Annual Report
2023

爱帝宫

AIDIGONG MATERNAL & CHILD HEALTH LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 286)

Contents

* Should there be any discrepancy between the English and Chinese versions, the English version shall prevail

Corporate Information

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Cheung Wai Kuen
(Re-designated as *Chairman and Chief Executive Officer* on 26 October 2023)
Mr. Lin Jiang
Mr. Li Runping
Ms. Meng Lijia
Ms. Zhu Yufei (Resigned on 26 October 2023)
Ms. Kai Xiang Mei (Appointed on 26 October 2023)

NON-EXECUTIVE DIRECTORS

Ms. Liang Linmin
Mr. Guo Qifei (Resigned on 23 October 2023)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Chi Wing (Appointed on 26 October 2023)
Mr. Wong Yiu Kit, Ernest
Mr. Huang Wenhua
Mr. Wang Qingyu
Ms. Yu Lin (Resigned on 26 October 2023)

AUDIT COMMITTEE

Mr. Wong Yiu Kit, Ernest *(Chairman)*
Mr. Lam Chi Wing (Appointed on 26 October 2023)
Mr. Huang Wenhua
Ms. Yu Lin (Resigned on 26 October 2023)

NOMINATION COMMITTEE

Mr. Cheung Wai Kuen *(Chairman)*
Mr. Lam Chi Wing (Appointed on 26 October 2023)
Mr. Huang Wenhua
Ms. Zhu Yufei (Resigned on 26 October 2023)
Ms. Yu Lin (Resigned on 26 October 2023)

REMUNERATION COMMITTEE

Mr. Lam Chi Wing *(Chairman)*
(Appointed on 26 October 2023)
Mr. Wong Yiu Kit, Ernest
Mr. Huang Wenhua
Ms. Yu Lin (Resigned on 26 October 2023)

COMPANY SECRETARY

Mr. Wong Wing Cheung

AUDITOR

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31st Floor, Gloucester Tower
The Landmark, 11 Pedder Street
Central, Hong Kong

PRINCIPAL BANKERS

Bank of Dongguan Co., Ltd.
China Merchants Bank Co., Ltd.
China Construction Bank Corporation
CMB Wing Lung Bank Limited
Dongguan Rural Commercial Bank Co., Ltd
The Bank of East Asia Limited

PLACE OF INCORPORATION

Bermuda

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL OFFICE

Unit 3607, 36th Floor,
China Resources Building,
26 Harbour Road, Wan Chai,
Hong Kong

PRINCIPAL REGISTRAR AND TRANSFER OFFICE

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

BRANCH REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
17/F, Far East Financial Centre
16 Harcourt Road
Hong Kong

WEBSITE

www.aidigong.hk

STOCK CODE

286

BOARD LOT

2,000 shares

INVESTOR RELATIONS

For enquiries relating to investor relations, please contact:
Tel: (852) 2620 6623
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Chairman's Statement

Dear Shareholders,

We are pleased to present the results of Aidigong Maternal & Child Health Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2023 (the "Year") to the shareholders of the Company (the "Shareholders").

In 2023, the Group gradually broke away from the impact of COVID-19, and the postpartum care services business showed a trend of stable recovery. In 2023, the Group launched and began to implement its upgraded strategy of "Establishing presence in 50 Cities in Five Years", and was able to establish presence in 10 cities in the first year of implementing this strategy by the end of 2023. As of 31 December 2023, the Group has achieved market coverage in 10 cities, namely Shenzhen, Beijing, Chengdu, Zhuhai, Xiamen, Dongguan, Wuxi, Quanzhou, Guangzhou and Fuzhou, with a total of 18 centres in operation.

The Group adopts an ultra-light asset model for opening centres, which not only further reduces capital expenditure and optimises the financial model but also further enhances the Group's capability to resist risks and reduces the negative impact on the business caused by changes in the objective operating environment as a result of COVID-19 outbreak.

In addition to the original postpartum care services business of postpartum care centres under the brands of Aidigong and Yuegege, the Group's newly formed combined Aidigong business division successfully launched a new business line of non-move-in combined postpartum care services in December 2023, and opened the combined Aidigong postpartum care service centres in Quanzhou and Fuzhou respectively. The establishment of the combined Aidigong postpartum care service centres indicates the Group's first entry into the new market of non-move-in postpartum care services. The establishment and commencement of operation of the combined Aidigong business division is an important milestone in the Group's development in the postpartum care services sector. With the launching of the new business line of non-move-in combined postpartum care services, the Group has achieved full coverage of the nationwide postpartum care service market through the Aidigong brand postpartum care centres, the Yuegege brand postpartum care centres and the non-move-in combined Aidigong brand postpartum care centres.

Going forward, the Group will continue to promote the strategy upgrade of "Establishing Presence in 50 Cities in Five Years", and further promote new business development that is customer-centric and driven by maternal and child services and products. The Group will launch new businesses related to maternal and infant products in a timely manner and continue to enrich its business portfolio, increase the number of customers and frequency of consumption, and constantly increase the penetration rate and maternal and child market share in the cities in which the Group has established its presence to achieve the full coverage of the nationwide maternal and child market.

We would like to take this opportunity to express our gratitude to the Shareholders for their continued support, and the directors of the Company (the "Directors") and those who have worked for the Group for their valuable contributions.

On behalf of the Board
Aidigong Maternal & Child Health Limited

Cheung Wai Kuen
Chairman

Hong Kong, 28 March 2024

Business Review

POSTPARTUM CARE SERVICES BUSINESS

THE OPERATION IS GRADUALLY RECOVERING FROM THE IMPACT OF COVID-19 AND THE POSTPARTUM CARE SERVICES BUSINESS CONTINUES TO EXPAND WHICH RETURNS TO PROFITABILITY

During the Year, the revenue of the postpartum care services business decreased by 18.0% year-on-year to approximately HK$554.6 million. The decrease in revenue was due to the impact of the post-COVID-19 period and exchange rate depreciation of Renminbi against Hong Kong Dollar. During December 2022 and January 2023, there was a significant decrease in the pregnancy rate in the PRC due to COVID-19. As a result, there was a significant decrease in the number of newborns from September to November 2023, which exerted a negative impact on the postpartum care services industry. The net profit of the postpartum care services business was HK$11.7 million (2022: net loss of approximately HK$63.6 million). The significant increase in net profit was mainly attributable to the fact that (1) the postpartum care services business was at a recovery stage after gradually overcoming the difficulties caused by the pandemic; (2) the ultra-light asset model of operation adopted by new centres had further reduced the initial investment in new centres and optimised the financial model for matured centres, resulting in an increase of 27.2% year-on-year in gross profit to approximately HK$121.0 million; and (3) the innovative marketing methods were applied to improve marketing efficiency, resulting in a decrease of 21.7% year-on-year in selling and marketing expenses to approximately HK$116.3 million.

During the Year, the number of centres was as follows:

City	Brand	Type of stores	As at 31 December 2023 Centres	As at 31 December 2022 Centres
Shenzhen	Aidigong	Postpartum care centre	**6**	6
Beijing	Aidigong	Postpartum care centre	**2**	2
Chengdu	Aidigong	Postpartum care centre	**2**	2
Zhuhai	Yuegege	Postpartum care centre	**2**	2
Xiamen	Aidigong	Postpartum care centre	**1**	N/A
Dongguan	Aidigong	Postpartum care centre	**1**	N/A
Wuxi	Yuegege	Postpartum care centre	**1**	N/A
Quanzhou	Combined Aidigong	Service Centre	**1**	N/A
Guangzhou	Aidigong	Postpartum care centre	**1**	N/A
Fuzhou	Combined Aidigong	Service Centre	**1**	N/A
Total			**18**	12

POSTPARTUM CARE SERVICES BUSINESS *(CONTINUED)*

ESTABLISHING PRESENCE IN CITIES AND SETTING UP NEW CENTRES SIMULTANEOUSLY TO CONSTANTLY INCREASE MARKET SHARE

The implementation of the Group's strategy of "Establishing Presence in 50 Cities in Five Years" has, on one hand, accelerated the Group's coverage in major cities across the country and increased their coverage, and on the other hand, continued to intensively cultivate and increase market share in the cities already covered.

In 2023, in terms of new city coverage, the innovative Aidigong business division opened the No. 1 store in Xiamen, the No. 1 store in Dongguan and the No. 1 store in Guangzhou under the Aidigong brand postpartum care centres at Xiamen InterContinental Hotel, Dongguan Wanda Vista Hotel and Guangzhou Jumeirah Hotel, respectively. The Yuegege brand business division entered the Eastern China market to open the No. 1 store in Wuxi under the Yuegege brand postpartum care centres at Lizhi Hotel. Meanwhile, the combined Aidigong business division launched a new business line of non-move-in combined postpartum care services and established new service centres under the combined Aidigong brand in Quanzhou and Fuzhou, respectively, within one month.

In terms of the intensive development in cities where the Group has established its presence, the Yuegege brand business division entered the Zhuhai market in May 2022 and opened the Zhuhai No. 1 Store under the Yuegege brand postpartum care centres at Zhuhai Haiwan Hotel, and opened the Zhuhai No. 2 Store at Zhuhai Somerset Bay Area Constellation Hotel Apartment in less than six months and opened the Zhuhai No. 3 Store at Zhuhai Yindu Baijia Hotel just over a year, proving the success of the Group's intensive urban development strategy of "Establishing Presence in 50 Cities in Five Years".

LAUNCHING THE NEW BUSINESS OF NON-MOVE-IN POSTPARTUM CARE SERVICES AGAINST THE NEW MARKET OF HOMESTAY POSTPARTUM CARE SERVICES

The business of non-move-in combined postpartum care services is a new business developed by the combined Aidigong business division from the Group's five major modules of postpartum care services, providing non-move-in postpartum care services for consumers in the market of homestay postpartum care services. The services of the new business include home postpartum care services, home postpartum meals, postpartum recovery services, early education for newborn babies and nutritional guidance services during pregnancy, etc. Customers can choose the combination of postpartum care services and products according to their individual needs to achieve personalised consumption.

The new combined Aidigong business has entered the market of homestay postpartum care services based on the Group's professional and standardized maternal and infant nursing system. Compared with traditional homestay postpartum care services, the user experience is significantly superior. The excellent reputation of the new business has been quickly widespread among customers and the referral rate is also increasing rapidly. The brand maturity of the homestay postpartum care services market is low. The capital investment of the combined Aidigong service centre is lighter than that of an ultra-light asset model and it is expected that the Group will be establishing new centres at a rapid rate, thereby quickly expanding the market share of homestay postpartum care services and becoming a dominant brand.

POSTPARTUM CARE SERVICES BUSINESS *(CONTINUED)*

INNOVATIVE MARKETING METHODS AND RAPIDLY INCREASING REFERRAL RATE HAVE REDUCED MARKETING EXPENSES SIGNIFICANTLY

The ultra-light asset model has not only achieved light assets but also light promotion and light manpower. The ultra-light asset model contributes to reducing marketing expenses significantly through innovative marketing methods and rapidly increasing the referral rate of new centres.

Yuegege, the sub-brand of postpartum care centres, took the lead in adopting the brand-building ideas of branding IP and IP branding to create a two-dimensional IP for young and fashionable mothers, which designed a variety of scene-like images of new mothers with the use of tools and elements such as two-dimension, blind boxes, videos and live broadcasts. These images are vivid and interesting, resonate with the mental and passion of the new generation of young consumers, and echo with them emotionally in a way that they are familiar with and enjoyable to see. For example, the blind boxes produced with the series of IP images of the Yuegege brand were introduced in marketing campaigns, which immediately caused a sensation in the market and were highly sought after by users, in particular, the hidden blind boxes were quickly sold out. Users' fondness and craziness for innovative marketing methods have driven them to take the initiative to follow and interact with one another, thus significantly improving the marketing efficiency of the business.

Shenzhen Silver Lake Villa Courtyard

Shenzhen Flower Township Courtyard

Shenzhen Qiaochengfang Luxury Courtyard

Shenzhen Nanshan Flagship Courtyard

Beijing Nogin Courtyard

Beijing Villa Courtyard

Chengdu Concept II Courtyard

Chengdu Concept Courtyard

Zhuhai Haiwan Centre

Shenzhen Longgang Centre

Zhuhai Shengjie Centre

No. 1 store in Wuxi under the Yuegege brand

No. 1 store in Dongguan under the Aidigong brand

No. 1 store in Xiamen under the Aidigong brand

Results for the Year

Revenue for the Year was approximately HK$554,581,000 (2022: HK$679,946,000), representing a decrease of approximately HK$125,365,000 or 18.4% as compared to that in 2022. The decrease in revenue was mainly due to the significant drop in the number of pregnancies in the current period due to the effects of the post-pandemic and the depreciation of the exchange rate of Renminbi against Hong Kong Dollar. Gross profit for the Year was approximately HK$121,032,000 (2022: HK$98,740,000), representing an increase of approximately HK$22,292,000 or 22.6% as compared to that in 2022. The gross profit margin of the Group for the Year was 21.8% (2022: 14.5%). The increase in gross profit for the Year was attributable to the fact that the ultra-light asset model of operation adopted by new centres had further reduced the initial investment in new centres and optimised the financial model for matured centres, resulting in a significant increase in gross profit.

ADMINISTRATIVE EXPENSES

Administrative expenses for the Year were approximately HK$140,920,000 (2022: HK$121,023,000), representing an increase of approximately HK$19,897,000 or 16.4% as compared to that in 2022. Such increase was mainly due to an increase in non-cash expenses provided for impairment of assets for the Year.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses for the Year were approximately HK$116,266,000 (2022: HK$148,453,000), representing a decrease of approximately HK$32,187,000 or 21.7% as compared to that in 2022. Such a decrease was mainly due to the decrease in selling and marketing expenses resulting from the innovative marketing methods applied to the postpartum care services business in order to improve marketing efficiency as compared to that in 2022.

FINANCE COSTS

Finance costs for the Year were approximately HK$53,768,000 (2022: HK$64,571,000), representing a decrease of approximately HK$10,803,000 or 16.7% as compared to that in 2022. Finance costs mainly include interest on bonds payable of approximately HK$4,303,000 (2022: HK$9,866,000), interest on bank and other borrowings of approximately HK$26,406,000 (2022: HK$34,339,000), non-cash interest expense on lease liabilities of approximately HK$16,241,000 (2022: HK$20,366,000) and interest on convertible preference shares of approximately HK$6,818,000 (2022: Nil).

LOSS FOR THE YEAR

Net loss for the Year was approximately HK$176,848,000 (2022: HK$178,140,000), representing a decrease of approximately HK$1,292,000. The decrease was mainly attributable to the facts that (i) the postpartum care services business was steadily recovering from the impact of COVID-19, and the postpartum care services business segment has returned to profitability; (ii) the ultra-light asset model of operation adopted by new centres had further reduced the initial investments in new centres and optimised the financial model for matured centres, resulting in significant increase in gross profit; (iii) the postpartum care services business applied innovative marketing methods to improve marketing efficiency, resulting in decrease in selling and marketing expenses as compared to that in 2022; and (iv) being offset by an increase in provision for impairment for the Year.

Basic and diluted loss per share attributable to the owners of the Company for the Year were both HK4.08 cents (2022: basic and diluted loss per share: both HK3.84 cents).

RECONCILIATION OF NON-HKFRS MEASURES WITH THE NEAREST MEASURE PREPARED IN ACCORDANCE WITH HKFRS

To supplement our consolidated results which are prepared and presented in accordance with HKFRS, we also use adjusted profit/(loss) as additional financial measures, which are not required by, or presented in accordance with HKFRS. We believe that these non-HKFRS measures facilitate comparisons of operating performance from period to period by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance. The use of these non-HKFRS measures has limitations as an analytical tool, and one should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial conditions as reported under HKFRS. In addition, these non-HKFRS measures may be defined differently from similar terms used by other companies.

Adjusted profit/(loss) represent profit for the period adjusted for: (i) gain on fair value change of financial assets at fair value through profit or loss, imputed interest income from consideration receivable, interest on structured deposits, some finance cost, loss on fair value changes of convertible preferred shares, gain on the modification of lease and deferred tax; and (ii) certain non-cash or one-off items, including equity-settled share award expense, depreciation and amortization costs and certain impairment provision.

Results for the Year *(Continued)*

The table below sets out a reconciliation of non-HKFRS measures with the nearest measure prepared in accordance with HKFRS for the years 2023 and 2022.

	2023 HK$'000	2022 HK$'000
Loss for the Year	**(176,848)**	(178,140)
Adjusted for:		
Equity-settled share award expense	**37,263**	41,140
Allowance for expected credit losses on financial assets	**67,950**	21,963
Depreciation and amortisation	**48,308**	54,267
Finance cost		
– Interest on bonds payable	**4,303**	9,866
– Interest on bank and other borrowings	**26,406**	34,339
– Finance costs on convertible preference shares	**6,818**	–
Loss on convertible preference shares, net	**3,888**	–
Deferred tax	**9,325**	(32,754)
Imputed interest income from consideration receivable	**(8,203)**	(5,623)
Gain on fair value change of financial assets at FVTPL	**(128)**	(229)
Gain on lease modification	**(2,715)**	–
Interest on structured deposits	**(1,394)**	(930)
Loss on disposal of property, plant and equipment	**754**	–
Adjusted profit/(loss)	**15,727**	(56,101)

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the Year (2022: Nil).

Management Discussion and Analysis

FINANCIAL HIGHLIGHTS

NET ASSET VALUE

As at 31 December 2023, the net assets of the Group were approximately HK$755,949,000 (2022: HK$925,410,000), representing a decrease of approximately HK$169,461,000 as compared to the net assets of the Group in 2022. Such a decrease was mainly due to the loss of approximately HK$176,848,000 during the Year.

Net assets value per issued ordinary share of the Company as at 31 December 2023 was approximately HK$0.17 (2022: HK$0.21).

As at 31 December 2023, the current ratio of the Group (calculated as current assets divided by current liabilities) was 1.16 (2022: 1.06).

EQUITY

The number of issued ordinary shares of the Company (the "**Shares**") as at 31 December 2023 was 4,435,014,974 (2022: 4,345,014,974).

Pursuant to an incentive agreement (the "**Incentive Agreement**") entered into between the Company and Hongchang International Investment Limited (the "**Zhu Associate**") dated 27 October 2020, the Company granted to Zhu Associate 150,000,000 incentive shares in total (the "**Incentive Shares**"). Zhu Associate has undertaken on a voluntary basis to be subject to lock-up undertakings made in favour of the Company, that it will not directly or indirectly transfer, sell or otherwise dispose of the Incentive Shares within three years from the date of issuance of the relevant Incentive Shares.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2023, the Group had a principal amount of HK$65,200,000 (2022: HK$80,800,000) unsecured bonds payable, approximately HK$327,809,000 (2022: HK$348,165,000) secured bank loan and secured other borrowings of HK$3,000,000 (2022: unsecured other borrowings of HK$52,097,000).

