	43,097	46,967	(80,457)	-	78,601
Expected credit loss recognised on loan receivable	-	-	(3,300)	-	-	(3,300)
Impairment loss recognised on goodwill	(102,877)	-	-	-	-	(102,877)
Impairment loss recognised on interests in associates	(4,059)	-	-	(25,643)	-	(29,702)
Impairment loss recognised on property, plant and equipment	-	-	(5,666)	(12,874)	-	(18,540)
Impairment loss recognised on interest in a joint venture	-	-	(3,693)	-	-	(3,693)
Reversal of impairment loss recognised on right-of-use assets	1,402	-	-	-	-	1,402
Segment results	(36,540)	43,097	34,308	(118,974)	-	(78,109)
Unallocated finance costs						(9,878)
Unallocated other income						14,039
Unallocated corporate expenses						(46,915)
Loss before tax						(120,863)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2023

**6. SEGMENT INFORMATION** *(Continued)***Segment revenues and results** *(Continued)*

For the year ended 31 December 2022

	Hong Kong managed medical network 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 expected credit loss and impairment losses	8,153	31,115	43,519	57,538	-	140,325
Expected credit loss recognised on other receivables	-	-	(979)	(198)	-	(1,177)
Impairment loss recognised on goodwill	(487)	-	-	-	-	(487)
Impairment loss recognised on right-of-use assets	(1,868)	-	-	-	-	(1,868)
Impairment loss recognised on interest in a joint venture	-	-	-	(97)	-	(97)
Reversal of impairment loss recognised on property, plant and equipment	-	-	-	2,811	-	2,811
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 2023

6. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

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 and other income. This is the measure reported to the CEO for the purposes of resources allocation and performance assessment.

Other segment information

For the year ended 31 December 2023

	Hong Kong managed medical services HK\$'000	Hong Kong 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 (loss) profit:							
Interest income	-	-	-	(31,700)	(31,700)	-	(31,700)
Dividend income	(1,495)	(50)	-	-	(1,545)	-	(1,545)
Fair value changes on investment properties	-	-	-	98,626	98,626	-	98,626
Share of results of associates	(10,636)	-	-	5,807	(4,829)	-	(4,829)
Share of results of joint ventures	-	-	2,771	7,377	10,148	-	10,148
Depreciation of property, plant and equipment	21,324	2,418	19,126	15,896	58,764	30	58,794
Depreciation of right-of-use assets	62,133	9,967	3,471	-	75,571	-	75,571
Amortisation of intangible assets	920	7,251	3,093	-	11,264	-	11,264
(Gain) loss on disposal/written off of property, plant and equipment	(2,300)	7	(222)	(18)	(2,533)	-	(2,533)
Finance costs	5,940	674	478	6,446	13,538	9,878	23,416
Amounts included in the information regularly provided to the CEO:							
Additions to property, plant and equipment	4,531	1,421	11,120	668	17,740	-	17,740

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2023

**6. SEGMENT INFORMATION** *(Continued)***Other segment information** *(Continued)*

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 2023

6. SEGMENT INFORMATION (Continued)

Geographical information

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

	2023 HK\$'000	2022 HK\$'000
Other regions of the PRC	552,795	476,710
Hong Kong	1,280,243	1,058,870
	1,833,038	1,535,580

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

	Carrying amount of non-current assets	
	2023 HK\$'000	2022 HK\$'000
Other regions of the PRC	484,817	516,466
Hong Kong	1,906,475	2,202,127
Non-current assets (note)	2,391,292	2,718,593

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 customer which contributed more than 10% of the total revenue for the year ended 31 December 2023 and 2022 is listed as below:

	2023	2022
Customer A	22%	22%



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023



7. OTHER INCOME

	2023	2022
	HK\$'000	HK\$'000
Interest income:		
– Bank balances and fixed bank deposits	29,450	28,144
– Loans receivable	2,250	1,349
	31,700	29,493
Dividend income from equity instruments at FVTOCI:		
– Relating to investments held at the end of the reporting period	1,545	1,327
Rental income	5,590	3,202
Employee Support Scheme income (note)	–	9,412
Rental concessions	–	1,888
Sundry income	8,764	4,037
	47,599	49,359

Note:

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

8. OTHER GAINS AND LOSSES, NET

	2023 HK\$'000	2022 HK\$'000
Expected credit loss recognised on loan receivable (note 19)	(3,300)	–
Expected credit loss recognised on other receivables	–	(1,177)
Fair value changes on investment properties	(98,626)	(6,893)
Fair value changes on financial assets at FVTPL	6,772	(936)
Gain on disposal of a subsidiary (Note)	–	31,908
Gain on derecognition of a promissory note	–	22,500
Gain (loss) on disposal/written off of property, plant and equipment	2,533	(279)
Impairment loss recognised on goodwill (note 20)	(102,877)	(487)
Impairment loss recognised on interests in associates	(29,702)	–
(Impairment loss) reversal of impairment loss recognised on property, plant and equipment (note 17)	(18,540)	2,811
Impairment loss recognised on interest in a joint venture (note 23)	(3,693)	(97)
Reversal of impairment loss (impairment loss) recognised on right-of-use assets (note 18)	1,402	(1,868)
Written off of goodwill (note 20)	–	(1,315)
Others	556	–
	(245,475)	44,167

Note:

The disposed subsidiary is an investment property holding company, included in the gain on disposal of a subsidiary, the fair value of the property held by it increased by HK\$31,908,000 during the year ended 31 December 2022. Details please refer to note 42 to the consolidated financial statements.

9. FINANCE COSTS

	2023 HK\$'000	2022 HK\$'000
Interest on bank borrowings	6,655	2,250
Interest on lease liabilities	6,883	3,757
Interest on convertible bonds (note 38)	9,878	6,677
	23,416	12,684

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2023

**10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS**

During both years ended 31 December 2023 and 2022, 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 2023

	Fees HK\$'000	Salaries & other benefits HK\$'000	Performance bonus HK\$'000	Retirement benefits scheme contributions HK\$'000	Total emoluments HK\$'000
Executive directors					
Mr. Choi Ka Tsan Karson (Chief Executive Officer) (Appointed on 15 December 2023)	110	-	-	-	110
Mr. Fok Siu Wing, Dominic (Appointed on 15 December 2023)	11	-	-	-	11
Mr. Chan Chun Hong (note)	104	398	-	-	502
Dr. Law Kwan Kin (Resigned on 2 March 2023)	41	-	-	-	41
Mr. Jin Zhaogen (Resigned on 20 June 2023)	113	1,015	-	94	1,222
Ms. Zhao Xiangke (Resigned on 20 June 2023)	113	868	140	94	1,215
Dr. Tsang Wah Tak, Kenneth (Resigned on 20 June 2023)	113	-	-	-	113
Mr. Shiu Shu Ming (Resigned 20 June 2023)	113	-	-	-	113
Mr. Liu Gefeng (Resigned on 20 June 2023)	113	1,663	-	94	1,870
Dr. Wong Chi Kit Nelson (Resigned on 1 January 2024)	240	5,035	-	-	5,275
Dr. Wong Chun Wa (Resigned on 1 January 2024)	240	-	-	-	240
Mr. Ng Ting Chi (Resigned on 1 January 2024)	240	907	72	18	1,237
Ms. Yao Yuan (Resigned on 1 January 2024)	240	1,140	70	18	1,468
Ms. Lau Wai Yee, Susanna (Resigned on 1 January 2024)	240	1,008	80	18	1,346
	2,031	12,034	362	336	14,763



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

For the year ended 31 December 2023 (Continued)

	Fees HK\$'000	Salaries & other benefits HK\$'000	Performance bonus HK\$'000	Retirement benefits scheme contributions HK\$'000	Total emoluments HK\$'000
Non-executive directors					
Ms. Lee Wai Ling Linda (Appointed on 15 December 2023)	9	-	-	-	9
Ms. Lau Suk Hing Clara (Appointed on 15 December 2023)	9	-	-	-	9
Mr. Kong Dechang (Resigned on 20 June 2023)	-	-	-	-	-
Mr. Chan Chun Hong (note)	-	-	-	-	-
Mr. Hou Jun (Resigned on 11 January 2024)	-	-	-	-	-
	18	-	-	-	18
Independent non-executive directors					
Mr. Yu Xuezhong	192	-	-	-	192
Dr. Xu Weiguo	192	-	-	-	192
Mr. Han Weixin	192	-	-	-	192
Mr. Chan Wai Kan (Appointed on 15 December 2023)	9	-	-	-	9
Mr. Cheung Ka Ming (Appointed on 15 December 2023)	9	-	-	-	9
Mr. Tsui Wing Cheong Sammy (Appointed on 15 December 2023)	9	-	-	-	9
Mr. Hung Hing Man (Appointed on 10 February 2023 and resigned on 15 December 2023)	163	-	-	-	163
Mr. Tang Chi Kong (Appointed on 10 February 2023 and resigned on 1 January 2024)	170	-	-	-	170
Mr. Ho Kwok Wah, George, MH (Resigned on 1 January 2024)	192	-	-	-	192
Mr. Chui Tsan Kit (Resigned on 1 January 2024)	192	-	-	-	192
	1,320	-	-	-	1,320
Total	3,369	12,034	362	336	16,101

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2023

**10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS** (Continued)

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 (<i>Chief Executive Officer</i>)	–	4,794	–	162	4,956
Ms. Zhao Xiangke	–	1,914	363	162	2,439
Dr. Wong Chi Kit Nelson (<i>Appointed on 28 June 2022</i>)	122	2,559	–	–	2,681
Dr. Law Kwan Kin (<i>Appointed on 28 June 2022 and resigned on 2 March 2023</i>)	122	–	–	–	122
Dr. Wong Chun Wa (<i>Appointed on 28 June 2022</i>)	122	–	–	–	122
Mr. Ng Ting Chi (<i>Appointed on 28 June 2022</i>)	122	402	–	9	533
Ms. Yao Yuan (<i>Appointed on 28 June 2022</i>)	122	413	–	9	544
Ms. Lau Wai Yee, Susanna (<i>Appointed on 28 June 2022</i>)	122	465	–	9	596
Dr. Tsang Wah Tak, Kenneth (<i>Appointed on 11 November 2022</i>)	33	–	–	–	33
Mr. Shiu Shu Ming (<i>Appointed on 11 November 2022</i>)	33	–	–	–	33
Mr. Liu Gefeng (<i>Appointed on 22 December 2022</i>)	–	–	–	–	–
	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, <i>MH</i>	192	–	–	–	192
Dr. Xu Weiguo	192	–	–	–	192
Mr. Yu Xuezhong	192	–	–	–	192
Mr. Chui Tsan Kit (<i>Appointed on 28 June 2022</i>)	97	–	–	–	97
Mr. Han Weixin (<i>Appointed on 15 August 2022</i>)	73	–	–	–	73
	746	–	–	–	746
Total	1,544	10,547	363	351	12,805



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

Note: On 2 March 2023, Mr. Chan Chun Hong was appointed as an executive Director. With effect from 20 June 2023, he was appointed as a member of each of the Nomination Committee and the Remuneration Committee. On 20 June 2023, he was appointed as the Chairman. On 7 August 2023, he was removed as the Chairman. He was re-designated from an executive Director to a non-executive Director and ceased to be a member of each of the Nomination Committee and the Remuneration Committee. On 18 September 2023, he resigned as a Director.

The performance bonus is a performance-related incentive payment which was 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 2023 and 2022.

Salaries and other benefits paid to or received by the executive directors were generally emoluments paid or receivable in respect of those persons' salaries in connection with the management of the affairs of the Company and its subsidiaries.

The independent non-executive director's emoluments shown above were for their services as directors of the Company.

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2022: two) of them were executive directors of the Company whose emolument are included in note 10 above. The emoluments of the four (2022: three) individuals were as follows:

	2023 HK\$'000	2022 HK\$'000
Salaries and other allowances	6,443	8,610
Performance bonus (note)	6,742	1,576
Retirement benefits scheme contributions	72	36
	13,257	10,222

Their emoluments were within the following bands:

	2023 Number of Employees	2022 Number of Employees
HK\$2,000,001 – HK\$2,500,000	–	1
HK\$2,500,001 – HK\$3,000,000	2	1
HK\$3,000,001 – HK\$3,500,000	1	–
HK\$4,500,001 – HK\$5,000,000	1	–
HK\$5,000,001 – HK\$5,500,000	–	1
	4	3



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023



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 determined based on 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

	2023 HK\$'000	2022 HK\$'000
Tax charge comprises:		
Current tax		
– Hong Kong Profits Tax	19,734	11,874
– PRC Enterprise Income Tax	20,585	24,201
	40,319	36,075
Provision in prior years		
– Under (over) provision of Hong Kong Profits Tax	518	(1,098)
– Over provision of PRC Enterprise Income Tax	–	(109)
	40,837	34,868
Deferred tax		
– Current year (note 37)	(2,611)	(1,887)
	38,226	32,981

Hong Kong profits tax is calculated at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits for the year, except for the first HK\$2,000,000 of a qualified group entity's assessable profit which is calculated at the rate of 8.25%, in accordance with the new two-tiered tax rate regime with effect from the year of assessment 2018/2019. 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%.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

12. INCOME TAX EXPENSES *(Continued)*

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 in the Mainland China 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 (loss) profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2023 HK\$'000	2022 HK\$'000
(Loss) profit before tax	(120,863)	82,503
Tax at the domestic income tax rate of 16.5% (2022: 16.5%)	(19,942)	13,613
Tax effect of expenses and losses not deductible for tax purpose	47,418	14,803
Tax effect of income not taxable for tax purpose	(4,028)	(17,288)
Tax effect of tax losses and other temporary differences not recognised	13,216	15,916
Tax effect of share of results of associates	(797)	924
Tax effect of share of results of joint ventures	1,674	1,522
Tax effect of utilisation of tax losses and other deductible temporary differences previously not recognised	(5,922)	(2,438)
Under (over) provision in prior years	518	(1,207)
Tax concession	(1,006)	(205)
Effect of different tax rate of subsidiaries operating in other jurisdictions	7,095	7,341
Income tax expenses for the year	38,226	32,981



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023



13. (LOSS) PROFIT FOR THE YEAR

	2023 HK\$'000	2022 HK\$'000
(Loss) profit for the year has been arrived at after charging:		
Staff costs		
– Directors' emoluments (note 10)	16,101	12,805
– Other staff's salaries	598,437	602,351
– Other staff's bonus	111,294	90,900
– Other staff's retirement benefits scheme contributions	14,818	12,236
	740,650	718,292
Less: Staff costs recognised in administrative expenses	(147,064)	(150,757)
Staff costs recognised in cost of sales	593,586	567,535
Auditors' remuneration	4,000	4,000
Cost of inventories recognised in cost of sales:		
– Pharmaceutical supplies	362,552	294,872
– Other inventories	2,503	3,561
	365,055	298,433
Depreciation of property, plant and equipment recognised in administrative expenses	47,172	38,241
Depreciation of property, plant and equipment recognised in cost of sales	11,622	13,723
Total depreciation of property, plant and equipment (note 17)	58,794	51,964
(Gain)/loss on disposal/written off of property, plant and equipment	(2,533)	279
Depreciation of right-of-use assets recognised in administrative expenses (note 18)	75,571	64,788
Amortisation of intangible assets, recognised in administrative expenses		
– customer relationship	8,171	7,558
– management services right and consulting services contracts	3,093	3,250
Total amortisation of intangible assets (note 21)	11,264	10,808
and after crediting:		
Gross rental income from investment properties	11,058	12,290
Less: Direct operating expenses of properties that generated rental income	(1,130)	(1,073)
Net rental income from investment properties	9,928	11,217



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

14. DIVIDENDS

During the year ended 31 December 2023, a final dividend of Hong Kong 0.12 cent per Share for the year ended 31 December 2022 (2022: final dividend of Hong Kong 0.15 cent per Share for the year ended 31 December 2021) was declared to the owners of the Company. The aggregate amount of the final dividend declared during the year ended 31 December 2023 amounted to approximately HK\$8,128,000 (2022: HK\$11,289,000).

The Board recommended the payment of a final dividend of Hong Kong 0.12 cent per Share for the year ended 31 December 2023 (2022: Hong Kong 0.12 cent per Share).

15. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per Share attributable to the owners of the Company is based on the following data:

(Loss) earnings for the purposes of basic and diluted (loss) earnings per Share

	2023 HK\$'000	2022 HK\$'000
(Loss) profit for the year attributable to owners of the Company	(194,210)	15,289

Number of Shares

	2023	2022
Weighted average number of Shares for the purposes of basic and diluted (loss) earnings per Share	6,773,861,449	7,340,228,567

The computation of diluted (loss) earnings per Share for the years ended 31 December 2023 and 2022 do not assume the conversion of the Company's outstanding convertible bonds since their assumed conversion would have anti-dilutive effect.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023



16. INVESTMENT PROPERTIES

	HK\$'000
FAIR VALUE	
At 1 January 2022	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
Transfer from property, plant and equipment	164,201
Decrease in fair value recognised in profit or loss	(98,626)
At 31 December 2023	594,155

The investment properties were under medium and long-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 2023 and 31 December 2022 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 2023, the use of three premises situated in Hong Kong which were previously self-used premises had been changed to leased out for rental income. The investment properties with fair value of HK\$164,201,000 had been transferred from properties, plant and equipment.

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 and property categories. The fair value of the investment properties were 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 2023 and 2022. In estimating the fair value of the properties, the highest and best use of the properties is their current use.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

16. INVESTMENT PROPERTIES (Continued)

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2023 and 31 December 2022 are as follows:

	Fair value as at 31 December 2023 HK\$'000 (Level 3)	Fair value as at 31 December 2022 HK\$'000 (Level 3)
Property units located in Hong Kong	594,155	528,580

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.

The Group's investment property with a carrying amount of HK\$116,000,000 at 31 December 2023 (2022: HK\$nil) has been pledged to banks for mortgage loans granted to the Group (note 35).

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		Fair value hierarchy	Valuation technique(s) & key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2023 HK\$'000	2022 HK\$'000				
Property 1 – Commercial Property in Shatin	238,135	281,370	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\$6,113 to HK\$6,371 (2022: from HK\$7,225 to HK\$7,530) per square feet	A decrease in the price per square feet will decrease significantly the fair value.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

16. INVESTMENT PROPERTIES (Continued)

Investment properties held by the Group	Fair value at 31 December		Fair value hierarchy	Valuation technique(s) & key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2023 HK\$'000	2022 HK\$'000				
Property 2 – Commercial Property in Tsuen Wan	11,700	14,500	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\$69,432 (2022: HK\$86,411) per square feet	A decrease in the price per square feet will decrease significantly the fair value.
Property 3 – Commercial Property in Mongkok	8,400	12,000	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\$69,774 (2022: HK\$98,486) per square feet	A decrease in the price per square feet will decrease significantly the fair value.
Property 4 – Commercial Property in Yau Ma Tei	7,140	7,980	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\$14,617 (2022: HK\$16,314) per square feet	A decrease in the price per square feet will decrease significantly the fair value.
Property 5 – Commercial Property in Jordan	29,800	31,300	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 shape of the property, of HK\$32,058 (2022: HK\$33,609) per square feet	A decrease in the price per square feet will decrease significantly the fair value.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

16. INVESTMENT PROPERTIES (Continued)

Investment properties held by the Group	Fair value at 31 December		Fair value hierarchy	Valuation technique(s) & key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2023 HK\$'000	2022 HK\$'000				
Property 6 – Commercial Property in Tsim Sha Tsui	48,000	55,700	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\$13,807 (2022: HK\$16,007) 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	48,300	56,000	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\$13,877 (2022: HK\$16,087) per square feet	A decrease in the price per square feet will decrease significantly the fair value.
Property 8 – Commercial Property in Tsim Sha Tsui	48,500	56,300	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\$13,947 (2022: HK\$16,168) per square feet	A decrease in the price per square feet will decrease significantly the fair value.
Property 9 – Commercial Property in Shatin	780	830	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\$780,000 (2022: HK\$830,000) per unit	A decrease in the price per unit will decrease significantly the fair value.
Property 10 – Commercial Property in Shatin	9,500	9,200	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 the location and other individual factors such as age and location of the property, of HK\$4,803 (2022: HK\$4,632) per square feet	An increase in the price per square feet will increase significantly the fair value.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2023