Save as disclosed above, the Group did not have any other borrowing as at 31 December 2023. The gearing ratio of the Group was 0.83 as at 31 December 2023 (2022: 0.51). The gearing ratio is calculated by dividing the total of bank and other borrowings, convertible preference shares and bonds payable by the total equity.

The Group maintains sufficient working capital and cash position for daily operations. Bank and cash balances of the Group as at 31 December 2023 amounted to approximately HK$80,303,000 (2022: HK$53,847,000).

TREASURY POLICY

The Group adopts a prudent financial management approach for its treasury policy to ensure that the Group's liquidity structure comprising assets, liabilities and other commitments is able to always meet its capital requirements.

FINANCIAL HIGHLIGHTS *(CONTINUED)*

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE (CONTINUED)

In addition to the above bank and cash balances, as at 31 December 2023, the Group held structured bank deposits ("**SBDs**") of approximately HK$20,009,000 (2022: HK$34,022,000) at certain banks. Pursuant to the relevant underlying agreements, the SBDs generally carry income at a variable rate per annum with reference to the performance of foreign currency, commodity price, or assets during the investment period and the principal sums are denominated in RMB. Such SBDs are principal protected, either redeemable on demand or have a maturity date ranging from three to eight months.

The cash and bank balances were denominated in RMB, Hong Kong dollars and United State dollars and the bank borrowings facilities available to the Group were denominated in RMB and bear floating interest rates. The Group continued to have no foreign exchange contracts and investment in listed shares, bonds and debentures or any other material financial instruments for hedging foreign exchange risks purpose. The Group is not exposed to material fluctuations risks in exchange rates.

PLEDGE OF ASSETS

Reference is made to the Company's announcement dated 16 September 2019 regarding, among other things, the loan agreements entered into between Guangdong Goodtop Health Industry Group Limited (廣東萬佳健康產業集團有限公司) ("**Guangdong Goodtop**"), a wholly-owned subsidiary of the Company, as borrower, with Dongguan Rural Commercial Bank Co., Ltd. ("**DRC Bank**"), as lender, pursuant to which, DRC Bank, Donglian Branch agreed to grant loan facilities to Guangdong Goodtop to acquire Shenzhen Aidigong Maternity Health Management Co., Ltd.* (深圳愛帝宮母嬰健康管理有限公司) ("**Shenzhen Aidigong**"). The balance of such loan as at 31 December 2023 was approximately RMB296,781,000. Guangdong Goodtop provided a share pledge of over 94.95% interests in Shenzhen Aidigong. The Company and its subsidiaries provided guarantees and Mr. Cheung Wai Kuen, an executive Director, provided personal guarantees to the loan facilities. The provision of such personal guarantees constitutes financial assistance to the Group under Chapter 14A of the Listing Rules. Given that the personal guarantees are not secured by any assets of the Group, and that the Directors consider that the personal guarantees are conducted on normal commercial terms or better to the Group, the personal guarantees are fully exempted from the Shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.90 of the Listing Rules.

Save as disclosed above, no other assets were pledged by the Group as at 31 December 2023 and 31 December 2022.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any material contingent liability (2022: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS

During the Year, the Group did not have material acquisitions and disposals of subsidiaries and associates.

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2023 and 31 December 2022, except for the subsidiaries, associates and ventures of the Group as disclosed in this report, the Group did not hold any significant investments. Particulars of the Company's principal subsidiaries, associates and ventures as at 31 December 2023 are set out in notes 45, 20 and 21 to the consolidated financial statements respectively.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as the future plans or development of the Group's business as disclosed in the paragraphs headed "Business Review" in this report, there was no specific plan for material investments or capital assets as at 31 December 2023.

Directors' Report

The Board is pleased to present to the Shareholders their report together with the audited consolidated financial statements of the Group for the Year.

PRINCIPAL BUSINESS

The Company acts as an investment holding company. The principal business of its principal subsidiaries are set out in note 45 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business of the Group during the Year and a discussion of the Group's future business development are set out in the "Chairman's Statement" and the "Management Discussion and Analysis" sections on pages 3 to 4 and on pages 14 to 15 of this report, respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of investments in the property, plant and equipment of the Group during the Year are set out in note 16 to the consolidated financial statements.

REVENUE AND OPERATING SEGMENTS INFORMATION

The Group's revenue and contribution to profit for the Year from operations analysed by principal business are set out in notes 7 and 8 to the consolidated financial statements.

SUBSIDIARIES, ASSOCIATES AND VENTURES

Particulars of the Company's principal subsidiaries, associates and ventures as at 31 December 2023 are set out in notes 45, 20 and 21 to the consolidated financial statements respectively.

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 pages 93 to 94 of this report.

The Board does not recommend the payment of any final dividend for the Year (2022: Nil).

RISKS AND UNCERTAINTIES RELATING TO THE GROUP'S BUSINESS

The Group's financial condition, results of operations, businesses and prospects would be affected by a number of risks and uncertainties including business risks, operational risks, manpower and retention risks, compliance risks and financial risks. The Group's key risk exposures are summarised as follows:

Business risks	Performance of the Group's core business will be affected by various factors, including but not limited to economic conditions, performance of the healthcare market, performance of our investments held. The Group proactively monitors industry trends, technology innovations and is responsive to changes in consumer behaviour.
Operational risks	Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks basically rests with every function at divisional and departmental levels. Key functions in the Group are guided by their standard operating procedures, limits of authority and reporting framework. Our management will identify and assess key operational exposures regularly so that appropriate risk response can be taken.
Manpower and retention risks	The Group may face the risk of losing key personnel and talents with appropriate and required skills, experience and competence which would meet the business objectives of the Group. The Group will provide attractive remuneration package to suitable candidates and personnel.
Compliance risks	The risk of loss resulting from breach of or non-compliance with applicable laws and regulations. The Group engages a legal advisory firm to provide relevant legal advice and compliance reviews on the Group's documentations and publications.
Financial risks	(i) foreign currency risk (ii) interest rate risk (iii) credit risk Details of the financial risk management are set out in note 5 to the consolidated financial statements.

There may be other risks and uncertainties in addition to those mentioned above which are not known to the Group or which may not be material now but could turn out to be material in the future.

For procedures and information of the Group's risk management and internal control system, please refer to the section headed "RISK MANAGEMENT AND INTERNAL CONTROL" in the Corporate Governance Report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to achieving environmental sustainability. Our commitment to protect the environment is well reflected by our continuous efforts in promoting green measures and awareness in our daily business operations. The Group encourages environmental protection and promotes awareness towards environmental protection to the employees. The Group adheres to the principle of recycling and reducing. It implements green office practices such as double-sided printing and copying, setting up recycling bins, promoting the use of recycled paper and reducing energy consumption by switching off idle lightings and electrical appliance.

The Group endeavours to comply with the relevant laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, waste reduction and energy saving. The Group will review its environmental practices from time to time and will consider implementing further eco-friendly measures and practices in the operation of the Group's businesses to move towards adhering the 3Rs – Reduce, Recycle and Reuse and enhance environmental sustainability.

For details, please refer to the Environmental, Social and Governance Report in this report.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. During the Year, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

As a listed company in Hong Kong, the shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company continuously complies with the requirements under the Rules Governing the Listing of Securities of the Stock Exchange (the "Listing Rules") including the disclosure requirements, corporate governance provisions and Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") therein. Under the Securities and Futures Ordinance (Cap. 571) (the "SFO"), the Company is required to maintain a register of interests in shares and short positions and a register of directors' and chief executives' interests and short positions and is obliged to the disclosure requirement of inside information. The Board will monitor the Group's policies and practices in compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five years is set out on pages 195 to 196 of this report.

SHARE CAPITAL

Movements in the share capital of the Company during the Year are set out in note 29 to the consolidated financial statements.

COMPLETION OF THE ISSUE OF CONVERTIBLE PREFERENCE SHARES UNDER SPECIFIC MANDATE

On 23 March 2023, completion of the issue of convertible preference shares under specific mandate took place in accordance with the terms and conditions of the subscription agreement ("Subscription Agreement") dated 9 September 2022 entered into between the Company and Zhuhai Deyou Bohui Enterprise Management Consulting Centre (Limited Partnership)* (珠海德祐博暉企業管理諮詢中心) ("Subscriber"). Pursuant to the Subscription Agreement, a total of 187,265,918 Class A Convertible Preference Shares and 187,265,918 Class B Convertible Preference Shares have been allotted and issued by the Company to DYZH Holdings Limited ("DYZH") on 23 March 2023, an affiliate of the Subscriber at an aggregate consideration of HK$222.7 million. For details, please refer to the announcements of the Company dated 9 September 2022, 8 December 2022, 30 December 2022, 8 March 2023 and 23 March 2023, and the circular of the Company dated 9 December 2022 ("Announcements"). A breakdown of the use of the proceeds from the issuance of the convertible preference shares is set out in the table below:

	Actual use of proceeds as at the latest practicable date HK$ (million) (Approximate)
Repayment of outstanding indebtedness of the Group	153.6
General working capital	69.1
Total	222.7

RESERVES

Details of movements in the reserves of the Group during the Year are set out on pages 97 to 98 of this report.

DISTRIBUTABLE RESERVES

As at 31 December 2023, the Company's reserves available for distribution amounted to approximately HK$636.7 million (2022: HK$814.9 million), representing the share premium account of the Company of approximately HK$1,363.3 million less the accumulated losses as at 31 December 2023 of approximately HK$726.6 million.

TAX RELIEF

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holdings of Company's shares.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist under the Bye-laws of the Company (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.

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

Pursuant to the rules of the share award scheme and terms of the trust deed, the trustee of the share award scheme purchased on the public market a total of 3,740,000 shares at a total consideration of HK$1,265,050 to satisfy the award of shares to selected employees. Details of the purchases during the Period are as follows:

Month of purchase	Number of shares purchased	Price per share Highest		Aggregate price
		Highest	Lowest	
		HK$	HK$	HK$
June 2023	1,160,000	0.375	0.35	420,700
July 2023	2,580,000	0.345	0.305	844,350

Save as disclosed above, during the Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed the Company's listed securities.

EVENTS AFTER REPORTING PERIOD

On 20 March 2024, the Company proposes to raise gross proceeds of approximately HK$62.09 million before expenses by way of the rights issue ("Rights Issue") to the shareholders. The Rights Issue involves the issue of up to 1,478,338,324 rights shares ("Rights Shares") at the subscription price of HK$0.042 per Rights Share on the basis of one (1) Rights Share for every three (3) existing shares in issue on the record date to the qualifying shareholders. Please refer to the announcement of the Company dated 20 March 2024 for details.

DIRECTORS

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

EXECUTIVE DIRECTORS

Mr. Cheung Wai Kuen
(Re-designated as Chairman and Chief Executive Officer on 26 October 2023)
Mr. Lin Jiang
Mr. Li Runping
Ms. Meng Lijia
Ms. Zhu Yufei (Resigned on 26 October 2023)
Ms. Kai Xiang Mei (Appointed on 26 October 2023)

NON-EXECUTIVE DIRECTORS

Ms. Liang Linmin
Mr. Guo Qifei (Resigned on 23 October 2023)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Chi Wing (Appointed on 26 October 2023)
Mr. Wong Yiu Kit, Ernest
Mr. Huang Wenhua
Mr. Wang Qingyu
Ms. Yu Lin (Resigned on 26 October 2023)

Pursuant to Bye-law 87 of the Bye-laws, Mr. Lin Jiang, Mr. Li Runping and Mr. Wong Yiu Kit, Ernest will retire from office by rotation at the forthcoming annual general meeting ("Annual General Meeting") of the Company and being eligible, offer themselves for re-election as Executive Directors and an Independent Non-executive Directors respectively.

Mr. Lam Chi Wing was appointed as an independent non-executive Director ("**INED**") with effect from 26 October 2023. Pursuant to Bye-laws 86(2) of the Bye-law each of them shall retire from office as a Director at the Annual General Meeting and being eligible, each of them has offered himself for re-election as an executive Director and an INED at the Annual General Meeting.

SERVICE CONTRACTS OF DIRECTORS

No Director being proposed for re-election at the forthcoming Annual General Meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE SECURITIES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 31 December 2023, the interests and positions of the Directors and the chief executive of the Company in the Shares, underlying shares of the Company 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 follow:

	Number of Shares					
Name of Directors	Ordinary shares of the Company	Underlying shares of the Company	Total	Capacity	*Note*	Percentage of issued Share capital
Mr. Cheung	534,989,671	–	534,989,671 (L)	Interest of controlled corporation	*1*	12.06%

Remark:

The letter "L" denotes the long position in shares of the Company.

Note:

(1) Mr. Cheung, through his controlled corporation, Champion Dynasty Limited ("Champion Dynasty") is deemed to be interested in 534,989,671 Shares held by Champion Dynasty.

Save for disclosed above, as at 31 December 2023, none of the Directors, chief executives of the Company, nor their associates, had or was deemed to have any interest or short position in the Shares, underlying shares of the Company or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), that was required to be recorded in the register maintained by the Company under section 352 of the SFO, or otherwise notified the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDER'S INTEREST IN THE SECURITIES OF THE COMPANY

As at 31 December 2023, so far as is known to any Director or chief executive of the Company, the following parties (other than the Directors or chief executive of the Company) were recorded in the register kept by the Company under section 336 of the SFO, or as otherwise notified the Company, as being directly or indirectly interested or deemed to be interested in 5% or more of the issued ordinary share capital of the Company:

	Number of shares of the Company held					
Name of substantial Shareholder	Beneficial owner	Interest of controlled corporation	Person having a security interest in Shares	Investment manager	*Notes*	Percentage of issued Share capital
Champion Dynasty	534,989,671 (L)	–	–	–	*1, 2*	12.06%
Lee Kar Lung	–	–	530,000,000 (L)	–	*1*	12.19%
	200,000,000 (L)	–	–	–	*1*	4.60%
Wang Aier	401,412,379 (L)	–	–	–	*3*	9.24%
Zhu Yufei	260,351,755 (L)	400,000,000 (L)	–	–	*4*	14.89%
Forever Heart Holdings Limited	–	400,000,000 (L)	–	–	*4*	9.02%
Suntek Global Growth Fund SPC – Suntek Global Growth Fund Number One SP Limited	–	–	–	398,304,379 (L)	*5*	9.90%
Zhuhai Deyou Bohui Enterprise Management Consulting Center (Limited Partnership)	374,531,836 (L)	–	–	–	*6*	8.68%
Zhuhai Gao Ling Deyou Investment Management Co., Ltd.	–	374,531,836 (L)	–	–	*7*	8.68%

Notes:

(1) On 8 February 2023, 530,000,000 Shares held by Champion Dynasty, as chargor, were charged in favour of Lee Kar Lung, and 200,000,000 Shares were held by Lee Kar Lung as a beneficial owner. According to the relevant Disclosure of Interest Notice ("DI Notice") in connection with the Company available on www.hkex.com.hk, Lee Kar Lung entered into an agreement for the purchase of 200,000,000 Shares on 27 January 2023.

(2) Mr. Cheung is the sole director of Champion Dynasty and owned its entire issued capital.

(3) 401,412,379 Shares were held by Wang Aier as a beneficial owner.

(4) Ms. Zhu Yufei is (i) beneficially interested in 260,351,755 ordinary shares; (ii) deemed to be interested in 200,000,000 ordinary shares through Hongchang International Investment Limited; and (iii) deemed to be interested in 200,000,000 ordinary shares through Hongyuan Investment Limited, both being her controlled corporations. Forever Heart Holdings Limited is the holding company of Hongchang International Investment Limited and Hongyuan Investment Limited, and is owned as to 100% by Ms. Zhu. By virtue of the SFO, Forever Heart Holdings Limited is deemed to be interested in the shares held by Hongchang International Investment Limited and Hongyuan Investment Limited.

SUBSTANTIAL SHAREHOLDER'S INTEREST IN THE SECURITIES OF THE COMPANY (CONTINUED)

(5) According to the relevant DI Notice in connection with the Company available on www.hkex.com.hk, as at 31 December 2023, Suntek Global Growth Fund SPC – Suntek Global Growth Fund Number One SP is interested in 398,304,379 Shares as an investment manager.

(6) On 9 September 2022, the Company and Zhuhai Deyou Bohui Enterprise Management Consulting Center (Limited Partnership) ("Zhuhai Deyou") entered into the Subscription Agreement pursuant to which Zhuhai Deyou has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue to Zhuhai Deyou, 374,531,836 convertible preference shares of the Company for an aggregate consideration of HK$224,719,101.6.

(7) Zhuhai Gao Ling Deyou Investment Management Co., Ltd. is the general partner of Zhuhai Deyou Bohui Enterprise Management Consulting Center (Limited Partnership). By virtue of the SFO, Zhuhai Gao Ling Deyou Investment Management Co., Ltd. is deemed to be interested in the shares held by Zhuhai Deyou Bohui Enterprise Management Consulting Center (Limited Partnership).

(8) The letter "L" denotes the long position in shares of the Company held by that person.

All the interests stated above represent long position which included interests in Shares and underlying shares of the Company. Save for disclosed above, as at 31 December 2023, the Directors were not aware of any persons (who were not directors or chief executive of the Company) who had an interest or short position in the Shares, underlying shares or bonds of the Company or its associated corporations which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Year, none of the Directors was interested in any business which competed or was likely to compete, either directly or indirectly, with the Group's businesses.

UPDATE ON DIRECTOR'S INFORMATION PURSUANT TO RULE 13.51B OF THE LISTING RULES

Mr. Wong Yiu Kit, Ernest ("Mr. Wong"), an independent non-executive Director, has served as an independent non-executive director of Goldstone Investment Group Limited (In Liquidation) (stock code: 901) ("Goldstone") whose shares are listed on the Main Board of the Hong Kong Stock Exchange. On 18 May 2023, Goldstone was ordered to be wound up by the High Court of the Hong Kong Special Administrative Region as a result of the filing of a petition in relation to the winding-up of Goldstone. Mr. Wong has confirmed to the Company that he has no connection with or any involvement in, the matter relating to the relevant petition, the winding-up order or any of the underlying claims. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, neither Goldstone nor its subsidiaries are related to the Group. For further details, please refer to the announcement of the Company dated 31 May 2023.