**16. INVESTMENT PROPERTIES** (Continued)

Investment properties held by the Group	Fair value at 31 December		Fair value hierarchy	Valuation technique(s) & key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2023 HK\$'000	2022 HK\$'000				
Property 11 – Commercial Property in Shatin	3,100	3,400	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 age and location of the property, of HK\$4,410 (2022: HK\$4,962) per square feet	A decrease in the price per square feet will decrease significantly the fair value.
Property 12 – Residential unit in Shatin	5,100	–	Level 3	Direct comparison method The key input is price per square feet	Price per square feet, using market direct comparable and taking into account the location and other individual factors such as age and location of the property, of HK\$11,883 per square feet	N/A
Property 13 – Commercial Property in Yau Ma Tei	19,700	–	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 the location and other individual factors such as age and location of the property, of HK\$14,690 per square feet	N/A
Property 14 – Commercial Property in Central	116,000	–	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 the location and other individual factors such as age and location of the property, of HK\$22,000 per square feet	N/A
	594,155	528,580				



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For the year ended 31 December 2023

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 2022	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
Additions	-	4,064	556	360	12,760	17,740
Transfer to investment properties	(163,106)	-	-	-	-	(163,106)
Exchange realignment	(1,692)	(619)	(202)	(26)	(1,639)	(4,178)
Disposals/written off	-	(4,667)	(799)	(1,013)	(10,088)	(16,567)
At 31 December 2023	363,486	180,743	13,305	4,121	158,085	719,740
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2022	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
Charge for the year	18,907	12,668	1,235	531	25,453	58,794
Transfer to investment properties	(11,108)	-	-	-	-	(11,108)
Exchange realignment	(335)	(200)	(68)	(12)	(780)	(1,395)
Eliminated on disposals/written off	-	(4,595)	(361)	(850)	(9,243)	(15,049)
Impairment	12,873	1,747	-	-	3,920	18,540
At 31 December 2023	138,621	148,098	8,300	3,133	94,624	392,776
CARRYING VALUES						
At 31 December 2023	224,865	32,645	5,005	988	63,461	326,964
At 31 December 2022	410,000	43,487	6,256	1,336	81,778	542,857



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023



17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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.

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 was 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 assets 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 included an amount of HK\$949,000 in respect of the depreciation on the leasehold land component.

As a result of the changes in customer behavior, certain cash generating units (“CGUs”) were loss-making, that indicate that the relevant property, plant and equipment of the CGUs may be impaired. As at 31 December 2023 and 2022, the management performed impairment testing of property, plant and equipment and right-of-use assets of such CGUs which represent medical centres that have been suffering from losses.

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 which are all less than 5 years with a pre-tax discount of 13.22% per annum (2022: 14.64% per annum) as at 31 December 2023. 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 CGUs were lower than the corresponding carrying amounts. The impairment amount has been allocated to each category of the property, plant and equipment 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.

As at 31 December 2023, the recoverable amounts of 3 CGUs were estimated to be less than the carrying amounts. Accordingly, impairment losses of approximately HK\$18,540,000 had been recognised on property, plant and equipment for the year ended 31 December 2023.

As at 31 December 2023, the recoverable amount of a CGU was estimated to be greater than its carrying amount. Accordingly, reversal of impairment loss of approximately HK\$1,402,000 had been recognised on right-of-use assets for the year ended 31 December 2023.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

As at 31 December 2022, the recoverable amounts of 4 CGUs were estimated to be less than the carrying amounts. Accordingly, impairment loss of approximately HK\$1,868,000 had been recognised on right-of-use assets for the year ended 31 December 2022.

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. Accordingly, reversal of impairment loss of approximately HK\$2,811,000 had been recognised on property, plant and equipment for the year ended 31 December 2022.

The Group's leasehold land and building with a carrying amount of HK\$33,560,000 as at 31 December 2023 (2022: HK\$182,628,000) have been pledged to banks for mortgage loans granted to the Group (note 35).

18. RIGHT-OF-USE ASSETS

	2023 HK\$'000	2022 HK\$'000
Carrying amount	134,835	133,103
Depreciation charge	75,571	64,788
Total financing cash outflow for leases	84,281	71,867
Additions to right-of-use assets	77,872	111,759
(Reversal of impairment loss) Impairment loss recognised on right-of-use assets	(1,402)	1,868

For both years, the Group leases clinic premises for its operations. Lease contracts which effective interest rates ranged from 2% to 7.51% (2022: 2% to 7.08%) are entered into for fixed term of 1 year to 6 years (2022: 2 years 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).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023



18. RIGHT-OF-USE ASSETS *(Continued)*

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. 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 ended 31 December 2022, the effects on changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of HK\$1,888,000 were recognised as negative variable lease payments.

19. LOANS RECEIVABLE

	2023 HK\$'000	2022 HK\$'000
Fixed-rate loans receivable (unsecured)		
– due from an associate	45,000	45,000
– due from a joint venture	3,300	3,392
– others	1,656	1,681
	49,956	50,073
Less: Allowance for expected credit loss	(3,300)	–
	46,656	50,073
Variable-rate loan receivable (unsecured)	7,700	8,900
	54,356	58,973
Analysed for reporting purposes as:		
Non-current portion	39,156	49,904
Current portion	15,200	9,069
	54,356	58,973



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

19. LOANS RECEIVABLE *(Continued)*

Notes:

As at 31 December 2023, loans receivable of HK\$46,656,000 (2022: HK\$50,073,000) bearing fixed-rate of 5% (2022: 4.35% to 5%) per annum are due for repayment from 3 to 12 years (2022: 1 to 13 years). The loan to an associate amounted to HK\$45,000,000 (2022: HK\$45,000,000) bears fixed-rate interest of 5% per annum and due for repayment in 1 year to 4 years. Loan to a joint venture amounted to RMB3,000,000 (equivalent to HK\$3,300,000) bearing fixed rate interest of 4.35% per annum and due for repayment in 3 years (2022: 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).

As at 31 December 2023, loan receivable of HK\$7,700,000 (2022: HK\$8,900,000) are with a repayment on demand clause and interest bearing at Hong Kong Interbank Offered Rate ("HIBOR") +2.6% (2022: 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.

The management considered that the loan receivable due from a joint venture is credit-impaired and the loss allowance is measured at an amount equal to lifetime ECLs. During the year ended 31 December 2023, loss allowances of HK\$3,300,000 have been recognised in profit or loss to fully impair the loan.

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023



20. GOODWILL

	HK\$'000
COST	
At 1 January 2022	719,442
Additions (note 41)	313,297
Written off	(1,315)
Exchange realignment	(22,585)
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At 31 December 2022	1,008,839
Exchange realignment	(7,141)
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At 31 December 2023	1,001,698
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IMPAIRMENT	
At 1 January 2022	226,648
Impairment loss recognised during the year	487
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At 31 December 2022	227,135
Impairment loss recognised during the year	102,877
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At 31 December 2023	330,012
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CARRYING VALUES	
At 31 December 2023	671,686
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At 31 December 2022	781,704
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

20. GOODWILL (Continued)

For the purposes of impairment testing, goodwill have been allocated to groups of individual cash generating units ("CGUs") in 4 (2022: 4) 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 2023 and 31 December 2022 allocated to these units are as follows:

	2023 HK\$'000	2022 HK\$'000
Hong Kong medical services ("Division A"):		
Town Health Medical & Dental Services Limited ("Town Health M&D")	2,161	2,161
Hong Kong Traumatology and Orthopaedics Institute Limited ("Hong Kong T&O")	3,544	3,544
Healthy Base Limited ("Healthy Base")	2,224	2,224
	7,929	7,929
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")	257,363	264,504
Hong Kong specialist medical services ("Division D")		
CMHL Group	208,195	311,072
	671,686	781,704

The basis of the calculation of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023



20. GOODWILL (Continued)

Division A

For the impairment testing, 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 recoverable amounts of the CGUs of Division A were determined based on value in use calculations and were determined by management. Those 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 13.22% (2022: 14.64%). Average annual revenue growth rate of 4.51% (2022: 8.01%) and average net profit margin of 15.35% (2022: 16.60%) were used in the financial budgets. Cash flows beyond the five-year period are extrapolated using a growth rate of 2.31% (2022: 2.46%) 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 amounts/outflows include the budgeted revenue, gross margins and other related expenses. Such estimation was based on historical performance and future plans of Division A, and also management's expectations for the market development.

The recoverable amounts of the CGUs in Division A were estimated as higher (2022: lower) than the carrying amounts of the CGUs in Division A, with a headroom of HK\$18,290,000 (2022: N/A). Accordingly, no impairment loss on goodwill (2022: impairment loss on goodwill of HK\$487,000) was recognised in profit or loss for the year ended 31 December 2023 on Division A.

The Group has performed a sensitivity analysis on key assumptions used for the impairment test. A reasonably possible change in key assumptions used in the impairment test would not cause any CGUs in Division A's carrying amount to exceed its respective recoverable amount.

There was no change in both the valuation methods and the key assumptions compared to those applied as at 31 December 2022.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

20. GOODWILL *(Continued)*

Division B

For the impairment testing, trade name 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 Division B 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 15.45% (2022: 16.94%). Average annual revenue growth rate of 5.56% (2022: 4.15%) and average net profit margin of 10.14% (2022: 12.18%) were used in the financial budgets. Cash flows beyond the five-year period are extrapolated using a growth rate of 2.31% (2022: 2.46%) 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 include the budgeted revenue, gross margins and other related expenses. Such estimation was based on historical performance, and future plans of Division B, and also management's expectations for the market development.

The recoverable amount of the CGU in Division B calculated based on value in use method is higher than the carrying amount of Division B, with a headroom of HK\$11,418,000 (2022: HK\$34,869,000). Accordingly, no impairment loss on goodwill (2022: nil) or other assets of the CGU was recognised in profit or loss for the year ended 31 December 2023 on Division B.

The Group has performed a sensitivity analysis on key assumptions used for the impairment test. If the average annual revenue growth rate used in value-in-use calculation had been 0.5% lower than management estimates, the recoverable amount would be less than the carrying amount by HK\$4,582,000. If the expected pre-tax discount rate had been 0.5% higher than management estimates, the recoverable amount calculated would be less than the carrying amount by HK\$2,582,000. (2022: A reasonably possible change in key assumptions used in the impairment test would not cause any CGU in Division B's carrying amount to exceed its respective recoverable amount.)