Save as disclosed above, there is no other matter relating to the Directors that is required to be disclosed pursuant to Rule 13.51B of the Listing Rules.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

There were no arrangements to which the Company, its subsidiaries, its holding company or its holding company's subsidiaries was a party to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate during the Year.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save for disclosed in the "Connected Transaction and Continuing Connected Transactions" below, no Director nor any entity connected with a Director is or was materially interested, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group or to which the Company or any of its subsidiaries, its parent company and the subsidiaries of its parent company was a party during or at the end of the Year.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

According to the DI Notice, as at 31 December 2023, the Company is not aware of the existence of any controlling shareholder (as defined under the Listing Rules). Therefore, there is no controlling Shareholder or its subsidiaries which had a material interest, either directly or indirectly, in any contract of significance, whether for the provision of services or otherwise, to the business of the Group, to which the Company or any of its subsidiaries was a party during the Year.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

On 27 October 2020, the Company entered into an incentive agreement (the "Incentive Agreement") with Zhu Associate, pursuant to which Zhu Associate will be entitled to incentive Shares based on the aggregate net profit amount of a new postpartum care centre during the incentive base period. The maximum number of the incentive Shares to be issued to Zhu Associate by the Company is 200,000,000 incentive Shares, representing (i) as at the date of the incentive agreement, approximately (a) 5.22% of the issued ordinary share capital of the Company; (b) 4.96% of the Company's issued ordinary share capital as enlarged by the issue of the maximum number of the incentive shares, and (ii) as at the date of this report, approximately 4.60% of the issued ordinary share capital of the Company. The Company entered into the Incentive Agreement in order to increase the number of postpartum care centres operated under the brand name of "Aidigong" and expand its coverage for the provision of postpartum care services to more people. The Incentive Agreement was approved by the independent Shareholders at the special general meeting held on 28 December 2020. On 30 May 2022 and 27 September 2022, the Company issued and granted 60,000,000 incentive Shares to Zhu Associate pursuant to the incentive agreement. Please refer to the announcements of the Company dated 23 May 2022, 9 September 2022, 25 October 2023 and 29 October 2023 for details.

The Company's INEDs confirm that they have reviewed that the transactions have been entered into in the ordinary course of business of the Group on normal commercial terms or better and according to the agreement governing them on terms that are fair and reasonable and in the interests of the Group's shareholders as a whole.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION *(CONTINUED)*

The Company confirmed that nothing has come to their attention that the transactions have not been approved by the Board, were not entered into, in all material respects in accordance with the relevant agreement governing the transactions and have exceeded the cap.

The Company confirms that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules for these connected transactions.

Save as disclosed, the Company has not entered into any other connected transaction. Information on the Group's related party transaction is disclosed in Note 42 to the consolidated financial statements. The Company confirms that those transactions do not constitute a connected transaction or continuing connected transaction under chapter 14A of the Listing Rules.

REMUNERATION POLICIES, SHARE OPTION SCHEME AND SHARE AWARD SCHEME

As at 31 December 2023, the Group had around 1,311 employees (2022: around 1,581). The remuneration committee of the Company (the "Remuneration Committee") was set up for reviewing the Group's overall emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

Remuneration package comprised salaries and year-end bonuses based on individual merits. It is the Group's policy to recruit the right person for each position based on the person's qualification and experience. The remuneration of each employee is reviewed every year based on the performance of the employee with reference to the prevailing market conditions. During the Year, total staff costs excluding Directors' emolument were approximately HK$220,280,000 (2022: HK$289,310,000).

The Group provides different career development and training programs to all levels of staff. Continuous learning is one of the Group's core values. Employees may be provided with in-house training sessions or may enrol in external training courses, such as seminars, workshops, visits and demonstrations, so as to upgrade their skills and strengthen their knowledge, thus enabling them to fulfil their duties more efficiently.

At the annual general meeting of the Company held on 28 June 2022, the Shareholders approved, among other things, (1) the termination of the share option scheme adopted on 11 October 2012 (the "Old Share Option Scheme"); and (2) the adoption of the new share option scheme (the "New Share Option Scheme"). No options were granted, outstanding, exercised, cancelled or lapsed under the Old Share Option Scheme since its adoption and up to the date of its termination. For details, please refer to the circular of the Company dated 6 June 2022 and the announcement of the Company dated 28 June 2022.

According to the terms of the New Share Option Scheme, its purpose is to provide incentives or rewards to Eligible Participants (as defined in the New Share Option Scheme) for their contribution to the Group. Eligible Participants include any employees, executives or officers of the Group (including any directors, whether executive or non-executive and whether independent or not, of the Company or any of its subsidiaries). Unless otherwise cancelled or amended, the New Share Option Scheme will remain in force for 10 years from the effective date.

REMUNERATION POLICIES, SHARE OPTION SCHEME AND SHARE AWARD SCHEME *(CONTINUED)*

The maximum number of Shares in respect of which options may be granted under the New Share Option Scheme when aggregated with the maximum number of Shares in respect of which options may be granted under any other scheme shall not exceed 10% of the Company's issued Shares on the adoption date without prior approval from the Shareholders. The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other options granted and yet to be exercised under any other scheme shall not exceed 30% of the Company's issued Shares from time to time. No option may be granted to any person such that the total number of Shares issued and to be issued upon the exercise of options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the Company's issued Shares from time to time, unless the approval of the Shareholders is obtained. The current mandate limit of the New Share Option Scheme entitled the Company to grant up to 431,501,497 share options, representing 10% of the then issued ordinary share capital of the Company as at 28 June 2022.

Pursuant to the New Share Option Scheme, no share option was granted, outstanding, exercised, cancelled or lapsed under the New Share Option Scheme since its adoption.

As at 1 January 2023, the number of shares available for issue under the Share Option Scheme was 431,501,497, representing approximately 10% of the total number of shares in issue of the Company as at 1 January 2023.

In addition, the Board has approved the adoption of the Share Award Scheme on 5 July 2018 and it was approved by the Shareholders at the special general meeting held on 30 August 2018. The purposes and objectives of the Share Award Scheme are to recognise the contributions by certain employee, director, officer, consultant or adviser of the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. The Board will, from time to time, consider and if appropriate, identify relevant participants of the Share Award Scheme to carry out the purposes and achieve relevant objectives of the Share Award Scheme. Subject to any early termination determined by the Board of Directors of the Company, the Share Award Scheme is valid and effective for a period of ten years commencing on 30 August 2018. The Board may at its discretion grant any eligible participant awarded shares, provided that the total number of awarded shares shall not exceed 3% of the issued share capital of the Company as at the date of grant. The Share Award Scheme is operated through a trustee which is independent of the Group. The Board may either (i) cause to allot and issue new Shares to the Trustee at the subscription price under the scheme mandate or a general mandate (as the case may be) (1) as awarded Shares in the event that the Board has selected certain eligible persons as selected participants or (2) from time to time for future award, and the Board shall in such events cause an amount equal to the subscription price of such new Shares to be allotted and issued under the scheme mandate or a general mandate (as the case may be) be transferred from the Company's resources as soon as practicable prior to the allotment and issuance of such shares as subscription monies for the new Shares to the trustee or (ii) from time to time instruct the trustee in writing to purchase Shares on the Stock Exchange out of the trust fund.

REMUNERATION POLICIES, SHARE OPTION SCHEME AND SHARE AWARD SCHEME *(CONTINUED)*

(1) PURPOSES AND OBJECTIVES OF THE SHARE AWARD SCHEME

The purposes and objectives of the Share Award Scheme are to recognize the contribution by certain eligible persons and to provide them with incentives in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group.

(2) ELIGIBLE PERSONS

Eligible persons include any individual, being an employee, a director, officer, consultant or adviser of any member of the Group or any other person whom the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to the Group.

(3) THE TOTAL NUMBER OF SHARES AVAILABLE FOR ISSUE AND GRANT UNDER THE SCHEME MANDATE

Subject to the relevant rules of the scheme, the Board may cause new shares be allotted and issued under the scheme mandate or the general mandate granted to the Board from time to time, or instruct the trustee in writing to purchase Shares on the Stock Exchange out of the trust fund.

As at the date of this annual report, the scheme mandate has already expired and the Board may only cause new shares be allotted and issued under the general mandate granted to the Board by the shareholders on 28 April 2023. The number of Shares available for issue under the Scheme as at the date of this annual report was 434,501,497, representing approximately 9.8% of the total issued Shares of the Company as at the date of this Annual Report.

The number of shares that may be issued in respect of options and awards granted under all schemes of the Company during the year ended 31 December 2023 divided by the weighted average number of shares of the relevant class in issue for the year ended 31 December 2023 is approximately 0.015.

Under the rules of the scheme, there is no specified limit on the maximum number of awarded Shares which may be granted to a single selected participant under the Scheme.

On 12 November 2021, the Company granted 63,500,000 award Shares to 69 selected persons thereunder in the form of issue of shares under general mandate pursuant to the Scheme with a number of exercising conditions for the grantees who can only exercise their award Shares upon fulfilling the conditions (unless exempt from the Company is obtained). As at the date of this annual report, none of such award Shares has been exercised. For further details of the granted 63,500,000 award shares, please refer to note 35 of the annual report.

REMUNERATION POLICIES, SHARE OPTION SCHEME AND SHARE AWARD SCHEME *(CONTINUED)*

(3) THE TOTAL NUMBER OF SHARES AVAILABLE FOR ISSUE AND GRANT UNDER THE SCHEME MANDATE *(CONTINUED)*

On 1 January 2022 and 20 September 2022, the Company awarded for an aggregate of 2,100,000 shares and 2,900,000 shares to the consultant of the Company, respectively. These shares were purchased on the open market. Such shares represent approximately 0.116% of the weighted average number of the shares in issue of the Company.

	Date of Grant	Number of awards unvested as at 1 January 2022	Number of awards granted during the year	Fair value of awards at the date of grant *(HKD)*	Vesting period	Number of awards vested during the year	Number of awards unvested as at 1 January 2022	Number of awards unvested as at 31 December 2022	Closing price of shares immediately before the date on which awards were granted *(HKD)*
Consultant	1 January 2022	–	2,100,000	0.86	N/A	2,100,000	–	–	0.86
	20 September 2022	–	2,900,000	0.475	N/A	2,900,000	–	–	0.46

During the year ended 31 December 2023 and 2022, the Company has not granted any award Shares to the Directors nor the five highest paid individual.

(4) VESTING PERIOD OF AWARDED SHARES

The Board may from time to time while the Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the award to be vested.

Subject to the terms and conditions of the Scheme and the fulfilment of all vesting conditions to the vesting of the awarded Shares of the Company on such selected participant, the respective awarded Shares of the Company shall vest in such selected participant.

(5) PAYMENT ON ACCEPTANCE OF AWARD

Save for the subscription price as agreed in the relevant award agreement, participants are not required to pay any amount upon acceptance of the award.

(6) THE BASIS OF DETERMINING THE PURCHASE PRICE OF SHARES AWARDED

The subscription price per share shall be determined by the Board and set out in the award agreement which is related to the market value per Share of the Company.

REMUNERATION POLICIES, SHARE OPTION SCHEME AND SHARE AWARD SCHEME (CONTINUED)

On 12 November 2021, the Company granted 63,500,000 award shares to 69 selected persons thereunder in the form of issue of shares under general mandate pursuant to the Share Award Scheme. The Company has set a number of exercising conditions for the grantees who can only exercise their award shares upon fulfilling the conditions (unless an exemption from the Company is obtained). Pursuant to one of the exercising conditions, the grantees may exercise 30% of the awarded shares after 12 months, 30% of the awarded shares after 24 months and 40% of the award shares after 36 months from the date of issuance of the share award. For the Year, none of such award shares were exercised.

			Movement during the period				
	Date of grant	Outstanding at 1 January 2023	Granted	Exercised	Lapsed	Outstanding at 31 December 2023	Exercising period
Employees and others	12 November 2021	19,050,000	–	–	–	19,050,000	48 months from 12 November 2021
	12 November 2021	19,050,000	–	–	–	19,050,000	48 months from 12 November 2021
	12 November 2021	25,400,000	–	–	–	25,400,000	48 months from 12 November 2021
	Total	63,500,000	–	–	–	63,500,000	

During the Year, for the purpose of the Share Award Scheme, the trustee of the Share Award Scheme has purchased on the open market an aggregate of 3,740,000 Shares, representing approximately 0.08% of the issued share capital of the Company as at 31 December 2023. For details, please refer to the paragraph headed "PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES" of this report and the voluntary announcements of the Company dated 20 June 2023, 21 June 2023, 29 June 2023, 5 July 2023 and 11 July 2023. As at 31 December 2023, the total number of Shares held by the trustee under the Share Scheme Award for the purpose of setting aside a pool of Shares available for allocation to selected participants was 4,616,000 (2022: 876,000) Shares. During the Year, no award shares were granted to anyone including but not limited to the Directors and the five highest paid individuals by the Company.

Details of the New Share Option Scheme and the Share Award Scheme are set out in notes 34 and 35 to the consolidated financial statements, respectively.

RETIREMENT BENEFIT SCHEMES

The Group operates the provident fund scheme as defined in the Mandatory Provident Fund Schemes Ordinance, Chapter 485 of the laws of Hong Kong (the "MPF Scheme") for the Year. The MPF Scheme is defined contribution scheme and the assets of the scheme are managed by its trustee.

The MPF Scheme is available to all employees aged 18 to below 65 and with at least 60 days of continuous service under the employment of the Group in Hong Kong. Contributions are made by the Group at 5% based on the staff's relevant income. The statutory maximum level of relevant income for contribution purpose is HK$30,000 per month. Staff members are entitled to 100% of the Group's contributions together with accrued returns irrespective of their length of service with the Group, but the benefit is required by law to be preserved until the retirement age of 65.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a percentage of its payroll costs to the central pension scheme. The contributions are charged to the profit or loss as they become payable in accordance with the rules of the central pension scheme.

Particulars of contribution to the retirement benefit scheme for the Year are set out in note 38 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISION

According to the Bye-laws, among others, the Directors, acting in relation to any of the affairs of the Company shall be entitled to be indemnified and secured harmless out of assets and profits of the Company from and against all, among others, actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain. The Company has taken out and maintained directors' and officers' liability insurance throughout the Year, which provides appropriate cover of the certain legal actions brought against the Directors and officers.

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.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate turnover attributable to the Group's five largest customers was less than 10% (2022: less than 10%) of the Group's total turnover for the Year.

The aggregate purchases attributable to the Group's five largest suppliers were less than 10% (2022: less than 10%) of the Group's total purchases for the Year.

None of the Directors, their close associates, or any Shareholders (which to the knowledge of the Directors owned more than 5% of the Company's issued shares) had beneficial interests in any of the Group's five largest customers and five largest suppliers during the Year.

RELATIONSHIPS WITH KEY STAKEHOLDERS

The Group's success also depends on the support from key stakeholders which comprise employees, customers, suppliers, regulators and Shareholders. Employees are regarded as the most important and valuable assets of the Group. The Group maintains a good relationship with its employees and did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or suffer from any material labour dispute during the Year. The Group also understands the importance of maintaining a good relationship with its suppliers and customers to meet its short-term and long-term goals. It enjoys good relationships with suppliers and customers and strives to take an active part in the communities where they operate.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors at the latest practicable date prior to the issue of this report, the Company had maintained the prescribed amount of public float during the Year and up to the latest practicable date prior to the issue of this report as required under the Listing Rules.

AUDITORS

The consolidated financial statements for the Year were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming Annual General Meeting. A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as the independent auditors of the Company ("Independent Auditors") for the subsequent year will be proposed at the forthcoming Annual General Meeting. There has been no change in the Independent Auditors in any of the preceding three years.

On behalf of the Board
Aidigong Maternal & Child Health Limited

Cheung Wai Kuen
Chairman

Hong Kong, 28 March 2024

Profiles of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Cheung Wai Kuen, aged 50, joined the Company as executive Director in August 2012 and has been appointed as the chairman of the Board since September 2012 and he became a joint chairman upon Ms. Zhu Yufei's appointment as a joint chairman. He has stepped down from his role as one of the joint chairmen of the Board with effect from 27 June 2021 but remained as an executive director of the Company. He is also a director of certain subsidiaries of the Group. Mr. Cheung Wai Kuen has been redesigned as an executive director, the chairman of the Board, and the chief executive officer of the Group with effect from 26 October 2023.

Mr. Cheung has 20 years of operational experience in the healthcare industry as well as rich resources in the industry. He has successfully found a number of hospitals and health management center. Mr. Cheung is a director of Champion Dynasty, a substantial shareholder of the Company. Mr. Cheung has retired from Greentech Technology International Limited (Stock Code: 195) as an executive director since 31 May 2019.

Ms. Kai Xiang Mei, aged 44, has been appointed as an executive Director with effect from 26 October 2023. She has extensive experience and resources in the women's apparel and healthcare industries. Ms. Kai is the founder of Yue Bao Garment Co., Ltd. and currently serves as the chairman of Zansheng Zhongmeisel Biotechnology Limited* (贊生忠美賽爾生物科技有限公司).

Mr. Lin Jiang, aged 59, was appointed as a non-executive Director on 1 February 2013 and was re-designated as an executive Director on 14 February 2020. He has over 20 years of experience in economic and financial field. He obtained a bachelor degree and a master degree in economics from Sun Yat-sen University, a doctoral degree in economics from Jinan University, and finished his postdoctoral research on applied economics in Zhongnan University of Economics and Law.

Mr. Lin is currently a professor of economics and a doctoral tutor in Lingnan College of Sun Yat-sen University. Moreover, he serves as an instructional committee member of Public Financial Majors of Higher Education Institutes of the Ministry of National Education* (國家教育部高等學校財政學類教學指導委員會), an adjunct research fellow for Cross-Strait Relation Research Center* (海峽兩岸關係研究中心特約研究員), a vice president of Guangdong Rural Finance Research Association* (廣東省農村財政研究會), an advisory member of Guangzhou Municipal Public Finance Experts Committee* (廣州市財政專家諮詢委員會), a member of the Guangzhou Municipal Planning Committee (廣州市規劃委員會) and a consultation expert of the Budget Work Committee, the Standing Committee of Guangzhou Municipal People's Congress, (廣州市人大常委會預算工作委員會諮詢專家). In addition, he has been the then deputy general manager for the financial division of China Merchants Group Limited.

According to the service agreement of Mr. Lin, he will hold office for a term of 1 year commencing on 14 February 2020, which will continue thereafter. According to the Bye-laws, Mr. Lin shall retire from office by rotation at least once every three years, and being eligible, will offer himself for re-election at the relevant general meetings. He will retire at the Annual General Meeting and being eligible, offer himself for re-election.

EXECUTIVE DIRECTORS *(CONTINUED)*

Mr. Li Runping, aged 42, was appointed as executive Director on 16 April 2020. He obtained a bachelor's degree in accounting from the International Business School, Nankai University (南開大學國際商學院) in June 2004, and a master's degree in administration from Nankai University (南開大學) in June 2011. Mr. Li has over ten years of experience in the financial industry. He served as senior management in a number of corporations and was responsible for industry research, investment and matters relating to mergers and acquisitions.

According to the service agreement of Mr. Li, he will hold office for an initial term of one year commencing on 16 April 2020, which will continue thereafter. Mr. Li is not entitled to any director's fee pursuant to his service contract, and he is not entitled to any other emoluments for holding office as an executive Director. According to the Bye-laws, Mr. Li shall retire from office by rotation at least once every three years, and being eligible, will offer himself for re-election at the relevant general meetings. He will retire at the Annual General Meeting and being eligible, offer himself for re-election.

Ms. Meng Lijia, aged 34, has been appointed as an executive Director with effect from 5 December 2022. She obtained a bachelor's degree in laws from Guangzhou University (廣州大學) in June 2012 and a master's degree in laws from Southwest University of Political Science & Law (西南政法大學) in December 2018. Ms. Meng previously worked in King & Wood Mallesons Beijing (北京市金杜(深圳)律師事務所) and is currently working in Beijing Jincheng Tongda & Neal (Shenzhen) Law Firm (北京金誠同達(深圳)律師事務所) as a lawyer. She has many years of experience in the legal field.

According to the service agreement of Ms. Meng, she will hold office for an initial term of one year commencing on 5 December 2022, which will continue thereafter. According to the Bye-laws, Ms. Meng shall retire from office by rotation at least once every three years, and being eligible, will offer herself for re-election at the relevant general meetings. In addition, pursuant to the Bye-laws, Ms. Meng, being on 5 December 2022, shall hold office until the Annual General Meeting and shall then be eligible for re-election. Ms. Meng will retire at the Annual General Meeting and, being eligible, offer herself for re-election.

NON-EXECUTIVE DIRECTOR

Ms. Liang Linmin, aged 52, has been appointed as a non-executive Director with effect from 27 December 2022. She is the founder of an ophthalmology hospital. She has been working in the interior design industry for years. Ms. Liang also has extensive experience in business management in the medical sector.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAM Chi Wing ("Mr. Lam"), aged 43, has been appointed as an independent non-executive Director with effect from 26 October 2023. Mr. Lam obtained a bachelor of business administration in accounting and finance degree from The University of Hong Kong in December 2003, a master of science in knowledge management degree from The Hong Kong Polytechnic University in December 2006 and a master of business administration degree from The Chinese University of Hong Kong in December 2010. He is currently a postgraduate of the executive master in Public Administration Hong Kong Administrative Talents Programme conducted by the School of Public Policy & Management at Tsinghua University.

Mr. Lam joined Li & Fung Group in September 2003, where he served as the group chief representative and general manager of Southern China of Li & Fung Development (China) Limited prior to his departure in July 2015. From June 2020 to December 2020, he was a brand and new retail strategic officer of Bonjour Holdings Limited.

Mr. Lam has been a deputy to the 14th National People's Congress (第十四屆全國人大代表), a member of each of the 12th and 13th Guangdong Provincial Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議第十二屆及第十三屆廣東省委員會) and a member of each of the 11th and 12th Zhongshan Municipal Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議第十一屆及第十二屆中山市委員會). Mr. Lam is currently a vice-chairman of each of the Hong Kong Guangdong Youth Association (香港廣東青年總會), the Council of the Guangdong Society of Commercial Economy (廣東省商業經濟學會理事會), the Council for the Promotion of Guangdong Hong Kong-Macao Cooperation (廣東省粵港澳合作促進會) and the Federation of Hong Kong Zhong Shan Community Organisations Limited (香港中山社團總會). He is also currently an adjunct associate professor of the department of information systems, business statistics and operations management of the Business School of The Hong Kong University of Science and Technology, and co-director and an adjunct professor of the Center of Innovation Design and Entrepreneurship of the School of Management and Economics of The Chinese University of Hong Kong, Shenzhen. Mr. Lam served as a part-time member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region from 2011 to 2012.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(CONTINUED)*

From July 2020 to December 2020, Mr. Lam was an executive director of Bonjour Holdings Limited (stock code: 653) and served as an independent non-executive director of Group from March 2016 to December 2022. Currently, Mr. Lam serves as an independent non-executive director of China Wantian Holdings Limited (stock code: 1854), Wai Hung Group Holdings Limited (stock code: 3321), Alco Holdings Limited (stock code: 328) and MTT Group Holdings Limited (stock code: 2350) and Space Group Holdings Limited (stock code: 2448), those shares of which are listed on the Main Board of the Stock Exchange.

According to the letter of appointment of Mr. Lam, he will hold office for an initial term of one year commencing on 26 October 2023, which will continue thereafter. According to the Bye-laws, Mr. Lam shall retire from office by rotation at least once every three years, and being eligible, will offer himself for re-election at the relevant general meetings. In addition, pursuant to the Bye-laws, Mr. Lam, being on 26 October 2023, shall hold office until the Annual General Meeting and shall then be eligible for re-election. Mr. Lam will retire at the Annual General Meeting and, being eligible, offer himself for re-election.

Mr. Wong Yiu Kit, Ernest, aged 56, has been appointed as an INED with effect from 20 September 2017. He is also the chairman of the Audit Committee and a member of the Remuneration Committee. Mr. Wong has over 30 years of experience in venture capital, corporate finance, business development and general management. He is the president and group chief financial officer of KVB Holdings Limited ("KVB"). Mr. Wong is also an independent non-executive director of Progressive Path Group Holdings Limited (Stock Code: 1581), Goldstone Investment Group Limited (Stock Code: 901, liquidators appointed), Kwong Luen Engineering Holdings Limited (Stock Code: 1413) and C&D Newin Paper & Pulp Corporation Limited (formerly known as "Samson Paper Holdings Limited") (Stock Code: 731), each of the shares of such companies are listed on the Stock Exchange. Mr. Wong also served several positions at Adamas Finance Asia Limited, a company listed on the London Stock Exchange (LSE Stock Code: ADAM) (now known as Jade Road Investments Limited (LON: JADE)), including its executive director, chief financial officer and non-executive director. Mr. Wong also served as the executive director, the chief financial officer and the company secretary of KVB Kunlun Financial Group Limited (now known as "CLSA Premium Limited") (Stock Code: 6877) and an independent non-executive director of RENHENG Enterprise Holdings Limited (Stock Code: 3628) and China Regenerative Medicine International Limited (Stock Code: 8158). Mr. Wong obtained a master's degree in management from Saïd Business School of Oxford, a bachelor's degree in business administration from The University of Hong Kong, a master's degree of science in investment management from The Hong Kong University of Science and Technology and a master's degree of science in electronic engineering from the Chinese University of Hong Kong. Mr. Wong was admitted as a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales and the Hong Kong Securities Institute. He was admitted as a chartered financial analyst of the Institute of Chartered Financial Analysts. He is also acting as the court member of The University of Hong Kong, and a global council of the Association of Chartered Certified Accountants.

According to the letter of appointment of Mr. Wong, he will hold office for a term of 1 year commencing on 20 September 2017, which will continue thereafter. According to the Bye-laws, Mr. Wong shall retire from office by rotation at least once every three years, and being eligible, will offer himself for re-election at the relevant general meetings.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(CONTINUED)*

Mr. Huang Wenhua, aged 46, has been appointed as an INED with effect from 5 December 2022. He obtained a master's degree in management from Sun Yat-sen University (中山大學) in 2005. Mr. Huang is an experienced management consultant. He has extensive experience in corporate strategic management, organizational operation management, marketing management and human resource management. He has provided management consulting services to dozens of companies.

Mr. Wang Qingyu, aged 45, has been appointed as an INED with effect from 27 December 2022. He has been working in the pharmaceutical industry for over 10 years. He has extensive experience in marketing and business management. Mr._Wang is a member of the Dongguan Political Consultative Congress, deputy leader of the Dongguan Volunteer Expansion Service Team and vice president of the Dongguan Positive Psychology Association. Mr. Wang was selected for the "List of Chinese Good Fellows" and received awards including Outstanding Volunteer of the Chinese Volunteer Service Exchange and Gold Award of the Guangdong Volunteer Service.

SENIOR MANAGEMENT

Various aspects of the business and operations of the Group are respectively under direct responsibilities of the executive Directors who are also regarded as the senior management of the Group.

COMPANY SECRETARY

Mr. Wong Wing Cheung, joined the Group in September 2017 and was appointed as the financial controller of the Group, the company secretary (the "Company Secretary") and the authorized representative of the Company in December 2017. Mr. Wong is a Practicing Certified Public Accountant certified under the Hong Kong Institute of Certified Public Accountants. He holds a bachelor degree in business administration in accountancy from City University of Hong Kong. Mr. Wong has over 15 years of experience in initial public offering, corporate acquisitions and restructuring, due diligence, audit and internal control. From 2005 to 2014, Mr. Wong held various positions in several audit firms, providing audit services in China and Hong Kong to various corporations. Prior to joining the Company, Mr. Wong has set up a consultancy firm for providing advisory services on financial, tax, internal control and daily operation of listed companies.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Save as disclosed in this report, there was no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of rule 13.51(2) of the Listing Rules for the Year.

DIRECTORS' RELATIONSHIP WITH OTHER DIRECTORS, SENIOR MANAGEMENT AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed in this report, none of the Directors has any relationship with the other Directors, the senior management of the Company and the Company's substantial shareholders.

Corporate Governance Report

OBJECTIVE

The Board together with the Group is committed to maintaining high standards of corporate governance so as to ensure high transparency and protection of the Shareholders' interests in general. The Board endeavours to ensure effective self-regulatory practices, maintain sound internal control system and absorb high calibre members to the Board.

The purpose of this Corporate Governance Report is to present to the Shareholders how the Company has applied the principles in the Corporate Governance Code (the "CG Code") under Appendix C1 to the Listing Rules throughout the Year.

BOARD OF DIRECTORS

The Board is responsible for directing the Group, formulating overall strategy, monitoring operational and financial performance of the Group and overseeing the performance of the management of the Group (the "Management"). Each Director acts in good faith for the best interest of the Company. The Directors are collectively and individually responsible to the Company for the manner in which the affairs of the Company are managed, controlled and operated. They had devoted sufficient time and attention to the Company's affairs during the Year.

The Board has delegated the authority for day-to-day management and operation of the Group to the senior management of the Group (the "Management"). As of the date of this report, the composition of the Board is as follows:

STRUCTURE

The Board currently comprises five Executive Directors, one non-executive Directors and four INEDs. The INEDs represent over one-third of the Board. The members of the Board during the Year and as at the date of this report as follows:

EXECUTIVE DIRECTORS

Mr. Cheung Wai Kuen
(Re-designated as *Chairman and Chief Executive Officer* on 26 October 2023)
Mr. Lin Jiang
Mr. Li Runping
Ms. Meng Lijia
Ms. Zhu Yufei (Resigned on 26 October 2023)
Ms. Kai Xiang Mei (Appointed on 26 October 2023)

NON-EXECUTIVE DIRECTORS

Ms. Liang Linmin
Mr. Guo Qifei (Resigned on 23 October 2023)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Chi Wing (Appointed on 26 October 2023)
Mr. Wong Yiu Kit, Ernest
Mr. Huang Wenhua
Mr. Wang Qingyu
Ms. Yu Lin (Resigned on 26 October 2023)

BOARD OF DIRECTORS *(CONTINUED)*

STRUCTURE (CONTINUED)

The Directors' biographies are available on the Company's website. There is no personal relationship among members of the Board.

During the Year, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three INEDs representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise. The Company has received from each INED an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the INEDs are independent.

The Directors (including the non-executive Directors and the INEDs) were appointed for specific terms.

Pursuant to Bye-law 87 of the Bye-laws, Mr. Lin Jiang, Mr. Li Runping and Mr. Wong Yiu Kit, Ernest will retire from office by rotation at the forthcoming annual general meeting ("AGM") of the Company and being eligible, offer themselves for re-election as Executive Directors.

Mr. Lam Chi Wing was appointed as an INED, with effect from 26 October 2023 and Ms. Kai Xiang Mei was appointed as an executive director. Pursuant to Bye-law 86(2) of the Bye-laws, each of them shall retire from office as a Director at the Annual General Meeting and being eligible, each of them has offered himself/herself for re-election as a Director at the Annual General Meeting.

Every Director is subject to retirement by rotation either under the Bye-laws or voluntarily, and eligible for re-election at the annual general meetings of the Company at least once every three years. The current term of office for the non-executive Directors (including the Independent non-executive Directors) of the Company is fixed for one year and is subject to retirement by rotation once every three years.

Ms. Kai Xiang Mei and Mr. Lam Chi Wing, who were appointed to the Board in 26 October 2023 respectively, had obtained legal advice from an external law firm as required under Rule 3.09D of the Listing Rules respectively. Each of them has confirmed his/her understanding of the obligations as a Director of the Company.

ASSISTANCE TO DIRECTORS IN DECISION MAKING

Throughout their period in office, the Directors have been informed of the Group's businesses, the competitive and regulatory environments in which it operates and other changes affecting the Group and the industries it operates in as a whole. They have also been advised on the appointment of their legal and other duties and obligations as directors of a listed company and updated on changes to the legal and governance requirements of the Group and upon themselves as the Directors.

The Directors are given access to independent professional advice at the Company's expense, when they deem it is necessary in order for them to carry out their responsibilities from time to time.

To enhance the Directors' consciousness on the importance of the directors' duties under common law (which is also generally applicable to Bermuda where the Company was incorporated) and to comply with the requirements of the Companies Ordinance (Cap. 622, Laws of Hong Kong), "A Guide on Directors' Duties" in which the general principles a director should follow in the performance of his functions and exercise of his powers was distributed to the Directors.

BOARD OF DIRECTORS *(CONTINUED)*

CONDUCT OF MEETINGS

The Board meets regularly to discuss operational issues and evaluate the financial performance of the Group. The Board will consider and approve acquisition and disposal, remuneration policy, appointment and retirement of Directors, connected transactions, placing and repurchase of shares and dividend policy of the Group in pursuit of its strategic goals. Control and day-to-day operation of the Company is delegated to the CEO and the management of the Company.

The chairman of the meetings has delegated the responsibility to the Company Secretary for drawing up and approving the meeting's agenda for each Board meeting, taking into account of any matter proposed by each Director for inclusion in the agenda.

The proceedings of the Board at its meetings are generally monitored by the chairman of the meetings who would ensure that sufficient time is allocated for discussion and consideration of each item on the agenda. Equal opportunities are given to each Director to express his/her views and concerns.

Each Director has to declare his/her interest and to abstain from voting on any Board resolution in which he/she or any of his/her associates has a material interest pursuant to the Bye-laws and the laws of Bermuda.

All Directors have full access to the advice and services of the Company Secretary to ensure the Board procedures, rules and regulations are followed. Draft and final versions of minutes of each Board meeting in sufficient details are sent to the Directors for comments and records within reasonable time after the meeting is held. The minutes of Board meetings and of the Board committees' meetings are kept by the Company Secretary, which are open for inspection by the Directors on reasonable notice.

Four Board meetings were held for the Year. The Company Secretary and the Management had attended the Board meetings to report matters arising from corporate governance, risk management, statutory compliance, accounting, finance and business. During the Year, one general meetings were held (including the annual general meeting of the Company on 28 June 2023).

BOARD OF DIRECTORS *(CONTINUED)*

CONDUCT OF MEETINGS (CONTINUED)

Individual attendance of each Director at the meetings during the Year was as follows:

Directors	Number of Board meetings attended/held	Number of general meetings attended/held (Note 6)
Executive Directors		
Mr. Cheung Wai Kuen *(Chairman and CEO)*	4/4	2/2
Mr. Lin Jiang	4/4	1/2
Mr. Li Runping	3/4	1/2
Ms. Meng Lijia	3/4	2/2
Ms. Kai Xiang Mei (Appointed on 26 October 2023) *(Note 1)*	N/A	N/A
Ms. Zhu Yufei (Resigned on 26 October 2023) *(Note 2)*	2/3	2/2
Non-executive Directors		
Ms. Liang Linmin	4/4	2/2
Mr. Guo Qifei (Resigned on 23 October 2023) *(Note 3)*	2/3	0/1
Independent Non-executive Directors		
Mr. Wong Yiu Kit, Ernest	4/4	2/2
Mr. Huang Wenhua	3/4	1/2
Mr. Wang Qingyu	3/4	2/2
Mr. Lam Chi Wing (Appointed on 26 October 2023) *(Note 4)*	N/A	1/1
Ms. Yu Lin (Resigned on 26 October 2023) *(Note 5)*	2/3	0/1

Note 1: During Ms. Kai Xiang Mei's term of service in 2023, no Board meeting and general meeting were held.

Note 2: During Ms. Zhu Yufei's term of service in 2023, there were three Board meetings and one general meeting held.

Note 3: During Mr. Guo Qifei's term of service in 2023, there were three Board meetings and one general meeting held.

Note 4: During Mr. Lam Chi Wing's term of service in 2023, no Board meeting and one general meeting were held.

Note 5: During Ms. Yu Lin's term of service in 2023, there were three Board meetings and one general meeting held.

BOARD OF DIRECTORS *(CONTINUED)*

WORK PERFORMED

During the Year, besides attending the Board meetings to consider and make decision on corporate governance, risk management, statutory compliance, accounting, finance and business matters, the Directors had brought independent opinion and judgement on the Company's strategy, performance and standards of conduct; had taken the leave where potential conflicts of interests arose; had served on Board's committees; had ensured that the Board maintained high standards of financial and other mandatory reporting; had carried out reviews on matters reported by the Board committees, and had provided adequate checks and balance to safeguard the interests of the Shareholders as a whole and the Company in general.

During the Year, the INEDs had actively participated in the Board meetings, brought independent judgements and given their comments to the information or reports submitted to the meetings.

Besides holding the Board or committee' meetings, in order to make timely decision and ensure effective implementation of the Company's policies and practices, the Board had also adopted written resolutions signed by all Directors for making decisions on corporate affairs from time to time.

As part of the continuing process on supervising the Company's affairs, the Directors, acting through the Audit Committee, had reviewed the adequacy of resources (of the Company's accounting and financial reporting function), qualifications and experience of the Directors, and their training programmes and budget during the Year.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as a code of conduct regarding securities transactions by Directors. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standards set out in the Model Code regarding securities transaction throughout the Year.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. Ms. Zhu was appointed as an executive Director, a joint chairman of the Board and the chief executive officer of the Company on 6 December 2019. Following Mr. Cheung's stepping down from his role as one of the joint chairmen of the Board with effect from 27 June 2021, Ms. Zhu has been an executive Director, the chairman of the Board and the chief executive officer of the Company since then. With Ms. Zhu's extensive experience in the maternal and child healthcare industry, the Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the business prospects and management of the Group. The check and balance of power and authority are ensured by the operation and supervision of the Management and the Board, which, apart from Mr. Cheung being the executive Director, comprises four executive Directors, one non-executive Directors and four INEDs, all being experienced and high calibre individuals. The Board believes that this arrangement will not impact on the balance of power and authorisations between the Board and the Management.

BOARD COMMITTEES

The Board has established the audit committee of the Company (the "Audit Committee"), the nomination committee of the Company (the "Nomination Committee") and the Remuneration Committee with defined roles and terms of reference.

AUDIT COMMITTEE

STRUCTURE

The Audit Committee has been established with the role to assist the Board in establishing formal and transparent arrangements for considering how it will apply the financial reporting and the internal control principles and for maintaining an appropriate relationship with the Independent Auditor. It acts in an advisory capacity and makes recommendations to the Board. The terms of reference of the Audit Committee were revised and adopted by the Board on 29 March 2019 and effective on 1 January 2019.