There was no change in both the valuation methods and the key assumptions compared to those applied as at 31 December 2022.



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For the year ended 31 December 2023



20. GOODWILL *(Continued)*

Division C

For the impairment testing, 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 Division C was based on its value in use and was determined with the assistance of Ascent Partners Valuation Service Limited, an independent professional qualified valuer not connected with the Group. The calculation used cash flow projections based on financial budgets approved by management covering a five-year period and at a pre-tax discount rate of 18.53% (2022: 17.84%). Average annual revenue growth rate of 15.41% (2022:12.42%) and average net profit margin of 13.46% (2022: 23.78%) were used in the financial budgets, which was determined based on the historical performance of Division C (i.e. the Mainland market). Cash flows after the five-year period were extrapolated using a growth rate of 1.76% (2022: 2.06%) 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 include budgeted revenue, gross margin and other related expenses. Such estimation was based on historical performance and future plans of Division C, and also management's expectations for the market development.

The recoverable amount of the CGU in Division C calculated based on value in use method is higher (2022: lower) than the carrying amount of Division C, with a headroom of HK\$84,980,000 (2022:HK\$178,189,000). Accordingly, no impairment loss on goodwill (2022: written off of goodwill of HK\$1,315,000) was recognised in profit or loss for the year ended 31 December 2023 on Division C.

The Group has performed a sensitivity analysis on key assumptions used for the impairment test. A reasonably possible change in key assumptions used in the impairment test would not cause any CGU in Division C's carrying amount to exceed its respective recoverable amount.

There was no change in both the valuation methods and the key assumptions compared to those applied as at 31 December 2022.



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20. GOODWILL *(Continued)*

Division D

For the impairment testing, customer relationship and 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 Division D was based on its value in use and was determined with the assistance of Vincorn Consulting and Appraisal Limited, an independent professional qualified valuer not connected with the Group. The calculation used cash flow projections based on financial budgets approved by management covering a five-year period and at a pre-tax discount rate of 14.61% (2022: 12.10%). Average annual revenue growth rate of 4.66% (2022: 5.75%) and average net profit margin of 12.78% (2022: 13.50%) were used in the financial budgets. Cash flows after the five-year period were extrapolated using a growth rate of 2.5% (2022: 3.5%) 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 include budgeted revenue, gross margin and other related expenses. Such estimation was based on historical performance and future plans of Division D, and also management's expectations for the market development.

The recoverable amount of the CGU in Division D calculated based on value in use method was lower (2022: higher with a headroom of HK\$95,496,000) than the carrying amount of Division D. Accordingly, impairment loss on goodwill of HK\$102,877,000 (2022: nil) was recognised in profit or loss for the year ended 31 December 2023 on Division D.

The Group has performed a sensitivity analysis on key assumptions used for the impairment test. If the average annual revenue growth rate used in value-in-use calculation had been 0.5% lower than management estimates, a further impairment loss amounting to HK\$8,795,000 would be required. If the expected pre-tax discount rate had been 0.5% higher than management estimates, a further impairment loss amounting to HK\$13,257,000 would be required. (2022: A reasonably possible change in key assumptions used in the impairment test would not cause any CGU in Division D's carrying amount to exceed its respective recoverable amount.)

There was no change in both the valuation methods and the key assumptions compared to those applied as at 31 December 2022.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2023

**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 2022	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
Exchange realignment	–	–	(9,618)	(9,618)
At 31 December 2023	81,712	260,187	153,810	495,709
AMORTISATION				
At 1 January 2022	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
Charge for the year	8,171	–	3,093	11,264
Exchange realignment	–	–	(5,878)	(5,878)
At 31 December 2023	69,987	–	22,778	92,765
CARRYING VALUES				
At 31 December 2023	11,725	260,187	131,032	402,944
At 31 December 2022	19,896	260,187	137,865	417,948



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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 2023 (2022: HK\$167,087,000 and HK\$93,100,000 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 its 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 2023



22. INTERESTS IN ASSOCIATES

	2023	2022
	HK\$'000	HK\$'000
Cost of investments in associates	275,064	274,377
Share of post-acquisition (loss) profit and other comprehensive (expense) income, net of dividend received	(14,356)	17,813
	260,708	292,190

Notes:

1) Auspicious Idea Corporate Development Limited ("Auspicious Idea")

The cost of investment in Auspicious Idea comprises the cost of acquisition of (i) 20% equity interest in Auspicious Idea at a consideration of HK\$28,000,000 in the year ended 31 December 2016; and (ii) an additional 30% equity interest in Auspicious Idea at a consideration of HK\$108,000,000 in the year ended 31 December 2017. Included in the Group's cost of unlisted investments in Auspicious Idea as at the completion of the acquisition of the additional 30% equity interest was 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 purchase price allocation for the acquisitions of the 50% equity interest in Auspicious Idea. In the opinion of the directors of the Company, the Vendor of the 50% equity interest was an independent third party which was 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 2023

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 2023 and 2022. The consolidated revenue and the consolidated net profit after taxation are HK\$101,056,000 and HK\$15,363,000 (2022: HK\$101,160,000 and HK\$11,635,000) 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 arisen and no amount was recognised in profit or loss for the years ended 31 December 2023 and 2022.

As at 31 December 2023, the directors of the Company took into consideration of the discounted cash flow calculation of Western Aurora and profit targets for the years ended 2023 and 2022 were met and the directors of the Company expected that the audited consolidated revenue and the audited consolidated net profit after taxation for the year ending 31 December 2024 would meet the target requirements and accordingly, the contingent consideration receivable in relation to the target requirement recognised as at fair value through profit or loss amounted to nil.

In the opinion of the directors of the Company, the vendor is an independent third party which is not related to the Group or its related parties as at the date of acquisition.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023



22. INTERESTS IN ASSOCIATES *(Continued)*

Notes: *(Continued)*

3) Luck Key Investment Limited ("Luck Key")

During the year ended 31 December 2023, the Group acquired additional 10% equity interest in Luck Key, at a cash consideration of HK\$20,000,000. Goodwill of HK\$11,070,000 was recognised based on net assets of Luck Key as at the date of acquisition of the additional 10% equity interest.

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 of the additional 10% equity interest.

4) Impairment assessment

During the year ended 31 December 2023, the Group has performed impairment assessment on investments in Auspicious Idea, Western Aurora and Luck Key.

The recoverable amounts of the investments in Auspicious Idea, Western Aurora and Luck Key were determined based on value in use calculations and were determined with the assistance of Valplus Consulting Limited, Ascent Partners Valuation Service Limited and Ascent Partners Valuation Service Limited, respectively. These valuers are independent professional qualified valuers not connected with the Group.

These value-in-use 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 15.33%, 19.22% and 14.65% respectively. The cash flows beyond the five-year period are extrapolated using a growth rate of 3.0%, 2.31% and 2.31% per annum, respectively, which were 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 include the budgeted revenue, gross margins and other related expenses. Such estimation was based on historical performance and future plans of those associates, and also management's expectations for the market development.

An impairment loss on interests in associates of HK\$29,702,000 (2022: nil) was recognised in profit or loss for the year ended 31 December 2023.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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
					2023	2022	2023	2022	
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	Incorporated	British Virgin Islands	Hong Kong	Ordinary	43.51%	33.51%	40%	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 2023 and 2022. 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 or joint control over Auspicious Idea.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023



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*

	2023 HK\$'000	2022 HK\$'000
Current assets	220,804	213,835
Non-current assets	162,458	171,546
Current liabilities	(276,864)	(293,523)

	2023 HK\$'000	2022 HK\$'000
Revenue	451,240	329,134
Profit (loss) and total comprehensive income (expense) for the year	14,540	(56,548)



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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:

	2023 HK\$'000	2022 HK\$'000
Net assets of Auspicious Idea	106,398	91,858
Add: non-controlling interests	7,848	7,311
Net assets of Auspicious Idea attributable to owners	114,246	99,169
Proportion of the Group's ownership interest in Auspicious Idea	50%	50%
Net assets attributable to Group's interest in Auspicious Idea	57,123	49,585
Effects of fair value adjustments on intangible assets	12,129	12,129
Goodwill	71,409	71,409
Less: Impairment loss recognised on in interest in Auspicious Idea	(11,633)	–
Carrying amount of the Group's interest in Auspicious Idea	129,028	133,123

(b) Western Aurora

	2023 HK\$'000	2022 HK\$'000
Current assets	21,344	33,137
Non-current assets	4,259	5,835
Current liabilities	(6,966)	(10,396)
Non-current liabilities	–	(301)



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023



22. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information of material associates (Continued)

(b) Western Aurora (Continued)

	2023 HK\$'000	2022 HK\$'000
Revenue	101,056	101,160
Profit and total comprehensive income for the year	15,363	11,635
Dividend distributed by the associate to the Group during the year	(12,000)	(7,680)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2023 HK\$'000	2022 HK\$'000
Net assets of Western Aurora	18,637	28,275
Proportion of the Group's ownership interest in Western Aurora	48%	48%
Net assets of the Group's interest in Western Aurora	8,946	13,572
Effects of fair value adjustments on intangible assets	15,545	15,545
Goodwill	45,168	45,168
Less: Impairment loss recognised on interest in Western Aurora	(4,059)	–
Carrying amount of the Group's interest in Western Aurora	65,600	74,285



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

22. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information of material associates (Continued)

(c) Luck Key

	2023 HK\$'000	2022 HK\$'000
Current assets	84,476	150,656
Non-current assets	108,484	170,581
Current liabilities	(59,638)	(84,944)
Non-current liabilities	(59,441)	(56,725)

	2023 HK\$'000	2022 HK\$'000
Revenue	218,216	410,754
(Loss) profit and total comprehensive (expense) income for the year	(34,376)	27,790
Dividend distributed by the associate to the Group during the year	(23,792)	(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:

	2023 HK\$'000	2022 HK\$'000
Net assets of Luck Key	73,881	179,568
Add: non-controlling interests	1,595	1,287
Net assets of Luck Key attributable to owners	75,476	180,855
Proportion of the Group's ownership interest in Luck Key	43.51%	33.51%
Net assets attributable to Group's interest in Luck Key	32,840	60,605
Goodwill	11,070	–
Less: Impairment loss recognised on interest in Luck Key	(14,010)	–
Carrying amount of the Group's interest in Luck Key	29,900	60,605



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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22. INTERESTS IN ASSOCIATES (Continued)

Aggregate information of associates that are not individually material

	2023 HK\$'000	2022 HK\$'000
The Group's share of profit for the year	3,084	778
The Group's share of profit and other comprehensive income for the year	3,084	778
Aggregate carrying amount of the Group's interests in these associates	36,180	24,177
Aggregate dividend distributed by the associates to the Group during the year	(1,470)	(2,350)

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:

	2023 HK\$'000	2022 HK\$'000
Unrecognised share of losses of associates for the year	–	(4)
Accumulated unrecognised share of losses of associates	(22,762)	(22,762)



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

23. INTERESTS IN JOINT VENTURES

Details of the Group's investment in joint ventures as follows:

	2023 HK\$'000	2022 HK\$'000
Cost of unlisted investments in joint ventures	71,525	83,425
Share of post-acquisition loss and other comprehensive expenses, net of dividend received	(71,886)	(61,738)
Exchange realignment	361	524
	–	22,211

Details of major joint ventures at the end of the reporting period as follows:

Name of company	Form of business structure	Place of incorporation	Principal place of operation	Class of shares held	Attributable proportion of nominal value of issued/registered capital held by the Group		Proportion of voting power held by the Company		Principal activities
					2023	2022	2023	2022	
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% (Note i)	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	N/A (Note ii)	49% (Note ii)	N/A	50%	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.

In November 2023, the Group acquired the remaining 51% equity interests in HK Medical Test Centre and it became a wholly owned subsidiary of the Group.

- (iii) Impairment assessment

During the year ended 31 December 2023, in view of the uncertain future business environment in the PRC, the Group has performed impairment assessment on investment in Zhongshan Shangfeng.

An impairment loss on interests in a joint venture of HK\$3,693,000 (2022: HK\$97,000) was recognised in profit or loss for the year ended 31 December 2023.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023



23. INTERESTS IN JOINT VENTURES *(Continued)*

Summarised financial information of material joint ventures

Summarised financial information in respect of each of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with HKFRSs.

All of these joint ventures are accounted for using the equity method in the consolidated financial statements.

(a) Zhongshan Shangfeng

	2023 HK\$'000	2022 HK\$'000
Current assets	15,481	16,218
Non-current assets	16,009	17,920
Current liabilities	(24,105)	(20,884)
	2023 HK\$'000	2022 HK\$'000
Revenue	21	885
Loss for the year	(5,541)	(10,400)
Other comprehensive expense for the year	(327)	(1,706)
Total comprehensive expense for the year	(5,868)	(12,106)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	2023 HK\$'000	2022 HK\$'000
Net assets of Zhongshan Shangfeng	7,385	13,254
Proportion of Group's ownership interest in Zhongshan Shangfeng	50%	50%
	3,693	6,627
Less: Impairment loss recognised on interest in Zhongshan Shangfeng	(3,693)	–
Carrying amount of Group's interest in Zhongshan Shangfeng	–	6,627



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

23. INTERESTS IN JOINT VENTURES *(Continued)*

Summarised financial information of material joint ventures *(Continued)*

(b) Sky View

	2023	2022
	HK\$'000	HK\$'000

Current assets	169	190
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	2023	2022
	HK\$'000	HK\$'000

Revenue	–	–
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Loss and total comprehensive expense for the year	(21)	(17)
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Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	2023	2022
	HK\$'000	HK\$'000

Net assets of Sky View	169	190
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Add: Accumulated losses not shared to the Group	21	–
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Proportion of Group's ownership interest in Sky View	51%	51%
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Less: Impairment loss recognised on interest in Sky View	97	97
	(97)	(97)

Carrying amount of Group's interest in Sky View	–	–
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(c) HK Medical Test Centre

	2022
	HK\$'000

Current assets	19,468
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Non-current assets	19,703
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Current liabilities	(7,367)
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2023

**23. INTERESTS IN JOINT VENTURES** *(Continued)***Summarised financial information of material joint ventures** *(Continued)***(c) HK Medical Test Centre** *(Continued)*

	2023 HK\$'000	2022 HK\$'000
Revenue	–	–
Loss and total comprehensive expense for the year	(15,055)	(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
Net assets of HK Medical Test Centre	31,804
Proportion of Group's ownership interest in HK Medical Test Centre	49%
Carrying amount of Group's interest in HK Medical Test Centre	15,584

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 HK\$'000	2022 HK\$'000
Financial assets mandatorily at FVTPL:		
Unlisted derivatives (note)	6,772	–

Note:

Unlisted derivative represented an option to purchase ordinary shares of a private company ("Company A") exercisable on or before 30 January 2028. The unlisted derivative is stated at fair value. During the year ended 31 December 2023, fair value gain on unlisted derivative of HK\$6,772,000 (2022: HK\$nil) was recognised in profit and loss.

Details of the valuation methodology and inputs are disclosed in note 46(c).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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25. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023	2022
	HK\$'000	HK\$'000
Unlisted investments:		
– Equity securities	48,626	27,785

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.

The equity instruments at FVTOCI mainly represent investments in ordinary shares of Company A, acquired during the year ended 31 December 2023, with carrying amount of approximately HK\$47,001,000 as at 31 December 2023 (2022: HK\$nil) and HCMPS Healthcare Holdings Limited ("HCMPS") with carrying amount of HK\$nil as at 31 December 2023 (2022: HK\$19,614,000). The Group held 6.29% of the issued ordinary share capital of Company A, whose subsidiaries are principally engaged in the provision of telemedicine and clinical solution services in Southeast Asia, and 17.67% of HCMPS, whose 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 Company A as at 31 December 2023 was determined using cash flow projection based on the valuation performed as at that date by Vista Advisors Group Limited, an independent professional qualified valuer not connected with the Group. During the year ended 31 December 2023, a fair value gain of HK\$5,845,000 of Company A was recognised in investment revaluation reserve.

The fair value of HCMPS as at 31 December 2023 was determined using cash flow projection based on the valuation performed as at that date by Ascent Partners Valuation Service Limited, an independent professional qualified valuer not connected with the Group. During the year ended 31 December 2023, a fair value loss of HK\$19,614,000 (2022: fair value loss of HK\$5,301,000) of HCMPS was recognised in investment revaluation reserve.

An equity instrument at FVTOCI amounted to HK\$6,117,000 was acquired through the distribution of dividend from an associate of the Group during the year ended 31 December 2022. During the year ended 31 December 2023, a fair value loss of HK\$6,117,000 was recognised in investment revaluation reserve.

As at 31 December 2023, fair value loss of HK\$20,314,000 (2022: fair value loss of HK\$8,102,000) of the above unlisted investments was accounted for in other comprehensive income.

In the opinion of the directors of the Company, the investees are independent third parties, none of which is related to the Group or its related parties.

Details of the valuation methodology and inputs are disclosed in note 46(c).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023



26. PROMISSORY NOTES

	2023	2022
	HK\$'000	HK\$'000
Profit Castle Holdings Limited	-	-
	-	-

Notes:

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 2023, the promissory note became 1,358 days past due (2022: 993 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.



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For the year ended 31 December 2023

26. PROMISSORY NOTES

Notes: (Continued)

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. On 2 June 2023, the notice of appeal was dismissed by the Court of Appeal.

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. During the year ended 31 December 2021, operation of Bonjour Beauty was suspended. Date of resumption is unable to be estimated since then, the promissory note was therefore fully impaired.

As at 31 December 2023, the recoverable amount and carrying amount of the promissory note is HK\$nil, net of accumulated allowance for expected credit loss of approximately HK\$330,000,000. 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

	2023	2022
	HK\$'000	HK\$'000
Pharmaceutical supplies	52,131	56,468
Dental materials and supplies	368	830
	52,499	57,298



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28. TRADE AND OTHER RECEIVABLES

	2023	2022
	HK\$'000	HK\$'000
Trade receivables (note i)	380,905	346,313
Bills receivables (note i)	48,180	89,816
	429,085	436,129
Deposits	39,443	44,724
Other receivables (note ii)	29,813	13,192
Prepayments (note iii)	12,730	15,550
Amount due from a related party (note iv)	–	39
	511,071	509,634

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:

	2023	2022
	HK\$'000	HK\$'000
0 – 60 days	261,055	244,171
61 – 120 days	81,831	87,844
121 – 180 days	54,847	50,545
181 – 240 days	29,538	46,865
Over 240 days	1,814	6,704
	429,085	436,129



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 2023 and 2022, 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 2023, the Group's other receivables mainly included the receivables of dividend from an associate of HK\$6,704,000 (2022: nil) and interest income from fixed bank deposits of HK\$1,850,000 (2022: HK\$4,317,000).

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

(iii) As at 31 December 2023, the Group's prepayments mainly included prepayments to suppliers for trading of medicine of HK\$731,000 (2022: HK\$4,610,000) and prepayment to suppliers for trading of medical equipment of HK\$5,656,000 (2022: HK\$2,827,000).

(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 2023, the balances of amounts due from associates are net of accumulated allowance of HK\$4,557,000 (2022: 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 2023 and 2022.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023



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 2023 and 2022.

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 0.37% to 5.5% (2022: 0.001% to 5%) per annum and have original maturity of three months or less.

The fixed bank deposits carry fixed interest rates ranged from 1.5% to 4.1% (2022: 1.5% to 4.8%) per annum and have original maturity of over three months, of which HK\$77,018,000 will be matured in three years (2022: HK\$23,436,000 will be matured in two years) and included in non-current assets.

Pledged bank deposits carry fixed interest rate ranged from 1.1% to 5.3% (2022: 2.4% to 2.6%) and represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to approximately RMB122,144,000 (equivalents to HK\$134,392,000) and HK\$28,123,000 (2022: RMB130,432,000 (equivalents to HK\$147,481,000)) have been pledged to secure bank credit facilities and HK\$1,055,000 (2022: HK\$805,000) to secure a bank guarantee to a landlord for securing a lease agreement. The pledged bank deposits will be released upon the termination of relevant bank credit facilities and completion of the corresponding lease.