All the members of the Audit Committee possess diversified industry experience. The Audit Committee comprises three INEDs, namely:

Mr. Wong Yiu Kit, Ernest *(Chairman)*
Mr. Huang Wenhua
Mr. Lam Chi Wing (Appointed on 26 October 2023)
Ms. Yu Lin (Resigned on 26 October 2023)

FUNCTION

The Audit Committee's terms of reference can be found on the Company's website and the website of the Stock Exchange.

The major duties of the Audit Committee are summarised below:

(i) to make recommendations to the Board on the appointment, re-appointment and removal of the Independent Auditor, review and monitor their independence and objectivity as well as the effectiveness of the audit process;

(ii) to monitor the integrity of the interim and annual consolidated financial statements, reports and accounts and quarterly reports (if applicable) of the Company, and to review any significant financial reporting judgements contained in them; and

(iii) to review and ensure the effectiveness of the Company's financial control, internal control and risk management systems.

CONDUCT OF MEETINGS

The Audit Committee shall meet with the Independent Auditor at least twice each year. As least 7 days' notice has to be given prior to any meeting being held unless all members of Audit Committee unanimously waive such notice. The Company prepares and delivers an information memorandum that includes all relevant information about the meetings to the Audit Committee's members at least 3 days prior to such meetings. During the Year, the Audit Committee's members reviewed the information memorandum with due care and discussed with the financial controller of the Group (who is also the Company Secretary) and other Management (if necessary) during the meetings.

BOARD COMMITTEES *(CONTINUED)*

AUDIT COMMITTEE (CONTINUED)

CONDUCT OF MEETINGS *(CONTINUED)*

During the Year, the Audit Committee held two meetings with the presence of the Management. Minutes drafted by the Company Secretary were circulated to the Audit Committee's members for comments within a reasonable time after each meeting. Executed minutes were kept by the Company Secretary and copies of the minutes were sent to the Audit Committee's members for records.

Individual attendance of each committee's member at the meetings for the Year was as follows:

Members	Number of meetings attended/held
Mr. Wong Yiu Kit, Ernest *(Chairman)*	2/2
Mr. Huang Wenhua	2/2
Mr. Lam Chi Wing (Appointed on 26 October 2023) *(Note 1)*	1/1
Ms. Yu Lin (Resigned on 26 October 2023) *(Note 2)*	1/2

Note 1: During Mr. Lam Chi Wing's term of service in 2023, there was one Audit Committee meeting held.

Note 2: During Ms. Yu Lin's term of service in 2023, there were two meetings of the Audit Committee held.

WORK PERFORMED

The works performed by the members of Audit Committee in the Year were summarised below:

(i) reviewed and considered the Group accounts and financial statements for the year ended 31 December 2022, and interim report of 2023;

(ii) reviewed, discussed and agreed with the Independent Auditor in respect of the audit fee for the Year; the terms of the engagement letters for the Year; and the nature, scope of audit and reporting obligations for the Year;

(iii) reviewed and assessed the adequacy and effectiveness of the Group's financial reporting and controls, internal control procedures and risk management systems, and the Group's internal audit function;

(iv) reviewed the corporate governance practices and monitored the progress of compliance of the CG Code;

(v) carried out annual review on the continuing connected transactions of the Company (including those fallen outside Rule 14A.33 of the Listing Rules and not required to be made public (if any)) and their financial implication in their capacity as INEDs;

(vi) reviewed the overall performance of the Group for the year ended 31 December 2023;

(vii) reviewed the adequacy of resources, qualifications and experience of the staff in accounting and financial reporting function, and the training programmes and budget; and

(viii) reported to the Board the works performed by the Audit Committee during the Year, presented its findings and made recommendations for the Board's consideration.

BOARD COMMITTEES *(CONTINUED)*

AUDIT COMMITTEE (CONTINUED)

WORK PERFORMED *(CONTINUED)*

Overall, the Audit Committee was satisfied with the condition of the Company, including the corporate governance practices, internal control system, the conduct of the continuing connected transactions and adequacy of resources, qualifications and experience of the staff in accounting and financial reporting function, and the training programmes and budget.

The Audit Committee has reviewed the Group's accounts and the draft consolidated financial statements for the Year.

NOMINATION COMMITTEE

STRUCTURE

The Nomination Committee has been established since 1 April 2012 with the role to lead the process and make recommendations for appointments to the Board, whether as additional appointment or to fill up the casual vacancy of directorship as and when they arise, in the light of challenges and opportunities facing by the Company, as well as business development and requirements of the Company and to take approved action if within delegated authority. The terms of reference of the Nomination Committee were revised and adopted by the Board on 29 March 2019 and effective on 1 January 2019.

The Nomination Committee comprises one executive Director and two INEDs, namely:

Ms. Cheung Wai Kuen *(Chairman)* (Appointed on 26 October 2023)
Mr. Huang Wenhua
Mr. Lam Chi Wing (Appointed on 26 October 2023)
Ms. Zhu Yufei (Resigned on 26 October 2023)
Ms. Yu Lin (Resigned on 26 October 2023)

FUNCTION

The major duties of the Nomination Committee are summarised below:

(i) to review the structure, size, composition and diversity (including evaluation of the skills, knowledge, professional experience, cultural and education background, gender and age of the Board members) of the Board at least annually and make recommendation on any proposed change to the Board to complement the Company's corporate strategy;

(ii) to identify individual suitably qualified to become Board members and make recommendations to the Board on the selection of individual nominated for directorship;

(iii) to assess the independence of INEDs;

(iv) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the chief executive;

(v) to consult the Remuneration Committee about its remuneration proposals for the candidate to be appointed as a Director; and

BOARD COMMITTEES *(CONTINUED)*

NOMINATION COMMITTEE (CONTINUED)

FUNCTION *(CONTINUED)*

(vi) to develop and maintain a policy for the nomination of Board members which includes the nomination procedures and the process and criteria adopted by the Nomination Committee to identify, select and recommend candidates for directorship, and to review periodically and disclose in the corporate governance report annually and the progress made towards achieving the objectives set out in the policy. The Nomination Committee should ensure that the selection process is transparent and fair, and that it considers a board range of candidates who are outside the Board's circle of contacts and in accordance with the Company's diversity policy.

The Nomination Committee's terms of reference can be found on the Company's website and the website of the Stock Exchange.

The Nomination Committee would consult the executive Directors about its proposals on appointment of other Directors and seek internal and external professional advices if considered necessary.

CONDUCT OF MEETINGS

During the Year, the Nomination Committee held two meetings to review the qualifications of directors, evaluate the structure, number and composition of the Board and to consider and approve the nomination of the executive Director and non-executive Director for the Year.

Individual attendance of each committee's member at the meeting for the Year was as follows:

Members	**Number of meetings attended/held (Percentage of attendance in total)**
Mr. Cheung Wai Kuen *(Chairman)* (Appointed on 26 October 2023) *(Note 1)*	N/A
Mr. Huang Wenhua	2/2
Mr. Lam Chi Wing (Appointed on 26 October 2023) *(Note 2)*	N/A
Ms. Zhu Yufei (Resigned on 26 October 2023) *(Note 3)*	1/1
Ms. Yu Lin (Resigned on 26 October 2023) *(Note 4)*	1/1

Note 1: During Mr. Cheung Wai Kuen's term of service in 2023, the Nomination Committee did not hold any meeting.

Note 2: During Mr. Lam Chi Wing's term of service in 2023, the Nomination Committee did not hold any meeting.

Note 3: During Ms. Zhu Yufei's term of service in 2023, there was one meeting of the Nomination Committee held.

Note 4: During Ms. Yu Lin's term of service in 2023, there was one meeting of the Nomination Committee held.

The Nomination Committee shall meet at least once each year. At least 7 days' notice has to be given prior to any meeting being held unless all members of the Nomination Committee unanimously waive such notice.

BOARD COMMITTEES *(CONTINUED)*

NOMINATION COMMITTEE (CONTINUED)

CONDUCT OF MEETINGS *(CONTINUED)*

The Company prepared and delivered meeting papers that include all relevant information about the meeting to the Nomination Committee's members at least 3 days prior to such meeting. Minutes drafted by the Company Secretary were circulated to the Nomination Committee's members for comments within a reasonable time after the meetings. Executed minutes were kept by the Company Secretary and copies of the minutes were sent to the Nomination Committee's members for records.

The Nomination Committee reviewed the diversity of the Board against the measurable objectives in accordance with the diversity policy of the Board.

BOARD DIVERSITY POLICY

The Company has adopted the Board Diversity Policy. It aims to set out the approach to achieve diversity on the Board of the Company. To achieve a sustainable and balanced development, the Company encourages increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing an appropriate composition of the Board, the diversity of the Board has been considered from a number of factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. During the Year, we have appointed two more female Directors, to improve gender diversity at the Board level, we will continue to apply the principle of appointments based on merits with reference to our diversity policy as a whole.

As at the date of this report, the Board comprises 10 directors, three of them are female Directors. The composition of the Board is diversified in terms of gender and skills. Among the 1,311 employees of the Group as at 31 December 2023, 14.1% are males and 85.9% are females. As the Group is mainly engaged in the postpartum care services business, the majority of our employees are females. The Board is satisfied with the gender diversity of its employees and no measurable objectives with respect to gender diversity have been adopted as of the date of this report. Nevertheless, we will continue to ensure there is gender diversity when recruiting staff at mid to senior levels, so the management pipeline includes multiple genders and thus a diverse set of potential successors to the Board in due time. The Group will continue to emphasize training of talented employees from underrepresented genders and provide them with long-term development opportunities.

NOMINATION PROCEDURES, PROCESS AND CRITERIA

The Nomination Committee leads the process and makes recommendations for appointments to the Board, whether as additional appointment or to fill up the casual vacancy of directorship as and when they arise, in the light of challenges and opportunities facing the Company, as well as business development and requirements of the Company. In evaluating and selecting candidate(s) for directorship, the Nomination Committee considers the character and integrity; skills and expertise; professional and educational background; potential time commitment for the Board and/or its committee responsibilities; and the elements of the Board's diversity policy etc. The Nomination Committee makes recommendation to the Board to appoint the appropriate person among the candidates nominated for directorship. Suitable candidate(s) shall be appointed by the Board in accordance with the Bye-laws and the Listing Rules.

BOARD COMMITTEES *(CONTINUED)*

NOMINATION COMMITTEE (CONTINUED)

CONTINUOUS PROFESSIONAL DEVELOPMENT OF THE DIRECTORS

During the Year and up to the date of this report, all Directors participated the following continuous professional development (CPD) to develop and refresh their knowledge and skills in compliance with code provision C.1.4 of the CG Code to ensure that their contribution to the Board remains informed and relevant. The Company is responsible for arranging and finding suitable training, placing an appropriate emphasis on the roles, functions and duties of the Directors.

Directors	**Type of training Directors** *(See Remarks)*
Executive Directors	
Mr. Cheung Wai Kuen *(Chairman and CEO)*	B
Mr. Lin Jiang	C
Mr. Li Runping	B
Ms. Meng Lijia	B
Ms. Kai Xiang Mei	B
Non-executive Directors	
Ms. Liang Linmin	B
Independent Non-executive Directors	
Mr. Lam Chi Wing	A,B,C
Mr. Wong Yiu Kit, Ernest	A,B,C
Mr. Huang Wenhua	A,C
Mr. Wang Qingyu	B

Remarks:

A: attending seminars and/or training

B: reading Listing Rules, updates, articles and/or materials etc.

C: preparing and/or giving seminar presentations

REMUNERATION COMMITTEE

STRUCTURE

The Remuneration Committee has been established with the role to assist the Board in reviewing and determining the framework or policy for remuneration packages of the Directors and the Management, overseeing any major changes in employee benefit structures and considering other topics as defined by the Board.

The Remuneration Committee comprises three INEDs, namely:

Mr. Lam Chi Wing *(Chairman)* (Appointed on 26 October 2023)
Mr. Wong Yiu Kit, Ernest
Mr. Huang Wenhua
Ms. Yu Lin (Resigned on 26 October 2023)

BOARD COMMITTEES *(CONTINUED)*

REMUNERATION COMMITTEE (CONTINUED)

FUNCTION

The major duties of the Remuneration Committee are summarised below:

(i) to set, review and make recommendations to the Board for approving the Group's overall remuneration policy and strategy;

(ii) to review and/or approving matters relating to the Group's shares scheme;

(iii) to set, review and approve performance-based remuneration and individual remuneration packages for the executive Directors and the Management including terms and conditions of employment as well as compensation payable due to loss or termination of office, and dismissal or removal for misconduct; and

(iv) to make recommendations to the Board on the remuneration of the Directors and the Management.

The Remuneration Committee's terms of reference can be found on the Company's website and the website of the Stock Exchange.

The Remuneration Committee would consult the Chairman and/or the CEO about its proposals on remuneration of other executive Directors and seek internal and external professional advices if considered necessary.

CONDUCT OF MEETINGS

During the Year, the Remuneration Committee held two meetings to consider and approve the annual remuneration of the Directors for the Year.

Individual attendance of each committee's member at the meeting for the Year was as follows:

Members	**Number of meetings attended/held**
Mr. Lam Chi Wing *(Chairman)* (Appointed on 26 October 2023) *(Note 1)*	N/A
Mr. Wong Yiu Kit, Ernest	3/3
Mr. Huang Wenhua	3/3
Ms. Yu Lin (Resigned on 26 October 2023) *(Note 2)*	1/1

Note 1: During Mr. Lam Chi Wing's term of service in 2023, the Remuneration Committee did not hold any meeting.

Note 2: During Ms. Yu Lin's term of service in 2023, there was one meeting of the Remuneration Committee held.

The Remuneration Committee shall meet at least once each year. At least 7 days' notice has to be given prior to any meeting being held unless all members of Remuneration Committee unanimously waive such notice.

The Company prepared and delivered meeting papers that include all relevant information about the meeting to the Remuneration Committee's members at least 3 days prior to such meeting. Minutes drafted by the Company Secretary were circulated to the Remuneration Committee's members for comments within a reasonable time after the meetings. Executed minutes were kept by the Company Secretary and copies of the minutes were sent to the Remuneration Committee's members for records.

BOARD COMMITTEES *(CONTINUED)*

REMUNERATION COMMITTEE (CONTINUED)

REMUNERATION POLICY

Details of the Directors' remuneration for the Year are set out in note 12 to the consolidated financial statements contained in this report. Such remunerations are determined based on the discussion at the aforesaid meetings during the Year and, where applicable, taking into account actual implementation of the remuneration policy during the Year.

The directors' fee are subject to annual review with reference to their duties and responsibilities as well as the prevailing market condition. The Directors will be entitled to, if any, discretionary bonus to be determined at the discretion of the Board and the Remuneration Committee.

The Company aims to attract, retain and motivate talented and recognised staff, the Management and Directors of the Group by adoption of New Share Option Scheme and Share Award Scheme. The Company adopted the New Share Option Scheme on 28 June 2022. Please refer to the Company's circular dated 6 June 2022 and Note 34 to the financial statements for a summary and principal terms of its rules. During the Year, no share options had been granted and no share option was outstanding as at 31 December 2022. The Company adopted the Share Award Scheme on 30 August 2018. In January 2022 and September 2022, the Company granted 2,100,000 and 2,900,000 Shares to selected participants pursuant to the Share Award Scheme. The Share Award Scheme is a discretionary scheme of the Company. Please refer to the Company's circular dated 15 August 2018 and Note 35 to the consolidated financial statements for a summary and principal terms of its rules.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Details of the remuneration by band of the members of the Board and senior management of the Company, whose biographies are set out on pages 33 to 37 of this report, for the year ended 31 December 2023 are set out below:

Remuneration band	Number of individuals
Nil to HK$1,000,000	12

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 12 to the consolidated financial statements.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provisions A.2.1 of the CG Code. During the Year, the Board has reviewed and monitored the Company's corporate governance policies and practices, training and CPD of Directors and senior management of the Group, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

MANAGEMENT FUNCTIONS

The executive Directors have defined clear directions on powers of management and delegated daily management and administration functions to the Management. The functions reserved to the Board and those delegated to the Management are reviewed from time to time. The Company would formalise the division of responsibility between the Board and the Management when the operational requirement of the Group justifies such division.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2023.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

INDEPENDENT AUDITORS

HLB Hodgson Impey Cheng Limited was appointed as the Independent Auditors by the Shareholders at the 2023 AGM of the Company held on 28 June 2023. In order to maintain the independence and objectivity of the Independent Auditors, they will not be engaged for non-audit work unless it has been pre-approved by the Audit Committee pursuant to the Company's non-audit services policy.

At the 2023 AGM, HLB Hodgson Impey Cheng Limited was appointed by the Shareholders as the Independent Auditors.

The accounts for the Year were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming Annual General Meeting. The Audit Committee recommended to the Board that HLB Hodgson Impey Cheng Limited will be nominated for re-appointment as the Independent Auditors at the forthcoming Annual General Meeting.

AUDITORS' REMUNERATION

The fees paid or payable to the Auditors of the Company for the Year are set out as follows:

	HK$'000
Audit service	2,000

FINANCIAL REPORTING

The Company aims to present a clear, balanced and understandable assessment of its financial position and prospects. Financial results are announced as early as possible, with interim report and annual report as well as inside information announcements and financial disclosures published as required under the Listing Rules.

The Management provides explanation, information and progress update to the executive Directors and/or the Board in order for it to make an informed assessment of the financial and other issues put before the Board for approval and consideration.

Throughout the Year, the Directors had selected appropriate accounting policies and applied them consistently. The Directors acknowledge their responsibilities for preparing the financial accounts of the Group which give a true and fair view and are in accordance with generally accepted accounting standards published by the HKICPA. A statement by HLB Hodgson Impey Cheng Limited about their reporting responsibilities for the Year is set out in the Independent Auditors' Report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness at least annually. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, maintaining sound and effective risk management and internal control systems and reviewing their effectiveness to safeguard Shareholders' investment and the Group's assets. The Management is responsible for setting the appropriate tone from the top, performing risk assessment, and owning the design, implementation and maintenance of internal control. Essential to this risk management and internal control systems are well defined policies and procedures that are properly documented and communicated to employees. To this end, the Company continues to allocate resources for internal control and risk management systems to provide reasonable, though not absolute, assurance against material misstatement or loss and to manage rather than eliminate the risk or failure to achieve business objectives.

During the Year, the Group has implemented an internal audit function to review the financial condition, operational condition, risk management, compliance control and internal control of the Group. The Audit Committee assists the Board to fulfill its oversight role over the Group's risk management and internal control function by reviewing and evaluating the effectiveness of our overall risk management and internal control system at least annually. During the Year, the Board has reviewed the adequacy and effectiveness of the Group's risk management and internal control systems, through the Audit Committee and considered the Group's risk management and internal control systems are effective and adequate.

RISK MANAGEMENT AND INTERNAL CONTROL *(CONTINUED)*

The Group's risk management and internal control systems are embedded within our business processes so that it functions as an integral part of the overall operation of the Group. The system comprises a comprehensive organisation structure with assignment of definite accountabilities and delegation of corresponding authorities to each post. Based on the Group's organisation structure, a reporting system has been developed including reporting channels from division heads of business units to the Board.

The risk management and internal control systems and accounting system of the Group are aimed at identifying and evaluating the Group's risk and formulating risk mitigation strategies, and providing reasonable assurance that assets are safeguarded against unauthorised use or disposition, transactions are executed in accordance with the Management's authorisation, and the accounting records are reliable for preparing financial information used within the business for publication, maintaining accountability for assets and liabilities and ensuring the business operations are in accordance with relevant legislation, regulations and internal guidelines.

The Group has an organisational structure with defined lines of responsibility and authority. Each department is accountable for its daily operations and is required to report to executive Directors on a regular basis. Policies and procedures are set for each department, which includes establishing and maintaining effective policies to enhance the ability of risks identification to which the Group is exposed and taking appropriate actions to manage such risks, establishing a structure with defined authorities and proper segregation of duties; monitoring the strategic plan and performance; designing an effective accounting and information system; controlling price sensitive information; and ensuring swift actions and timely communication with our stakeholders.

The Group's risk governance structure and the main responsibilities of each level of the structure are summarized below:

The Board is responsible for determining the business strategies and objectives of the Group, and evaluating and determining the nature and extent of risks it is willing to take in achieving the Group's strategic objectives; ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems; and overseeing management in the design, implementation and monitoring of the risk management and internal control systems.

Audit Committee is responsible for assisting the Board to perform its responsibilities of risk management and internal control systems; overseeing the Group's risk management and internal control systems on an ongoing basis; reviewing the effectiveness of the Group's risk management and internal control systems at least annually, and such review should cover all material controls including financial, operational and compliance control; ensuring the adequacy of resources, staff qualifications and experience, training programmes and budget for the Group's accounting, internal audit and financial reporting functions; and considering major findings on risk management and internal control matters, and reports and makes recommendations to the Board.

The Management is responsible for designing, implementing and maintaining appropriate and effective risk management and internal control systems; identifying, evaluating and managing the risk that may potentially impact the major processes of the operations; monitoring risk and take measures to mitigate risk in the day-to-day operations; giving prompt responses to and following up the findings on risk management and internal control matters raised by the internal auditor or external risk management and internal control adviser; and providing confirmation to the Board and Audit Committee on the effectiveness of the risk management and internal control systems.

RISK MANAGEMENT AND INTERNAL CONTROL *(CONTINUED)*

Internal auditor is responsible for reviewing the adequacy and effectiveness of the Group's risk management and internal control systems; and reporting to the Audit Committee on the findings of the review and makes recommendations to the Board and management to improve the material systems deficiencies or control weaknesses identified.

RISK MANAGEMENT PROCEDURES

In addition to the Board's responsibilities, the Company has developed a risk management process to identify, evaluate and manage significant risks and to resolve material internal control defects. The Management is responsible for the annual risk reporting process. Internal auditor will meet with various members of the Management to review and assess risks and discuss solutions to address material internal control defects, including any changes relevant to a given year. Risks are compiled, ratings are assigned and mitigation plans are documented. The risk assessment is reviewed by certain members of senior management and presented to the Audit Committee and the Board for their review.

Risks are evaluated by the Board and the Management based on (i) the severity of the impact of the risk on the Company's financial results; (ii) the probability that the risk will occur; and (iii) the velocity or speed at which a risk could occur.

Based on the risk evaluation, the Company will manage the risks as follows:

- Establish risk context – internal audit establishes common risk assessment and criteria and sets up risk reference tables for the Group.
- Risk identification – departments identify the risks that potentially impact the key process of their operations.
- Risk assessment – departments assess and score the risks identified along with their impact on the business and the likelihood of their occurrence.
- Risk treatment – departments assess effectiveness of existing controls and provide treatment plans when required.
- Risk reporting and monitoring – departments monitor risk mitigating activities. Risks are regularly reported at appropriate level within the Group and assurance is provided on the progress of treatment plans.

PRINCIPAL RISKS

The Group faces a number of principal risks and uncertainties that if not properly managed could create an exposure for the Group. Thorough risk assessment and mitigation help ensure these risks are well managed and governed effectively. Principal risks identified by the Group are disclosed in the Directors' Report under the section headed "Risks and Uncertainties Relating to the Group's Business".

PROCEDURES AND CONTROLS OVER HANDLING AND DISSEMINATION OF INSIDE INFORMATION

With respect to the procedures and internal controls for the handling and dissemination of inside information, the Group has internal policy and procedures which strictly prohibit unauthorised use of inside information and has communicated such policy and procedures to all staff; the Board is aware of its obligations to announce any inside information in accordance with the Listing Rules and conducts the affairs with reference to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012. In addition, only Directors and delegated officers can act as the Group's spokesperson and respond to external enquiries about the Group's affairs.

COMPANY SECRETARY

The Company Secretary is responsible for ensuring that Board procedures are followed and for facilitating information flows and communications among Directors as well as with Shareholders and the Management. The Company Secretary's biography is set out in the "Profiles of Directors and Senior Management" section of this report. During the Year, Mr. Wong Wing Cheung has been the Company Secretary. Mr. Wong Wing Cheung had undertaken not less than 15 hours of professional training in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

RIGHT TO CONVENE/CALL GENERAL MEETINGS

Pursuant to the Bermuda Companies Act 1981 and Bye-laws of the Company, Shareholder(s) holding at the date of the deposit of the requisition not less than one-tenth (10%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall have the right to submit a written requisition requiring a Special General Meeting ("SGM") to be called by the Board. The written requisition (i) must state the object(s) of the meeting, and (ii) must be signed by the requisitionists and deposited at the registered office and principal place of business of the Company in Hong Kong for attention of the Company Secretary, and may consist of several documents in like form, each signed by one or more requisitionists. Such requisitions will be verified with the Company's Hong Kong Branch Share Registrar and upon its confirmation that the requisition is proper and in order, the Company Secretary will ask the Board to convene a SGM by serving sufficient notice to all Shareholders. On the contrary, if the requisition has been verified as not in order, the requisitionists will be advised of this outcome and accordingly, the SGM will not be convened as requested.

The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited with the Company Secretary at the Company's principal office at Room 3607, 36/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, and may consist of several documents in like form each signed by one or more requisitionists.

The request will be verified with the Company's Share Registrars and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board of Directors to include the resolution in the agenda for the general meetings.

If the Directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene a SGM for a day not more than two months after the date of deposit of a proper requisition, the requisitionists or any of them representing more than one-half of the total voting rights of all of them may themselves convene a SGM, but any SGM so convened shall not be held after the expiration of 3 months from the said date of deposit of the requisition. In addition, such meeting convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Board.

SHAREHOLDERS' RIGHTS *(CONTINUED)*

SENDING ENQUIRIES TO THE BOARD

The enquiries must be in writing with contact information of the requisitionists and deposited with the Company Secretary at the Company's office at Room 3607, 36/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

THE PROCEDURES FOR MAKING PROPOSALS AT SHAREHOLDERS' MEETINGS

To put forward proposals at a general meeting, the Shareholders should submit a written notice of those proposals with the detailed contact information to the Company Secretary at the Company's principal office at Room 3607, 36/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. The request will be verified with the Company's Share Registrars and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the agenda for the general meeting.

The notice period shall be not less than 21 clear days for annual general meeting, while the notice period for other general meetings (including a special general meeting) shall be not less than 14 clear days.

To safeguard shareholder interests and rights, separate resolutions are proposed at shareholder meetings on each substantial issue, including the election of individual Directors.

All resolutions put forward at a shareholder meeting will be taken by poll pursuant to the Listing Rules and the poll results will be posted on the websites of the Company and of the Stock Exchange after the shareholder meeting.

The Group will continue to maintain a close relationship with investors and develop greater understanding about the Group for international investors, to enhance investors' confidence in the Group.

SHAREHOLDERS' RIGHTS *(CONTINUED)*

THE PROCEDURES FOR MAKING PROPOSALS AT SHAREHOLDERS' MEETINGS (CONTINUED)

RIGHT TO PUT FORWARD PROPOSALS AT GENERAL MEETINGS

There are no provisions allowing shareholders to purpose new resolutions at the general meetings. However, Shareholders are requested to follow Bye-law 89 of the Bye-laws of the Company for proposing a person for election as Director. Pursuant to Bye-law 89 of the Bye-laws of the Company, no person other than a Director retiring at a meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless not less than seven clear days before the date appointed for the meeting there shall have been lodged at the Office or at the Registration Office notice in writing signed by some Members (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected. The period for lodgment of the notice required under this Bye-law shall commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than seven days prior to the date of such meeting, provided that such period shall be at least seven days.

COMMUNICATION WITH SHAREHOLDERS

The Company has established a range of communication channels between itself and its Shareholders, investors and other stakeholders for enhancing investor relations and investor understanding of the Group's business performance and strategies. These include (i) the publication of annual reports and/or dispatching circulars, notices, and other announcements; (ii) the annual general meeting or special general meeting providing a forum for Shareholders to raise comments and exchanging views with the Board; (iii) up-to-date and key information of the Group available on the Company's website and the Stock Exchange's website; (iv) the Company's website offering communication channel between the Company and its stakeholders; and (v) the Company's share registrar in Hong Kong serving the Shareholders in respect of all share registration matters.

CHANGE IN CONSTITUTIONAL DOCUMENTS

No change is made to the Company's constitutional documents during the Year. The Company has amended its bye-laws on 28 June 2022 and 30 December 2022 to, among other things, (1) conform to the Core Shareholder Protection Standards set out in Appendix A1 to the Listing Rules, and (2) reflect the increase in authorised share capital of the Company and incorporate the terms of the convertible preference shares. For details, please refer to the circular of the Company dated 6 June 2022 and 9 December 2022, and the announcements of the Company dated 30 May 2022, 28 June 2022 and 30 December 2022.

INVESTOR RELATIONS

Accountability and transparency are indispensable for ensuring good corporate governance and, in this regard, timely communication with the Shareholders, including institutional investors, is crucial. The Company considers good investor relations as a key part of its operations and continues to promote investor relations and enhances communications with the investors.

INVESTOR RELATIONS *(CONTINUED)*

The Company maintains a corporate website (www.aidigong.hk) to make the Group's information, statutory announcements, and other financial and non-financial information available on the internet to facilitate its communication with the Shareholders.

The Company welcomes suggestions from investors and the Shareholders, and invites them to share their views and suggestions by contacting the Investor Relations Team at ir@aidigong.hk.

The Board and the Investor Relations Department of the Company have considered its relevant Shareholders' communication policy and are satisfied that there are effective channels by which Shareholders can communicate and raise concern with the Company.

DIVIDEND POLICY

According to the dividend policy adopted by the Company, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account the following factors:

(a) the Group's future operations and earnings;

(b) the Group's capital requirements and surplus;

(c) the general financial conditions of the Group;

(d) contractual restrictions on payment of dividends; and

(e) any other factors that the Board consider relevant.

The declaration and payment of dividends by the Company shall be determined at the sole discretion of the Board and shall be subject to any restrictions under the Companies Act of the Bermuda and the Bye-laws of the Company. The dividend policy of the Company will be reviewed from time to time and there can be no assurance that dividends will be proposed or declared in any particular amount for any given period.

CORPORATE GOVERNANCE CODE

Except for the deviation from code provision C.2.1 of the CG Code, the Company had fully applied the principles and complied with the requirements of the CG Code, as set out in Appendix C1 of the Listing Rules throughout the Year. For details of the said deviation, see the paragraph headed "Chairman and Chief Executive Officer" in the Corporate Governance Report.

CONCLUSION

The Company has maintained a good standard of corporate governance during the Year. The Company believes that corporate governance principles and practices are essential to the business communities. Ongoing effort will be given to review its corporate governance practices from time to time so to accommodate the changing circumstances. The Company will strive to maintain and strengthen the standard and quality of its corporate governance.

Environmental, Social and Governance Report

INTRODUCTION

Aidigong Maternal & Child Health Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") are principally engaged in the postpartum care services.

Upholding the vision of "solving the health problems of people through our products and services so as to achieve "Healthy, Happy and Secure Life", the Group has implemented the principles of sustainable development at operational levels such as day-to-day operations and strategic planning and investment. Through adhering to the management policies of sustainable environmental, social and governance ("ESG") development, the Group is committed to treating its ESG affairs effectively and responsibly, which becomes a core part of the Group's business strategy, as we believe this is the key to our continued success in the future.

This Environmental, Social and Governance Report (the "ESG Report") summarises the ESG initiatives, plans and performance and presents its commitment in the aspect of the sustainable development.

STATEMENT OF THE BOARD

The Board (the "Board") is pleased to present the ESG report of the Group, which introduces the Group's philosophy and practice on its ESG development to all the Stakeholders. As a responsible enterprise, the Group considers the commitments of the ESG be part of its responsibility and is dedicated to embed the ESG factors into the decision-making process.

THE ESG GOVERNANCE STRUCTURE

The Group considers the ESG commitments as part of its responsibilities and is devoted to including ESG factors into its decision-making process. To achieve the target, the Group has established the effective ESG governance structure, mainly consisting of the Board and the ESG task force (the "Task Force").

The Board is fully responsible for the Group's ESG strategies, policies and reports. It also monitors and manages ESG affairs. The Board is responsible for formulating the Group's ESG targets, priorities and policies. Meanwhile, the Board ensures the effectiveness of the ESG risk management and the internal monitoring system. Under the assistance of the Task Force, the Board regularly discusses and reviews the Group's ESG affairs, including risks, opportunities, performance, targets and indicators.

STATEMENT OF THE BOARD *(CONTINUED)*

THE ESG GOVERNANCE STRUCTURE (CONTINUED)

The Task Force comprises core members from different departments of the Group and it will carry out systematic management on the ESG issues under the delegation from the Board, so as to assist the Board in supervising the ESG issues. Its primary responsibilities include collecting and analysing relevant information and data on the ESG aspects; the preparation of this ESG Report; supervising and evaluating the Group's ESG performance relating to various aspects such as the environment, health and safety, labour standard, product and service responsibility to name a few; ensuring that the Group abides by relevant laws and regulations; assisting in the formulation of ESG priorities; and assisting in the preparation and implementation of the relevant strategies, framework and policies on the ESG. The Task Force regularly arranges meetings to discuss and review ESG affairs, including but not limited to the effectiveness of current ESG-related policies and procedures, performance, risks and opportunities, as well as strategies and targets. The Task Force also reports to the Board on the development of such works, assists in identifying and assessing the Group's ESG risks, and assesses the effectiveness of the Group's ESG internal control mechanism.

SCOPE OF REPORTING

Based on the materiality principle and taking into account the core business and major sources of revenue of the Group, the management of the Group discussed and determined the scope of reporting of this ESG Report, which has been approved by the Board. This ESG Report mainly covers the directly managed and controlled business operation of the Group's postpartum care services business in Mainland China and Hong Kong, namely Shenzhen Aidigong Maternity Health Management Co., Ltd and it's subsidiaries ("Aidigong"). As the postpartum care services business is the Group's only source of revenue, therefore the key performance indicators ("KPIs") data of the ESG in this ESG Report only cover the postpartum care centres of Aidigong and the Hong Kong Office of the Group. Save as otherwise specified, the Group obtained ESG key performance indicators through the operational control mechanisms. After the data collection system becomes more mature and its sustainability development work is deepened, the Group will continue to expand the scope of disclosure in the future.

REPORTING PERIOD

This ESG Report describes the ESG activities, challenges and measures taken by the Group for the year from 1 January 2023 to 31 December 2023 ("the Year").

REPORTING FRAMEWORK

This ESG Report is prepared pursuant to the Environmental, Social and Governance Reporting Guide under Appendix C2 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "ESG Reporting Guide"). The Group has complied with the mandatory disclosure requirements and the "comply or explain" provisions set out in the ESG Reporting Guide.

The corporate governance structure and practices of the Group are set out in the Corporate Governance Report of the 2023 annual report.

During the Year, the Group confirmed that it has established appropriate and effective management policies and internal control systems for ESG issues and confirmed that the disclosed contents are in compliance with the requirements of the ESG Reporting Guide. The information on the ESG governance structure of the Group is set out in the section headed "The ESG Governance Structure" of this ESG Report.

The contents of this ESG Report comply with the ESG reporting principles of the ESG Reporting Guide.

Materiality: The Group has identified material issues of the Year through materiality assessment and adopted the confirmed material issues as the focus for the preparation of the ESG Report. The materiality of issues was reviewed and confirmed by the Board and the Task Force. Please refer to the section headed "Materiality Assessment" for further details.

Quantitative: This ESG Report was formulated in accordance with the ESG Reporting Guide and contains quantitative disclosure about KPIs. It has appropriately set out the information regarding the standards, methodologies, assumptions and/or calculation references and sources of key conversion factors used for KPIs.

Balance: This report objectively and truthfully reports the Group's ESG performance for the Year to avoid selections, omissions, or through presentation formats that may inappropriately influence report readers' decisions or judgments.

Consistency: Unless otherwise specified, the preparation approach of this ESG Report was consistent with the previous year to facilitate the comparisons. For any changes to the scope of disclosure and calculation methodologies that may affect the comparisons with previous reports, the Company will provide explanations regarding the corresponding data.

CONTACT US

The Group welcomes stakeholders to provide their opinions and suggestions. You can provide valuable advice and suggestion in respect of this ESG Report or the Group's performance in sustainable development through the following means:

Address: Room 3607, 36/F, China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong
Telephone: (852) 2620 6623

STAKEHOLDER ENGAGEMENT

The Group places emphasis on stakeholders and their opinions on the business and ESG issues of the Group. To understand and respond to stakeholders' concerns, the Group stays in close communications with key stakeholders including investors, customers, suppliers, employees, social communities, non-governmental organization ("NGO") and media. While formulating operational strategies and ESG measures, the Group considers the expectations of stakeholders and continuously improves its performance through mutual cooperation, thus creating greater value for society.

Through different stakeholder engagements and communication channels, the Group will take into account stakeholders' expectation in our operation and ESG strategy. The communication channels between the Group and the stakeholders and their expectation on the Group are as follows:

Stakeholders	Communication channels	Expectation
Investors and shareholders	• AGM and other general meetings • Financial reports • Announcements and circulars	• Safeguard legal rights • Announce update information of the Group in a timely manner • Financial results • Improve internal control and risk management • Corporate sustainable development
Customers	• Customers service hotline • Corporate website	• Safe and high quality products and services • Customer privacy protection • Compliant operation
Suppliers	• Business cooperation	• Fair and open competition • Commercial ethics and reputation • Cooperation with mutual benefits
Employees	• Regular management communications and work performance evaluation • Staff communication and broadcast • Internal network	• Healthy and safe working environment • Equal promotion opportunity • Salary and benefits • Occupation development
Communities, NGOs and media	• ESG Report	• Support charitable activities • Perform environmental protection • Provide high quality health services • Open and transparent information

A. ENVIRONMENTAL

The Group is committed to mitigating its impact on the environment and incorporates sustainable development into its business strategy. To promote carbon neutrality and respond to stakeholders' expectations on the Group and issues concerning environmental, social and governance, the Group has set targets for exhaust gas emissions, greenhouse gas emissions, waste management, energy and water consumption. The Group will continue to review and monitor the progress of the relevant targets and the effectiveness of the environmental protection policies on a regular basis, details of which will be set out in the sections A1 and A2 below.