32. TRADE AND OTHER PAYABLES

	2023	2022
	HK\$'000	HK\$'000
Trade payables (note i)	157,265	153,488
Other payables (note ii)	29,804	27,773
Deposits received	5,396	4,783
Accruals (note iii)	107,052	102,369
Amount due to a related party (note iv)	–	3,098
	299,517	291,511



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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:

	2023 HK\$'000	2022 HK\$'000
0 – 60 days	89,972	83,675
61 – 120 days	27,246	29,118
Over 120 days	40,047	40,695
	157,265	153,488

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 2023 are dividend payables of HK\$1,050,000 (2022: HK\$1,010,000). As at 31 December 2022, convertible bonds which were redeemed in December 2022 but not yet paid of HK\$4,105,000 was included in the Group's other payables.
- (iii) Included in the balance of accruals are the accruals for consultancy service costs payable to affiliated doctors and specialists of HK\$55,300,000 (2022: HK\$43,044,000), accrued staff costs of HK\$17,697,000 (2022: HK\$11,238,000) and provision for bonus of HK\$17,588,000 (2022: HK\$14,302,000).
- (iv) The amount due to a related party was unsecured, interest-free and repayable on demand.

33. CONTRACT LIABILITIES

	2023 HK\$'000	2022 HK\$'000
Receipts in advance of medical services	16,833	17,256

All contract liabilities are expected to be recognised as income within one year.

Movements in contract liabilities are as follows:

	2023 HK\$'000	2022 HK\$'000
At 1 January	17,256	3,095
Revenue recognised that was included in the contract liabilities at the beginning of the year	(16,499)	(3,095)
Acquisition of subsidiaries (note 41)	–	2,594
Receipts in advance during the year	16,443	15,047
Exchange realignment	(367)	(385)
At 31 December	16,833	17,256



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023



34. AMOUNT DUE TO AN INVESTEE

At 31 December 2023 and 2022, the amounts due to an investee was non-trade nature, unsecured, interest-free and repayable on demand.

35. BANK BORROWINGS

	2023 HK\$'000	2022 HK\$'000
Unsecured:		
Term loan	6,917	–
Secured:		
Revolving loan	–	30,000
Mortgage loans	80,646	83,896
	87,563	113,896
The bank borrowings are repayable as follows:		
On demand and within one year	6,568	33,740
In more than one year but not more than two years	6,714	3,931
In more than two years but not more than three years	3,526	4,104
In more than three years but not more than four years	3,778	4,276
In more than four years but not more than five years	4,033	4,454
Over five years	62,944	63,391
	87,563	113,896
Less: Amounts due within one year shown under current liabilities	(6,568)	(33,740)
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)	(15,434)	(12,979)
Non-current portion	65,561	67,177

As at 31 December 2023, the bank borrowings of the Group carry variable interest rates ranging from HIBOR +1.40% per annum to HIBOR +2.25% per annum (2022: variable interest rate, ranging from HIBOR +1.65% per annum to 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\$33,560,000 (2022: HK\$182,628,000) and investment property with carrying value of HK\$116,000,000 (2022: nil). In addition, mortgage loan with carrying amount of HK\$13,142,000 (2022: 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

36. LEASE LIABILITIES

	2023 HK\$'000	2022 HK\$'000
Lease liabilities payable:		
Within one year	68,750	63,728
Within a period of more than one year but not more than two years	46,505	41,476
Within a period of more than two years but not more than five years	30,368	42,045
	145,623	147,249
Less: Amounts for settlement within 12 months shown under current liabilities	(68,750)	(63,728)
Amount due for settlement after 12 months shown under non-current liabilities	76,873	83,521

The weighted average incremental borrowing rates applied to lease liabilities range from 2% to 7.51% (2022: 2% to 7.08%)

The maturity analysis of lease liabilities is disclosed in note 46(b) to the consolidated financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023



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 2022	–	–	40,614	40,614
Acquisition of subsidiaries (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
Charge (credit) to profit or loss (note 12)	299	(768)	(2,142)	(2,611)
Exchange realignment	–	–	(35)	(35)
At 31 December 2023	(1,720)	(866)	35,018	32,432

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 2023, the Group has unused tax losses of HK\$895,158,000 (2022: HK\$844,044,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK\$10,424,000 (2022: HK\$12,234,000) of such losses. No deferred tax asset has been recognised in respect of the remaining losses of approximately HK\$884,734,000 (2022: HK\$831,810,000) 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 2023, 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\$370,378,000 (2022: HK\$274,770,000) earned by the subsidiaries established in the PRC as the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 seller guarantors as defined in the share purchase agreements (collectively the “Seller Parties”) entered into a share purchase agreement, pursuant to which Speedy Light agreed to acquire entire equity interests in CMHL at a consideration of HK\$476,000,000, of which HK\$356,000,000 was settled by non-interest bearing convertible bonds (the “CBs”). The initial Conversion price was HK\$0.76 per 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 including, the issue date and ending on the respective maturity dates. The CBs holders 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 notice to the Company during the redemption period.

The CBs are denominated in HKD and issued in three tranches:

Tranche A CBs amounted to HK\$120,000,000 with maturity date being 12 months from 26 August 2022. 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. 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. 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, 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% – 4.89% per annum at the date of initial recognition.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2023

**38. CONVERTIBLE BONDS** (Continued)

The movement of CBs for the year ended 31 December 2023 and 2022 is set out below:

	2023		
	Debt Component HK\$'000	Equity Component HK\$'000	Total HK\$'000
At 1 January	213,878	33,115	246,993
Finance cost – interest charge (note 9)	9,878	–	9,878
At 31 December	223,756	33,115	256,871
Classified as:			
Current liabilities	116,760	–	116,760
Non-current liabilities	106,996	33,115	140,111
	2022		
	Debt Component HK\$'000	Equity Component HK\$'000	Total HK\$'000
Issuance of convertible bonds	327,201	37,181	364,382
Finance cost – interest charge (note 9)	6,677	–	6,677
Redemption	(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 2023

39. SHARE CAPITAL

	Number of Shares	Amount HK\$'000
Shares of HK\$0.01 each		
Authorised:		
At 1 January 2022, 31 December 2022 and 2023	30,000,000,000	300,000
Issued and fully paid:		
At 1 January 2022	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
Cancellation of Shares (note)	(62,852,000)	(629)
At 31 December 2023	6,773,522,452	67,735

Note:

During the year ended 31 December 2023, a subsidiary of the Company repurchased the Company's own Shares on the Stock Exchange as follows:

Date of repurchase	Number of Shares repurchased	Consideration per Share		Aggregate consideration paid (before expenses) HK\$'000
		Highest HK\$	Lowest HK\$	
2023				
4 January	15,100,000	0.370	0.360	5,579
5 January	11,000,000	0.365	0.360	3,985
9 January	926,000	0.350	0.345	324
	27,026,000			9,888

During the year ended 31 December 2023, 27,026,000 Shares were repurchased with aggregate consideration of approximately HK\$10,027,000, including expenses paid amounting to approximately HK\$139,000. These repurchased Shares were cancelled during the year.

During the year ended 31 December 2023, 35,826,000 treasury shares acquired in 2022 with aggregate consideration paid amounting to approximately HK\$10,819,000 were cancelled.

The above repurchase of Shares were undertaken by a subsidiary of the Company. No other subsidiaries of the Company purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2023.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023



39. SHARE CAPITAL (Continued)

Note: (Continued)

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

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

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

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

The above repurchase of Shares of the Company were performed by its subsidiary. No other subsidiaries of the Company purchased, sold or redeemed any of the Company's securities during the year ended 31 December 2022.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 utilised during the year and available to reduce the contribution payable in future years.

During the year ended 31 December 2023, the total cost charged to consolidated statement of profit or loss and other comprehensive income approximately of HK\$15,154,000 (2022: HK\$12,587,000) 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 2023

**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)
	<hr/> 175,945
Consideration	484,382
Plus: non-controlling interest recorded in the CMHL Group	2,635
Less: recognised amounts of net assets acquired	(175,945)
	<hr/> 311,072
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)
	<hr/> 82,407



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 2023

**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)
	2,224
Goodwill	
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 2023

41. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2022 *(Continued)*

(ii) Acquisition of Healthy Base Group *(Continued)*

Impact of the acquisition on the results of the 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.

42. DISPOSAL OF A SUBSIDIARY WITH LOSS OF CONTROL

For the year ended 31 December 2022

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)
	<hr/>
Net assets disposed of	35,092
	<hr/>
Gain on disposal of a subsidiary:	
Consideration received	67,000
Net assets disposal of	(35,092)
	<hr/>
	31,908
	<hr/>
Net cash inflow arising on disposal	67,000
	<hr/>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023



43. OPERATING LEASES

The Group as lessor

During the year ended 31 December 2023, the Group had property rental income of approximately HK\$16,648,000 (2022: HK\$15,498,000).

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:

	2023	2022
	HK\$'000	HK\$'000
Within one year	9,674	9,545
In the second to fifth year inclusive	2,169	10,523
	11,843	20,068

All of the properties held have committed tenants for the coming one to two years (2022: one to four years).

44. PLEDGE OF ASSETS

As at 31 December 2023, certain assets of the Group with carrying value of approximately HK\$313,130,000 (2022: HK\$330,914,000) 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

46. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2023 HK\$'000	2022 HK\$'000
Financial assets		
Financial assets at FVTPL	6,772	–
Equity instruments at FVTOCI	48,626	27,785
Financial assets at amortised cost (including cash and cash equivalents)	1,945,750	1,880,109
Financial liabilities		
Amortised cost	693,565	714,339

(b) Financial risk management objectives and policies

The Group's corporate treasury function provides services to the business units, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include foreign currency risk, market risk (including interest rate risk and other price risk), credit risk and liquidity risk.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. Other than Hong Kong, the Group's operations are mainly in the PRC and certain bank balances, receivables, payables and other loans of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors the related foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023



46. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Foreign currency risk (Continued)

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	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Renminbi ("RMB")	211,458	250,447	-	-
United States Dollars ("USD")	174,893	171,038	-	-
Hong Kong Dollars ("HKD")	30,393	30,073	-	-

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:

	2023	2022
	HK\$'000	HK\$'000
RMB	10,573	12,522
USD	8,745	8,552
HKD	1,520	1,504

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

46. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

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 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 (2022: 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 (2022: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2023 would increase/decrease by HK\$366,000 (2022: post-tax profit would decrease/increase by HK\$476,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023



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% (2022: 10%) higher/lower:

- post-tax loss for the year ended 31 December 2023 would decrease/increase by HK\$565,000 (2022: HK\$nil) 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 2023 would increase/decrease by HK\$4,060,000 (2022: HK\$2,320,000) 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 2023 and 2022 of which management considers that is reasonable in current financial market.