A1. EMISSIONS

ENVIRONMENTAL PROTECTION POLICY AND COMPLIANCE ISSUES

The Group adheres to the strategy of sustainable development in its operations, focuses on sound environmental management, and strives to protect the environment in order to fulfill the Group's commitment on social responsibility.

The Group regularly follows the latest national and regional environmental protection laws and regulations, thereby focusing on strengthening environmental protection measures in order to comply with local government-related laws and regulations and fully implement environmental policies. The Group complies with applicable laws and regulations that have a significant impact on its business, including but not limited to the Air Pollution Control Ordinance, the Water Pollution Control Ordinance in Hong Kong and the Water Pollution Prevention and Control Law of the People's Republic of China, Regulations on Urban Drainage and Sewage Treatment, Regulations on the Administration of Medical Wastes, Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes in China.

In the course of business operation of the Group, in addition to the general exhaust gas emissions, emissions of greenhouse gases ("GHG") and the discharge of domestic wastes and sewage, medical wastes is generated during the provision of medical services which causes potential impacts on the environment and may expose the Group to relevant compliance risk. Therefore, the Group has formulated relevant rules and regulations for the effective control and orderly management of medical wastewater, medical wastes, and other pollutants generated during operation, and for supervising the implementation of environmental protection measures by various departments. Such measures aim to prevent and reduce pollutants against the environment, protect and improve the environment, and protect the health of employees, so as to achieve the environmental objectives and indicators of the Group.

The responsible persons in charge of the Group' s environmental affairs supervise the implementation of the above measures and relevant environmental protection policies. Under the strict supervision and guidance, various departments endeavour to implement the environmental protection policies of the Group and ensure that all operation processes comply with legal requirements. The responsible persons at all levels of environmental protection continue to review the policies and implementation procedures of the Group and report back to the management appropriately. Suggestions would be made if necessary. If unexpected incident causes to abnormal discharge during operation, the responsible person should take emergency measures immediately to prevent the outspread of pollution and report to the management of the Group in a timely manner for efficient coordination.

During the Year, the Group did not have any material violations of relevant local environmental laws and regulations in relation to exhaust gas and GHG emissions, water and land discharge, and the generation of hazardous and non-hazardous wastes that have a significant impact on the Group.

A. ENVIRONMENTAL *(CONTINUED)*

A1. EMISSIONS (CONTINUED)

EXHAUST GAS EMISSIONS

Since the Group is principally engaged in the postpartum care services, there is no direct production process involved in the business process. Therefore, the exhaust gas emissions generated during the commercial operation mainly come from vehicle emissions and natural gas used by commercial gas cookers. During the Year, the Group has set the target to reduce the intensity of total exhaust gas emissions by 3% in 2025 as compared with that in 2022. During the Year, the intensity of total exhaust gas emissions of the Group decreased from approximately 0.48 kg/employee in 2022 to approximately 0.42 kg/employee in 2023, representing a decrease of approximately 12.50% as compared with that in 2022, the baseline year for setting the target. Given the measures implemented to reduce emissions, the Group is on track to meet its targets. The Group has taken the following measures to reduce emissions from vehicle exhaust:

- turn off the engine when the vehicle is not in use;
- use unleaded fuel and low-sulphur fuel according to the laws and regulations;
- eliminate non-compliant vehicles in accordance with national emission policy regulations;
- regular maintenance of the vehicle to ensure that engine performance does not interfere with the effective use of fuel; and
- optimise operational procedures to increase efficiency and reduce vehicle idling rates.

The overview of exhaust emissions performance of the Group during the Year and the corresponding period in 2023 was as follow:

Types of Emissions	Unit	2023	2022
Nitrogen oxidex (“NO_x”)	Emissions tonnes	476.86	672.69
Sulphur oxidex (“SO_x”)	Emissions tonnes	70.54	76.49
Particulate matters (“PM”)	Emissions tonnes	3.22	3.50
Total exhaust gas emissions	Emissions tonnes	550.62	752.68
Intensity of total exhaust gas emissions	Emissions tonnes/ employee	0.42	0.48

A. ENVIRONMENTAL *(CONTINUED)*

A1. EMISSIONS (CONTINUED)

GHG EMISSIONS

The major sources of the Group's GHG emissions are direct GHG emissions from the combustion of gasoline for vehicles and natural gas for commercial gas cookers used in the preparation of postpartum care meals (Scope 1), indirect GHG emissions from purchased energy (Scope 2). To reduce its carbon footprints, the Group has set the target to reduce the intensity of total annual GHG emissions in 2025 lower than the level in 2020. During the Year, the intensity of total GHG emissions of the Group decreased from approximately 4.30 tCO2e/employee in 2020 to approximately 2.39 tCO2e/employee in 2023, representing a decrease of approximately 44.4% as compared with that in 2020, the baseline year for setting the target. To achieve the target on emissions reduction and in addition to the vehicle control measures mentioned in the section headed "Exhaust Gas" under this aspect, the Group also actively adopted various energy-saving measures to reduce GHG emissions in the course of operation. Specific energy-saving measures will be described in the section headed "Energy Consumption" under aspect A2. Given the measures implemented to save energy, the Group is on track to meet its targets.

During the Year, the intensity of total GHG emissions of the Group decreased by approximately 21.15% from approximately 3.07 tCO2e/employee in 2022 to approximately 2.39 tCO2e/employee in 2023, which was mainly attributable to the effective vehicle control measures and energy-saving measures of the Group.

During the Year and the corresponding period in 2022, the summary of GHG emissions of the Group was as follows:

Indicator	Unit	2023	2022
Scope 1 – Direct GHG emissions	**tCO_2e**	**976.05**	**940.08**
• gasoline used in vehicles	tCO_2e	186.42	173.40
• natural gas used in commercial gas cookers		789.63	766.68
Scope 2 – Resources indirect GHG emissions	**tCO_2e**	**3,138.10**	**3,918.37**
• purchased electricity	tCO_2e	3,138.10	3,918.37
Total GHG emissions (Scope 1 and 2)	**tCO_2e**	**3,138.10**	**4,858.45**
Intensity of total GHG emissions	**tCO_2e/employee**	**2.39**	**3.07**

A. ENVIRONMENTAL *(CONTINUED)*

A1. EMISSIONS (CONTINUED)

WASTES MANAGEMENT

HAZARDOUS WASTES HANDLING

Due to the nature of the business, the Group did not generate any significant hazardous wastes during the Year.

MEDICAL WASTES HANDLING

The major hazardous waste generated by the Group is medical wastes, such as syringe, infusion set, pharmaceutical bottle, cotton swab for disinfection, cotton swab and pad, indwelling needle, therapeutic sheet and waste medicines, etc. The Group understands that medical wastes need to be properly disposed of to prevent hazardous causes to the environment and human health. Therefore, the Group is responsible for treating wastes in a legal, safe and professional manner. The business of the Group shall comply with environmental laws and regulations, including the provisions for the treatment of medical wastes. The Group has formulated and effectively implemented relevant written procedures for the treatment of medical wastes in accordance with the Regulations on the Administration of Medical Wastes of Guangdong Province and the Measures for Medical Wastes Management of Medical of Health Institutions to ensure proper management and safe disposal of the wastes.

NON-HAZARDOUS WASTES HANDLING

The Group generates general non-hazardous wastes during its operations, including paper, paper towels, masks, plastic gloves, disposable protective gowns, disposable shoe covers, and other uncontaminated containers. After collection and classification, such wastes will eventually be collected and disposed by property management company. To promote waste reduction from the source, the Group has set the target to reduce the intensity of total annual non-hazardous wastes in 2025 lower than the level in 2020. During the Year, the intensity of total non-hazardous waste of the Group remains largely consistent with 2020, the baseline year for setting the target, at approximately 0.008 tonnes/employee (2020: approximately 0.008 tonnes). To achieve the target, the Group actively promoted green office and operating environment and vigorously implemented the four basic principles of waste reduction: reducing usage, waste reuse, recycling, and alternative usage to achieve the recycling of recyclable waste for reuse. Given the measures implemented to reduce emissions, the Group is on track to meet its targets.

At the same time, the Group is committed to establishing an electronic office. The office makes full use of the online system to conduct general business notices and data transmissions. Printing and copying are minimized to the largest extent, office paper is used both sides, encouraging the use of recycled paper. The Group is responsible for supervising the amount of paper usage in the offices; waste paper is collected and disposed by the administrative department and the office. Besides, the Group has been exploring opportunities to upgrade and strengthen clinic management and administrative information technology systems, such as planning to upgrade the Group's electronic medical record software system to reduce the use of paper.

A. ENVIRONMENTAL *(CONTINUED)*

A1. EMISSIONS *(CONTINUED)*

WASTES MANAGEMENT *(CONTINUED)*

NON-HAZARDOUS WASTES HANDLING *(CONTINUED)*

During the Year, the intensity of total non-hazardous wastes of the Group decreased by approximately 50% from approximately 0.008 tonne/employee in 2022 to approximately 0.004 tonne/employee in 2023. The Group will continue to strengthen the implementation of measures to save paper with a view to achieve the target of reducing wastes set.

During the Year and the corresponding period in 2023, the Group's non-hazardous wastes disposal performance was summarised as follows:

Types of non-hazardous wastes	Unit	2023	2022
Paper	tonnes	5.00	11.76
General wastes	tonnes	0.37	0.75
Total non-hazardous wastes	**tonnes**	**5.37**	**12.51**
Intensity of total non-hazardous wastes	**tonnes/employee**	**0.004**	**0.008**

SEWAGE DISCHARGE AND TREATMENT

The Group discharges operational water and medical sewage during its daily operation process, the disinfected medical sewage, together with employees' operational and domestic sewage are discharged into the municipal sewage pipeline network for processing in regional water purification plant. After wastewater inspection, the water discharge of the Group satisfied the level 3 standard requirement of the second time-period of "Discharge Limits of Water Pollutants" (DB44/26-2001) of Guangdong Province.

Since the Group's sewage is discharged into the municipal sewage pipeline network for processing in regional water purification plant, the amount of the Group's water consumption represents the wastewater discharge volume. The data of water consumption discharge volume will be described in the section headed "Water Consumption" under aspect A2.

A. ENVIRONMENTAL *(CONTINUED)*

A2. USE OF RESOURCES

The Group aims to actively promote the effective use of resources, real-time monitoring of the potential impacts of business operations on the environment, and promote green office and operating environment, thus minimising the Group's environmental impacts and enhancing its environmental sustainability. The Group has formulated the relevant policies and procedures relating to the environment management and measures and manages the use of water, electricity, oil and other resources on monthly basis, and conducts targeted supervision of major energy-consuming equipment, and standardises equipment operation procedures to accomplish full and effective use of energy.

ENERGY CONSUMPTION

The major energy consumption of the Group during its daily operation is operational electricity consumption and natural gas used by commercial gas cookers. The Group has set the target to reduce the intensity of total annual energy consumption by 3% in 2025 as compared with the level in 2020. During the Year, the intensity of total energy consumption of the Group decreased from approximately 10.87 MWh/employee in 2020 to approximately 8.38 MWh/employee in 2023, representing a decrease of approximately 22.91% as compared with that in 2020, the baseline year for setting the target. Given the measures implemented to save energy, the Group is on track to meet its targets. To achieve the target on emissions reduction, the Group has formulated rules and systems and actively adopted electricity conservation and energy saving measures to reduce GHG emissions in the course of operation. Such measures include:

- use energy-saving equipment, appliances and lamps in office;
- forbid running idle equipment and unreasonable electric wiring distribution;
- require employees to pull down the main gate switch, the water curtain wall switch and the electric switch of the front glass door before off duty, and pull them up the next morning;
- turn on electrical equipment, including lighting equipment, air conditioners, fans, etc. during business hours depending on actual needs, and encourage employees to turn off the power when not in use or before off duty;
- regulate the use of air conditioners strictly where the temperature shall not be lower than the default temperature, and turn off the air conditioner in all VIP rooms and treatment rooms when they are not in use;
- enhance the maintenance and overhaul of equipment, maintain the best condition of all electronic equipment for effective use of electricity;
- installed LED energy-saving lamps in all lighting areas;
- gradually replace obsolete equipment with energy-saving certified alternatives; and
- instil the consciousness of energy conservation and environmental protection into the work and life of every employee through posting power-saving slogans.

A. ENVIRONMENTAL *(CONTINUED)*

A2. USE OF RESOURCES *(CONTINUED)*

ENERGY CONSUMPTION *(CONTINUED)*

During the Year, the intensity of total energy consumption of the Group decreased by approximately 53.60% from approximately 9.03 MWh/employee in 2022 to approximately 4.19 MWh/employee in 2023, which was mainly attributable to the effective energy-saving measures of the Group.

The energy consumption performance of the Group during the Year and the corresponding period in 2023 is summarised as follows:

Types of energy	Unit	2023	2022
Total direct energy consumption	**MWh**	**3,824.62**	**4,235.15**
Gasoline consumed by vehicles	MWh	622.51	731.31
Natural gas used by commercial gas cookers	MWh	3,202.11	3,503.84
Total indirect energy consumption	**MWh**	**7,167.76**	**10,047.10**
Purchased electricity	MWh	7,167.76	10,047.10
Total energy consumption	**MWh**	10,992.38	14,282.25
Intensity of total energy consumption	**MWh/employee**	**8.38**	**9.03**

WATER CONSUMPTION

The water consumption of the Group is mainly office water usage and medical care-related water consumption. The Group has been strengthening its water-saving promotion, posting water-saving slogans. The Group encourages all employees and customers to develop the habit of conserving water consciously and guide employees to use water reasonably. To improve the Group's water efficiency, the Group has set the target to reduce the intensity of annual water consumption by 6% in 2025 as compared with that in 2020. During the Year, the intensity of water consumption of the Group decreased from approximately 169.94 cubic metres/employee in 2020 to approximately 128.00 cubic metres/employee in 2023, representing a decrease of approximately 24.68% as compared with that in 2020, the baseline year for setting the target. Given the measures implemented to save water, the Group is on track to meet its targets. To achieve the target, the Group also actively adopted the following measures:

- use water-saving appliances as much as possible;
- turn off water tap after use to prevent running, overflowing, dripping and leaking water;
- when irregularity is found, one should report the case to the Equipment Division to take appropriate action to prevent wastage of water resources; and
- post water-saving signs in tea rooms and toilets to remind employees to save water

A. ENVIRONMENTAL *(CONTINUED)*

A2. USE OF RESOURCES (CONTINUED)

WATER CONSUMPTION *(CONTINUED)*

During the Year, the intensity of water consumption of the Group increased by approximately 5.74% from approximately 121.05 cubic metres/employee in 2022 to approximately 128.00 cubic metres/employee in 2023, which encourages the Group to improve the water efficiency and water-saving awareness of employees through water-saving measures.

During the Year and the corresponding period in 2022, the Group's water consumption performance is summarised as follows:

Indicator	Unit	2023	2022
Water consumption	**Cubic meter**	**167,806.00**	**191,377.00**
Intensity of water consumption	**Cubic meter/employee**	**128.00**	**121.05**

Due to the geographical location of the Group's offices and postpartum care centres, the Group does not have any issue in sourcing water that is fit for purpose.

USE OF PACKAGING MATERIALS

Due to our business nature, the Group does not primarily engage in manufacturing business requiring the use of significant amount of packaging materials. Therefore, it does not consume any significant amount of packaging materials during its daily operation.

THE ENVIRONMENT AND NATURAL RESOURCES

The Group pursues environmental best practice and understands that it is hard to avoid the impact on the environment and natural resources under its business operations. Relevant impact includes the GHG emissions, wastes, consumption of natural resources such as electricity and water, details of which have been set out in the sections A1 and A2 above. Therefore, the Group complies with environmental related regulations and international standards to appropriately protect the natural environment in order to minimise the negative impact on the environment and natural resources. The Group has also integrated the concept of environmental protection into its internal management and daily operational activities and is committed to achieving environmental sustainability. The Group is aware of its responsibility to facilitate the sustainable development of its business operations and create long-term value for the Group's stakeholders and the community. Thus, the Group continuously monitors whether our business operations have any potential impact on the environment and minimise the impact of our operations on the environment by promoting green offices.

A. ENVIRONMENTAL *(CONTINUED)*

A2. USE OF RESOURCES (CONTINUED)

MITIGATION AND ADAPTATION TO CLIMATE CHANGE

Climate change is bringing increasingly escalating risks and challenges to the global economy, and may also have a negative impact on the Group's business. Therefore, the Group is well aware of the importance of identifying and mitigating any significant impacts caused by climate change. Therefore, the Group has formulated the Climate Change Policy to identify and manage the climate-related risks and opportunities, and formulated corresponding response mechanism to adapt to or mitigate the climate change impact on its business. Moreover, the Group has incorporated climate change risk factors into environmental, social and governance risk management, and conducted annual risk assessment to identify physical risks and transition risks, their potential impacts and formulate corresponding mitigation measures. After referring to the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"), the Group has identified the climate-related risks and the corresponding countermeasures as follows:

PHYSICAL RISKS

Climate change leads to more frequent and severe extreme weather, including but not limited to typhoon, rainstorm and flood caused by heavy rainfall, which not only threatens the Group's employee personal safety but also increases the risk of power shortages, disruptions in the supply chain and damage to the Group's assets. This could result in disrupting the Group's operations and reduced revenues and increase the cost of repairing or restoring damaged sites. All the above climate changes have a significant potential impact on the Group's daily operation.

In view of this, the Group has formulated countermeasures for related risks according to its Climate Change Policy to minimise the potential impact of extreme weather events on the Group's business and also pays close attention to the latest weather news and recommendations issued by the local government where it has operations.

- Storm: The Group regularly checks the effectiveness of drainage facilities to avoid casualties or property losses caused by storms in workplaces, including but not limited to offices.

- Floods: The Group regularly organises emergency evacuation and daily emergency rescue drills to strengthen employees' emergency response ability, and strives to minimise building damage and personal injuries caused by floods.

A. ENVIRONMENTAL *(CONTINUED)*

A2. USE OF RESOURCES (CONTINUED)

TRANSITION RISKS

As the society transforms into a low-carbon economy to achieve sustainable development, local governments and regulatory agencies have successively formulated and tightened environmental and climate-related policies, laws and regulations. For example, China is committed to "carbon peak before 2030 and carbon neutrality before 2060", and the Stock Exchange also requires listed companies to strengthen climate-related disclosure in their ESG report, which may lead to an increase in related compliance costs. If we fail to timely meet the requirements of new laws and regulations on environment and climate change or are unable to meet the requirements, the Group may face compliance risks and reduced reputation. Therefore, the Group will regularly monitor existing and emerging climate-related trends, policies and regulations to avoid compliance risks and reputational risks caused by slow response. In addition, in order to reduce the Group's impact on the environment and meet the Stock Exchange requirements to mitigate and adapt to the climate-related risks, the Group has formulated environmental-related targets, including the reduction in exhaust gas and greenhouse gas emissions, saving in electricity and water, and waste reduction from the source. The Group will continue to evaluate the effectiveness of its climate change response actions and enhance its ability to address climaterelated issues.