Credit risk and impairment assessment

As at 31 December 2023 and 2022, 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date.	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2023

**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:

2023	Notes	Internal credit rating	12-month/ Lifetime ECL	Gross carrying amount HK\$'000	Allowance for ECL		Net carrying amount HK\$'000
					Not credit-impaired HK\$'000	Credit-impaired HK\$'000	
Trade and bills receivables	28	Low risk (note 4)	Lifetime ECL	429,085	-	-	429,085
Other receivables	28	Write-off (note 2)	Lifetime ECL	4,705	-	(4,705)	-
		Low Risk (note 2)	12-month ECL	29,813	-	-	29,813
				34,518	-	(4,705)	29,813
Loans receivables	19	Low risk (note 3)	12-month ECL	54,356	-	-	54,356
		Loss (note 3)	Lifetime ECL	3,300	-	(3,300)	-
				57,656	-	(3,300)	54,356
Promissory notes	26	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	1,070	-	-	1,070
				5,627	-	(4,557)	1,070
Fixed bank deposits	31	N/A (note 5)	N/A	235,777	-	-	235,777
Pledged bank deposit	31	N/A (note 5)	N/A	163,570	-	-	163,570
Bank balances	31	N/A (note 5)	N/A	1,032,079	-	-	1,032,079



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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)

2022	Notes	Internal credit rating	12-month/ Lifetime ECL	Gross carrying amount HK\$'000	Allowance for ECL		Net carrying amount HK\$'000
					Not credit-impaired HK\$'000	Credit-impaired 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	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)	12-month ECL	39	-	-	39
Fixed bank deposits	31	N/A (note 5)	N/A	250,367	-	-	250,367
Pledged bank deposit	31	N/A (note 5)	N/A	148,286	-	-	148,286
Bank balances	31	N/A (note 5)	N/A	971,939	-	-	971,939



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023



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) promissory note issued by Profit Castle of gross amount of HK\$330,000,000 (2022:HK\$330,000,000) which internal credit rating set as write-off (2022: 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 (2022: 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\$54,356,000 (2022: HK\$58,973,000) 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. Loan receivable of gross amount of HK\$3,300,000 was assessed as credit-impaired and expected credit loss of HK\$3,300,000 was recognised as at 31 December 2023 (2022:nil).

For the loan receivable from an associate 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.

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 as at 31 December 2023 and 2022.

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 2023 and 2022, the Group has a promissory note due from a party with principal amounting to HK\$330,000,000. The promissory note has been fully impaired. As at 31 December 2023 and 2022, 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 2023 and 2022.

The Group has concentration of credit risk by customer as 76% (2022:81%) and 58% (2022: 64%) 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 2023, the Group had available unutilised banking facilities of HK\$300,000,000 (2022: HK\$270,000,000).

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 2023



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 31.12.2023 HK\$'000
31 December 2023								
Non-derivative financial liabilities								
Trade and other payables		-	192,465	-	-	-	192,465	192,465
Amounts due to non-controlling interests		44,158	-	-	-	-	44,158	44,158
Variable rate bank borrowings	6.34%	17,324	2,645	7,935	37,138	75,597	140,639	87,563
Convertible bonds	3.96%	-	-	120,000	116,000	-	236,000	223,756
Lease liabilities	4.43%	-	20,714	53,902	80,792	-	155,408	145,623
		61,482	215,824	181,837	233,930	75,597	768,670	693,565

	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 companies		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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

46. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk management (Continued)

Liquidity and interest risk tables (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 2 years to 17 years (2022: 3 months to 18 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\$24,885,000 (2022: HK\$46,860,000). 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 2023	5,803	5,482	7,771	5,829	24,885	20,060
31 December 2022	31,700	1,700	5,101	8,359	46,860	44,201

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 2023

**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 2023

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets at FVTPL				
– Unlisted derivative	–	–	6,772	6,772
Equity instruments at FVTOCI				
– Unlisted equity securities	–	–	48,626	48,626
	–	–	55,398	55,398

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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		Fair value hierarchy	Valuation technique	Significant unobservable input(s)	Range (weighted average)	Relationship of unobservable inputs for fair value
	31 December 2023	31 December 2022					
	HK\$'000	HK\$'000					
1 Financial assets at FVTPL – Unlisted derivative	6,772	–	Level 3	Binominal Option Pricing Model	Volatility	66.57% (2022: N/A)	The increase in volatility would increase in fair value
					Risk-free rate	3.92% (2022: N/A)	The increase in risk-free rate would increase in fair value
					Time to maturity	4.08 years (2022: N/A)	The increase in time to maturity would increase in fair value
					Dividend yield	0% (2022: N/A)	The increase in dividend yield would increase in fair value
2 Equity instruments at FVTOCI – unlisted equity securities in Hong Kong	48,626	27,785	Level 3	Discounted cash flow method	Yearly growth rates of revenue	Ranging from 15.00% to 208.95% (2022: 2.46% to 10.75%)	The increase in yearly growth rates of revenue would increase in fair value.
					Terminal growth rate	2.50% (2022: 2.46%)	The increase in terminal growth rate would increase in fair value
					Weighted average cost of capital	15.39% (2022: 13.79%)	The increase in weighted average cost of capital would decrease in fair value.
					Company specific risk premium	2.00% (2022: 2.50%)	The increase in company specific risk premium would decrease in fair value
					Discount rate for lack of control and marketability	12.03% (2022: Ranging from 10.15% to 15.80%)	The increase in discount rate would decrease in fair value



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023



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)

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.

Reconciliation of Level 3 fair value measurements of financial assets

	Financial assets at FVPL HK\$'000	Equity instruments at FVTOCI HK\$'000
At 1 January 2022	–	29,770
Addition	–	6,117
Fair value changes	–	(8,102)
At 1 January 2023	–	27,785
Addition	–	41,155
Fair value changes	6,772	(20,314)
At 31 December 2023	6,772	48,626

The fair value loss of approximately HK\$20,314,000 (2022: fair value loss of approximately HK\$8,102,000) 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.



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For the year ended 31 December 2023

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	Bank borrowings (note 35) HK\$'000	Convertible bonds (note 38) HK\$'000	Total liabilities from financing activities HK\$'000
At 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 and 1 January 2023	49,882	147,249	113,896	213,878	524,905
Changes from financing cash flows:					
Repayment to non-controlling interests	(5,724)	–	–	–	(5,724)
Repayment of liabilities	–	(77,398)	(26,333)	–	(103,731)
Interest paid	–	(6,883)	(6,655)	–	(13,538)
Total changes from financing cash flow	(5,724)	(84,281)	(32,988)	–	(122,993)
Non-cash changes:					
Recognition of lease liabilities during the year	–	77,872	–	–	77,872
Derecognition of lease liabilities upon termination of lease	–	(1,745)	–	–	(1,745)
Interest expenses	–	6,883	6,655	9,878	23,416
Exchange difference	–	(355)	–	–	(355)
At 31 December 2023	44,158	145,623	87,563	223,756	501,100



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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	2023	2022
		HK\$'000	HK\$'000
Advance Bond Limited ¹	Rental income	920	923
China Life Insurance (Overseas) Company Limited ²	Medical related services income	1,079	691
	Insurance expenses	(658)	(736)
China Life Insurance Company Limited ²	Medical related services income	1,580	1,157
	Sales of medical consumables	–	9
	Property management income	69	87
	Insurance expenses	(61)	(65)
China Life Insurance Company Limited, Shandong Branch ³	Repayment of lease liabilities	(3,876)	(3,978)
China Life Trustees Limited ²	Retirement benefits scheme contributions	(96)	(86)
China Life Property & Casualty Insurance Company Limited ²	Medical services income	242	164
C.T. Scan Diagnostic Centre ⁹	Cost of sales	(260)	–
Dr. Edmund Wong Clinic ⁴	Cost of sales	(8,533)	(8,316)
Dr. Kenneth Tsang and Associates Limited ⁵	Medical services income	–	803
	Cost of sales	(2,614)	(2,202)
Early Light International (Holdings) Limited	Medical services income	196	235
Hong Kong Bariatric and Metabolic Institute Limited ¹	Management services fee income	256	251
	Repayment of lease liabilities	(386)	(370)
Hong Kong Cardiac Center Limited ⁶	Cost of sales	(1,096)	(7,930)
Hong Kong Health Check and Medical Diagnostic Centre Limited ⁷	Rental income	5,280	5,434
	Laboratory fee income	1,951	7
	Cost of sales	(7,815)	(3)
	Consultancy fee expense	–	(160)
	Staff welfare	(119)	–
	Cash proceed from sale of property, plant and equipment	–	287
My Beauty Company Limited ⁸	Rental income	1,681	1,775
My Beauty Salon Company Limited ⁸	Interest income	2,250	1,349
Platform Healthcare Limited	Cost of sales	–	(106)
	Rental expense	–	(693)
Prestige Medical Centre (HK) Ltd.	Medical services income	–	110
	Sales of medical consumables	–	120
Yuen Foong Medical Diagnostic Centre ⁹	Cost of sales	(37)	–



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

48. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

Notes:

1. The related parties are the associates of the Company, which are not individually material, during the years ended 31 December 2023 and 2022.
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, appointed on 11 November 2022 and resigned on 20 June 2023, 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.
7. The related party is the subsidiary of Luck Key (note 22), a principal associate of the Company.
8. The related parties are the subsidiaries of Auspicious Idea (note 22), a principal associate of the Company.
9. The related parties are the branches of the subsidiaries of Luck Key (note 22), a principal associate of the Company.

Details of balances with related parties as at the end of the reporting period are set out in the consolidated statement of financial position and in notes 29, 30 and 34.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023



48. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

Compensation of key management personnel

The remuneration of key management personnel which represent the directors of the Company during the year was as follows:

	2023 HK\$'000	2022 HK\$'000
Short-term benefits	15,765	12,454
Post-employment benefits	336	351
	16,101	12,805

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 2023

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2023 HK\$'000	2022 HK\$'000
NON-CURRENT ASSETS		
Unlisted investment in a subsidiary	58,530	58,530
Amounts due from subsidiaries	3,772,414	3,922,736
	3,830,944	3,981,266
CURRENT ASSETS		
Amount due from an associate	500	500
Other receivables	696	899
Bank balances and cash	10,849	10,520
	12,045	11,919
CURRENT LIABILITIES		
Other payables	487	4,170
Convertible bonds	116,760	–
	117,247	4,170
NET CURRENT (LIABILITIES) ASSETS	(105,202)	7,749
NON-CURRENT LIABILITY		
Convertible bonds	106,996	213,878
	3,618,746	3,775,137
CAPITAL AND RESERVES		
Share capital – Shares	67,735	68,364
Reserves (Note)	3,551,011	3,706,773
Total equity	3,618,746	3,775,137

The Company's statement of financial position was approved and authorised for issue by the board of directors of the Company on 25 March 2024 and are signed on its behalf by:

Mr. Choi Ka Tsan Karson
DIRECTOR

Ms. Zhang Xiaoxue
DIRECTOR

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2023

**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 2022	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 Shares	(297,570)	-	-	-	304,467	-	-	6,897
Repurchase of shares	-	-	-	-	(315,286)	-	-	(315,286)
Issue of convertible bonds	-	-	-	-	-	37,181	-	37,181
Repurchase 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
Loss and total comprehensive expense for the year	-	-	-	-	-	-	(138,236)	(138,236)
Cancellation of Shares	(20,217)	-	-	-	20,846	-	-	629
Repurchase of shares	-	-	-	-	(10,027)	-	-	(10,027)
Dividend declared	-	-	-	-	-	-	(8,128)	(8,128)
At 31 December 2023	3,023,852	9,020	28,180	62,677	-	33,115	394,167	3,551,011

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 2023

50. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2023 and 2022 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 2023		31 December 2022		31 December 2023		31 December 2022		
					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
Vio	Hong Kong/limited liability company	Hong Kong	Ordinary	HK\$1,000	-	94.3%	-	94.3%	-	100%	-	100%	Provision of managed medical network services
Easy Result Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK\$100	-	51%	-	51%	-	67%	-	67%	Provision of medical healthcare services
First Billion Investment Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK\$2	-	100%	-	100%	-	100%	-	100%	Property investments services
Hong Kong T&O	Hong Kong/limited liability company	Hong Kong	Ordinary	HK\$1,000	-	43.4%	-	43.4%	-	67%	-	67%	Provision of medical healthcare services
Nanyang Xiangrui	PRC/sino foreign equity joint venture	PRC	-	RMB84,835,000	-	60.2%	-	60.2%	-	60%	-	60%	Provision of hospital management services
PHC Medical Group Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK\$2	-	100%	-	100%	-	100%	-	100%	Provision of medical healthcare services
Modern Ascent Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK\$1	-	35%	-	35%	-	67%	-	67%	Provision of medical healthcare services
Profit Sources Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK\$100	-	100%	-	100%	-	100%	-	100%	Property investments services
Regal Luck International Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK\$1	-	100%	-	100%	-	100%	-	100%	Property investments services
Town Health Corporate Advisory and Investments Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK\$100	-	100%	-	100%	-	100%	-	100%	Provision of business and corporate advisory services
Town Health Dental Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK\$2	-	100%	-	100%	-	100%	-	100%	Provision of dental consultation services
Town Health M&D	Hong Kong/limited liability company	Hong Kong	Ordinary	HK\$2	-	100%	-	100%	-	100%	-	100%	Provision of medical healthcare services
廣州宜康醫療管理有限公司	PRC/sino foreign equity joint venture	PRC	-	RMB199,750,000	-	80%	-	80%	-	75%	-	75%	Provision of medical healthcare services
河南祥邦物業服務有限公司	PRC/sino foreign equity joint venture	PRC	-	RMB5,000,000	-	60.2%	-	60.2%	-	60%	-	60%	Provision of property management services
河南恒益祥醫藥有限公司	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
HKMC	Hong Kong/limited liability company	Hong Kong	Ordinary	HK\$100	-	100%	-	100%	-	100%	-	100%	Provision of private specialty healthcare 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 2023



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, result 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	
		31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023 HK\$'000	31.12.2022 HK\$'000	31.12.2023 HK\$'000	31.12.2022 HK\$'000
Nanyang Xiangrui	PRC	40%	40%	39.8%	39.8%	32,936	28,906	304,584	284,786
Individually immaterial subsidiaries with non-controlling interests						2,185	5,327	72,033	77,388
						35,121	34,233	376,617	362,174



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

50. PRINCIPAL SUBSIDIARIES (Continued)

Details of non-wholly owned subsidiary that have material non-controlling interests (Continued)

Nanyang Xiangrui	2023 HK\$'000	2022 HK\$'000
Current assets	640,826	659,277
Non-current assets	160,922	91,429
Current liabilities	(143,596)	(149,635)
Non-current liabilities	(723)	(1,452)
Equity attributable to owners of the Company	395,775	360,973
Non-controlling interests	261,654	238,646
Income	530,790	471,569
Expenses	(456,436)	(399,253)
Profit for the year	74,354	72,316
Profit attributable to owners of the Company	44,761	43,535
Profit attributable to the non-controlling interests	29,593	28,781
Profit for the year	74,354	72,316
Other comprehensive expenses attributable to owners of the Company	(20,356)	(27,948)
Other comprehensive expenses attributable to the non-controlling interests	(13,458)	(18,477)
Other comprehensive expenses for the year	(33,814)	(46,425)
Total comprehensive income attributable to owners of the Company	24,405	15,587
Total comprehensive income attributable to the non-controlling interests	16,135	10,304
Total comprehensive income for the year	40,540	25,891
Net cash inflow from operating activities	113,132	25,796
Net cash (outflow) inflow (used in) from investing activities	(147,832)	184
Effect of foreign exchange rate changes	(15,828)	(42,622)
Net cash outflow	(50,528)	(16,642)



MAJOR PROPERTIES INFORMATION

The Group's property portfolio summary – major properties held for investment.

Location	Existing use	Tenure	Group's interest (%)	
			2023	2022
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%
6. 6/F, Euro Trade Centre, 13-14 Connaught Road Central, Central, Hong Kong	Office	Long term lease	100%	N/A



FINANCIAL SUMMARY

RESULTS

	2023	2022	2021	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	1,833,038	1,535,580	1,483,892	1,069,045	1,128,932
(Loss) profit for the year	(159,089)	49,522	75,072	(258,450)	10,519
Attributable to:					
Owners of the Company	(194,210)	15,289	22,013	(281,038)	(8,414)
Non-controlling interests	35,121	34,233	53,059	22,588	18,933
	(159,089)	49,522	75,072	(258,450)	10,519

ASSETS AND LIABILITIES

	2023	2022	2021	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	4,500,566	4,749,680	4,730,370	4,582,639	4,738,571
Total liabilities	(881,820)	(896,090)	(504,936)	(456,507)	(435,560)
	3,618,746	3,853,590	4,225,434	4,126,132	4,303,011
Assets attributable to:					
Owners of the Company	3,242,129	3,491,416	3,855,035	3,810,481	4,015,547
Non-controlling interests	376,617	362,174	370,399	315,651	287,464
	3,618,746	3,853,590	4,225,434	4,126,132	4,303,011



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
Audit Committee	audit committee of the Board
Banking Services	the Deposit Services, the Loan Services and the Other Banking Services
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. Wong Chun Wa
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
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



GLOSSARY

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 Licences 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 Licences 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
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



GLOSSARY

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
CGB (HK)	China Guangfa Bank Co., Ltd., Hong Kong Branch



GLOSSARY

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
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
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



GLOSSARY

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)
CLPI	中國人壽財產保險股份有限公司 (in English, for identification purpose only, China Life Property & Casualty Insurance Company Limited)
CLPS	中國人壽財產保險股份有限公司山東省分公司 (in English, for identification purpose only, China Life Property & Casualty Insurance Company Limited, Shandong Branch)
CLPS and its Branches	CLPS and all branches and sub-branches of CLPI in Shandong Province of the PRC under the management of CLPS



GLOSSARY

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
Dr. Cho	Dr. Cho Kwai Chee
Dr. Choi	Dr. Choi Chee Ming GBS, JP
Dr. Ip	Dr. Ip Chun Heng Wilson
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 Kwan Kin
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
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



GLOSSARY

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. Wong Chun Wa
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. Wong Chun Wa 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
HKCCL	Hong Kong Cardiac Centre Limited, a company incorporated in Hong Kong with limited liability, which is wholly-owned by Dr. Law Kwan Kin
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 Kwan Kin 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
HK\$ or HKD	Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the PRC



GLOSSARY

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 Wah Tak, Kenneth (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 Wah Tak, Kenneth 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
Minerva Group	Minerva Group Holding Limited
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)



GLOSSARY

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
Oasis Beauty	Oasis Beauty Limited, an indirect wholly-owned subsidiary of the Company
Ordinary Shares Subscription	the subscription of 459,183,673 Shares by Fubon Life, Fubon Insurance and Broad Idea and the allotment and issue of the subscription shares



GLOSSARY

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
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
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
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
Remuneration Committee	remuneration committee of the Board



GLOSSARY

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 Wah Tak, Kenneth, Dr, Leung Wing Hung, Dr. Fong Ka Yeung, Mr. Shiu Shu Ming and Dr. Chu Leung Wing
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 Wah Tak, Kenneth; 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.



GLOSSARY

Seller Party(ies)	the Seller and the Seller Guarantors
Management Team	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
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)
Shanghai Huada Medical Laboratory	Shanghai Huada Medical Laboratory Co., Ltd
Share(s)	ordinary share(s) of HK\$0.01 each in the share capital of the Company
Shareholders	holders of the Shares
Share 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
SGM	Special General Meeting of the Company
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
Target Group	Central Medical and its subsidiaries
TBMG	The Beauty Medical Group



GLOSSARY

TH (BVI)	Town Health (BVI) Limited, a wholly-owned subsidiary of the Company
Townfolk Group	Guangdong Townfolk 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
Year	year ended 31 December 2023
Year 2024	the year ending 31 December 2024