B. SOCIAL

B1. EMPLOYMENT

Employees are the greatest and most valuable asset and the core competitive advantage of the Group; therefore, the success of the Group is highly dependent on its capability to attract, cultivate and retain employees. The Group adheres to a people-oriented approach, respects and safeguards the legitimate interests of every employee, standardises labour employment management, and protects employees' occupational health and safety. The Group has also formulated a series of relevant personnel management policies in accordance with relevant laws and regulations to safeguard the vital interests of employees, fully respect and value the proactiveness, motivation and creativity of employees to build harmonious labor relationships and provide employees with a healthy, positive and motivative working atmosphere, and guides employees to actively integrate personal pursuits into the long-term development of the Group.

The Group has complied with all laws and regulations related to remuneration and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination and other benefits and welfare, including but not limited to the Hong Kong Companies Ordinance, Mandatory Provident Fund Schemes Ordinance, Regulations on Minimum Wages, Regulations on Privacy of Personal Data, and the Company Law of the People's Republic of China, the Contract Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, and Labor Safeguards Regulations. During the Year, the Group did not discover any violations of local relevant employment laws and regulations that have a significant impact on the Group.

B. SOCIAL *(CONTINUED)*

B1. EMPLOYMENT (CONTINUED)

As of 31 December 2023, the Group had a total of 1,311 employees (2022: 1,581) under the scope of this ESG Report. As the Group is mainly engaged in the postpartum care services business, offering professional nursing and care services to postpartum mothers and newborn babies, the majority of our employees are females. Our employees were classified as follows:

Breakdown by gender	2023	2022
Female	1,126	1,335
Male	185	246
Break down by age group		
<30	501	709
30-40	551	599
41-50	198	215
51-60	59	56
>60	2	2
Breakdown by employment type		
Full-time	1,311	1,561
Part-time	–	20
Break down by Geographic Region		
China	1,306	1,577
Hong Kong	5	4

During the Year, the Group had a total employee turnover rate[1] of about 35.83%. The details of employee turnover rate[2] by different categories are shown in the following table:

Employee turnover rate	2023	2022
By gender		
Female	36.91%	33.51%
Male	30.65%	28.17%
Break down by age group		
<30	44.63%	43.03%
30-40	37.39%	23.28%
41-50	32.15%	25.78%
51-60	34.35%	20.95%
>60	40.00%	50.00%
By Geographic Region		
China	35.83%	32.75%
Hong Kong	–	–

Note:

1. The employee turnover rate is calculated by dividing the number of employees lost during the Year by the average number of employees at the beginning and end of the Year.
2. The turnover rate by category is calculated according to the number of employees lost in that category divided by the average number of employees in that category at the beginning and end of the Year.

B. SOCIAL *(CONTINUED)*

B1. EMPLOYMENT (CONTINUED)

RECRUITMENT, PROMOTION, INCENTIVE AND DISMISSAL

The Group has continuously established and improved its recruitment and selection system. In the recruitment process, we will standardise the hiring procedures and recruitment principles, adhere to the hiring principles of morality, knowledge, ability, experience and fitness applicable to job positions as well as the principles of justice, fairness, equality, and openness, so as to continuously attract talents.

The Group manages front-line employees and office staff separately and specifies the basis and process for staff promotion, transfer and demotion management, in order to regulate the departure and dismissal process, and protect the interests of both employees and the Group. The Group has implemented a fair and open assessment system to provide employees with opportunities for promotion and development based on their work performance and internal assessment results so as to explore their potential at work. The Group established a reserve talent pool and arranged tailor-made trainings and leadership positions for key training targets to provide more opportunities and platforms for employees' career development and to meet the Group's needs of sustainable development. The Group also gives priority to promote employees who contribute more than the others, so as to optimise the allocation of human resources within the Group.

The Group has already implemented a reward system and also rewarded employees who have made outstanding contributions to the Group. Staff providing constructive advices will be awarded based on the level of rationalisation of the advices. Besides, the Group will conduct regular employee assessment to reward employees with outstanding performance.

The dismissal-related procedures for the employees of the Group are specified in the personnel management policy. All termination procedures must be completed in accordance with the requirements of relevant laws and regulations, as well as professional regulations. The Group absolutely disallows employees dismissal in any circumstances. The dismissal process will only take place on a reasonable basis, and ensure that issues are fully communicated before the formal dismissal.

REMUNERATION AND BENEFITS

The Group has established a fair, equitable, reasonable, and competitive remuneration system for salary payments to employees based on the principle of fairness, competition, incentives, reasonableness, and legitimacy. The remuneration of the Group's employees comprises basic salary, performance bonus, overtime payment, position subsidy, related subsidies and other various bonuses. In addition, the Group conducts annual assessments in accordance to changes in macroeconomic factors (e.g. national policies and price levels), industry and regional remuneration levels, changes in the Group's development strategy, and the overall effectiveness of the Group, and makes corresponding adjustments to staff remuneration.

B. SOCIAL *(CONTINUED)*

B1. EMPLOYMENT *(CONTINUED)*

REMUNERATION AND BENEFITS *(CONTINUED)*

The Group has signed and executed labour contracts with employees in accordance with the Labour Contract Law. The signing rate of the labour contracts is 100%. In accordance with the law, the Group legally pays "five social insurance and one housing fund" for its employees, namely endowment insurance, medical insurance, unemployment insurance, employment injury insurance, maternity insurance, and housing provident fund, to ensure that employees are covered by social insurance.

The Group earnestly safeguards the legitimate interests of labour in accordance with the requirements in Labour Law of the People's Republic of China and related national and local laws and regulations, respects the rights of employees to rest and leave, and regulates their working hours and their rights for various types of rest times and holidays. The Group strictly observes legal working hours in accordance with the Labour Law of the People's Republic of China, and follows the Regulation on Paid Annual Leave for Employees and other relevant regulations to implement the paid leave system for employees. Meanwhile, overtime wage is paid for labour exceeding statutory working hours in accordance with national laws and regulations.

The Group has been committed to providing thoughtful and comprehensive employee benefits and actively organising various activities. On one hand, it creates a warm family atmosphere with meticulous care to employees. On the other hand, it helps employees to enjoy work-life balance through such benefits. The relevant benefits and activities are as follows:

- provide family vacation benefits such as marriage leave and maternity leave and encourage employees to spend time with their families;

- deliver festive foods such as moon cakes and dumplings to employees during certain traditional festivals (such as Lunar New Year and Mid-Autumn Festival) in recognition of their contributions and dedicated work to the Group; and

- organise various group activities for employees to create a dynamic company atmosphere, promote communication and interaction among colleagues, and enhance team spirit.

EQUAL OPPORTUNITY

The Group strictly complies with national and local government regulations by adopting a fair, just and open recruitment process and developing relevant system files to eliminate discrimination in the recruitment process, whose employees face no discrimination regardless of race, gender, colour, age, family background, ethnic tradition, religion, physical fitness and nationality, thus allowing them to enjoy fair treatment in every aspect including recruitment, salary, training and promotion, labour contract termination and retirement, with an endeavour to attract professionals with diverse backgrounds joining the Group. The Group is committed to providing equal opportunities in all respects and are committed to maintaining employee diversity, and strongly prohibits any unfair treatment.

B. SOCIAL *(CONTINUED)*

B2. HEALTH AND SAFETY

As a company engaged in the postpartum care services business, the Group recognizes the importance of the health and safety of its employees, commits itself to providing employees with a healthy, safe and comfortable working environment and strives to eliminate potential health and safety hazards at workplaces and perform well in safety management in all aspects to ensure the personal safety and health of employees during work. The Group has established a sound occupational health and safety management system to provide employees with a safe working environment.

The Group has complied with all laws and regulations related to providing a safe working environment and protecting employees from occupational hazards, including but not limited to the Occupational Safety and Health Ordinance in Hong Kong, Employees' Compensation Ordinance, and Occupational Diseases of the People's Republic of China in China, Law on Prevention and Control, and Law of the People's Republic of China on Work Safety. During the Year, the Group's subsidiaries covered by this ESG Report did not identify any violation of local relevant health and safety regulations that have a significant impact on the Group. In the past three years (including the Year), the Group has recorded no accidents on work-related fatalities.

During the Year, the Group did not record lost days due to work injuries (2022: 0 days). In order to prevent work injury accidents from happening, the Group conducted safety education for employees and arranged training of operation procedures, so as to strengthen and consolidate the safety awareness of employees. The Group also regularly inspects and replaces tools and working equipment to ensure the work safety of all employees.

INTERNAL HEALTH AND SAFETY MANAGEMENT

The Group has formulated a series of professional protection standards in accordance with laws and regulations such as the Law of the People's Republic of China on the Prevention and Treatment of Infectious Diseases and maintained a set of internal health and safety management systems, including but not limited to the "Policy on the Infectious Disease Prevention and Control" and "Remaining Drugs Recycling Management", etc., so as to ensure the health and safety of customers, the public and employees in the operation. The Group has set up relevant committees to supervise and inspect the Group's work on infectious disease control and management. Specifically, the Group has established the following occupational safety measures for employees:

- for the prevention of infectious pathogens, laboratories and medical personnel should wear gloves, masks with anti-permeation function, goggles, face masks, or even isolation gowns or aprons with antipermeation function;

- when infectious patients, or those in close contact with them is found among employees or clients, employees should take necessary measures of isolation, treatment and spread control, and report to the local disease control centre in a timely manner;

B. SOCIAL *(CONTINUED)*

B2. HEALTH AND SAFETY *(CONTINUED)*

INTERNAL HEALTH AND SAFETY MANAGEMENT *(CONTINUED)*

- to control the potential spread of infectious diseases in clinics or laboratories, the Group will conduct regular sterilization in both areas. Regular cleaning of air-conditioning systems and sanitization of carpets should be arranged while the cleanliness of the passageway and work environment should be maintained;

- a dangerous goods classification system in medical laboratories has been set up to classify and specify the hazards of chemicals, reagents, and equipment, and a comprehensive and systematic system has been established to manage dangerous goods and reduce their risk; and

- an operating license has been issued by China Food and Drug Administration to ensure the safety of relevant medical devices.

The above measures are implemented and are monitored by conducting safety checks regularly by the relevant departments of the Group.

INDOOR WORKING ENVIRONMENT

The Group is committed to providing employees with a comfortable and environmentally friendly working environment to enhance work efficiency. The Group also strives to maintain a clean and neat environment in the workplace. The Group regularly inspects office areas to ensure that a good working environment is maintained. Once the Group discovers problems in the workplace in time, it will take precautionary measures to minimize potential hazards to employees. In addition, the Group regularly monitors indoor air quality in the workplace and regularly cleans air-conditioning systems to maintain good indoor air quality.

B. SOCIAL *(CONTINUED)*

B2. HEALTH AND SAFETY (CONTINUED)

OCCUPATIONAL SAFETY TRAINING

MEDICAL SAFETY AND QUALITY TRAININGS

As medical work is exposed to greater occupational risks, the Group places special emphasis on prevention of occupational hazards and related trainings. The Group has formulated the "Policy on the Medical Quality and Safety Training", organized various kind of safety education by different means such as the trade unions, and formulated safety operation procedures as the major content of occupational safety education based on medical treatment subjects and medical equipment. The Group implemented "three-level" safety education for our employees, including orientation trainings, position trainings and on-site trainings. The Group has provided trainings and examinations on policies and regulations related to healthcare management, the regulations of the Group's clinic, the regulations on the operation of medical equipment, medical waste treatment and occupational protection, as well as medical safety working experience, so as to assist employees to familiarize the operational procedures and regulations of occupational health and safety, and strengthen their ability of controlling occupational hazards. In addition, the Group also makes use of trainings, billboards, and pamphlets to raise our employees' awareness of self-care. We will also organize a series of occupational health talks such as disease prevention lectures to enhance our employees' health awareness.

In addition, the Group focuses on providing postpartum care services. In order to cultivate an adequate supply of relevant talents, the Group has, through its subsidiaries, entered into relevant cooperation agreements in relation to cultivation of talents with five vocational colleges such as Guangzhou Nanyang Polytechnic College, Yunnan Sheng Lincangweishengxuexiao (雲南省臨滄衛生學校), Guizhou Nursing Vocational College, Guiyang Healthcare Vocational University, and Dandong School of Traditional Chinese Medicine in the PRC. Various ways of cooperation will be adopted to jointly cultivate frontline nursing personnel based on the merits of each college. In particular, each college will open merit-based classes in an order manner in light of demand of human resources of the Group. The teaching activities of such classes will be carried out with using special teaching materials complied jointly. Also, such classes will conduct academic research, write academic essays and participate in the practical training base established by the Group as a whole. The Group will continue to conduct school-enterprise cooperation with more institutions of different levels in the future based on the business development needs. In additional to training of front-line nursing staff, the Group will further cooperate with institutions in training management and operational personnel.

B. SOCIAL *(CONTINUED)*

B2. HEALTH AND SAFETY (CONTINUED)

OCCUPATIONAL SAFETY TRAINING *(CONTINUED)*

FIRE SAFETY TRAINING

The Group has also formulated fire safety systems in accordance with the Fire Protection Law of the People's Republic of China and the Provisions on Supervision and Administration of Fire Control at Construction Projects. By implementing the principle of "mainly prevention, combining prevention and elimination", fire drills are conducted to popularise knowledge of fire prevention, staff's awareness of fire prevention are raised and fire evacuation plans are improved to strengthen employees' ability to escape from a fire scene. In addition, the Group also has first aid kits and fire extinguishers in workplace in response to emergencies.

PREVENTION AND CONTROL MEASURES FOR CORONAVIRUS DISEASE 2019 ("COVID-19")

The Group has been implementing high-standard infection prevention and control programmes all the time. In response to the outbreak of the COVID-19 epidemic, the Group strictly complies with and implements the guidelines and announcements of the Chinese Center for Disease Control and Prevention and the Hong Kong Center for Health Protection on epidemic prevention to protect the health of employees and customers and minimize operating risks. These include but are not limited to (i) refusal to accept some potential high-risk customers, and some Hong Kong customers who have booked but are unable to come to Shenzhen due to customs clearance regulations; (ii) control the flow of employees; (iii) if the Group suspects any employees are being infected, it has the responsibility to report to the authorities; (iv) requiring employees and customers to take temperature checks before entering the postpartum care centres and offices; and (v) raising health awareness, such as advocating employees to wear masks correctly.

B3. DEVELOPMENT AND TRAINING

The Group focuses on corporate internal management training and the establishment of development system. Through multiple training modes of induction training, management personnel training, technical personnel training and pre-post training, diverse needs of employees at all levels are fulfilled and their skills are enhanced such that they can continue to provide high-quality services to assist the Group's sustainable development while in turn supporting them in personal growth and development.

TRAINING MANAGEMENT

The Group has developed training related procedures to regulate the training management of employees. The management regularly formulates training proposals and establishes corporate training files. The management regularly reviews the effectiveness of different training programs and courses to help improve the efficiency of the Group's training system. According to the training proposals, the Group evaluates and monitors the implementation of its training courses, striving to provide appropriate training courses for different levels of employees.

TRAINING PROGRAMMES

The in-house corporate training of the Group includes various forms of training courses (including seminars and lectures), visits and inspections, business studies, distribution and posting of promotional materials, field rehearsals and self-study. Outsourcing training includes engaging tertiary institutions, research and development agencies, government agencies and industry management departments to provide lectures for the Group.

B. SOCIAL *(CONTINUED)*

B3. DEVELOPMENT AND TRAINING (CONTINUED)

TRAINING PROGRAMMES *(CONTINUED)*

Newly recruited employees are required to receive short-term induction training. The contents mainly include the introduction of the Group and the Group's business, the development and trend of medical anti-aging business, professional basic knowledge, internal corporate organizational structure and management system, and daily conduct standards. The Company's business department will also arrange new employees to visit the Group's agencies in field, so as to help them understand corporate culture and systems at a faster pace.

The nursing professionals of the Group can participate in academic activities related to their majors, including international academic conferences, academic forums in China, academic seminars, continuous medical education programmes in national level, and academic lectures by well-known local and overseas experts, etc.

The Group also recognises the importance of occupational safety training and fire training to protect the personal safety of employees. The relevant policies have been described in detail in the section headed "Occupational Safety Training" under aspect B2.

During the Year, the Group had a trained employee ratio[1] of about 93.55% (2022: 94.75%). Employees took part in about 11,472.00 (2022:17,750.00) hours of training, with about 16.34 (2022: 11.23) hours of average training hours[2] per employee.

Breakdown by gender	Trained employee ratio	Average training hours
By gender		
Female	88.59%	14.62
Male	96.52%	18.76
By employee category		
General Manager	–	–
Vice General Manager		
Director	93.00%	7.50
Manager	90.98%	2.40
Supervisor	72.11%	9.04
Team leader	71.62%	2.98
Employee	92.42%	18.67

Note:

1. The trained employee ratio is calculated by dividing the total number of trained employees during the Year by the total number of employees during the Year.
2. The average training hours per employee is calculated by dividing the total training hours during the Year by the total number of trained employees during the Year.

B. SOCIAL *(CONTINUED)*

B4. LABOUR STANDARDS

PREVENT CHILD AND FORCED LABOUR

The Group has complied with all laws and regulations related to the prevention of child labor or forced labor, including but not limited to, the Employment Regulations in Hong Kong and the Labor Law of the People's Republic of China, Prohibition of Use of Child Labour of the People's Republic of China and Forced Labour Convention.

The Group strictly prohibits the employment of any child labor and forced labor. Employment will only be permitted for staff at an age of 16 or above. New employees are required to provide true and accurate personal data when they are employed. Recruiters should strictly review the entry data including medical examination reports, academic credentials, ID cards, household registration, degree certificates and other information. The Group has established comprehensive recruitment procedures to check the background of candidates in order to prevent any child labor or forced labor in operation.

The Group and its employees signed legal labor contracts in accordance with laws, so that there is no compulsory use of labor. For the use of false information or in violation of the provisions of the Group, we will terminate the probation period or the labour contract immediately.

In addition, the Group's employees' overtime work complies with the principle of voluntariness, so as to avoid violation of labor standards and effectively protect the rights and interests of employees. The Group also prohibits punitive measures, management methods and behaviors such as verbal abuse, physical punishment, violence, and mental oppression on employees for any reason.

During the Year, the Group did not discover any material non-compliance with laws and regulations related to the prevention of child labor or forced labor that had significant impact on the Group.

B. SOCIAL *(CONTINUED)*

B5. SUPPLY CHAIN MANAGEMENT

The Group is principally engaged in the purchase of medical equipment and drugs from suppliers. In addition to the specifications of the required products, price trends of medical devices and drugs, and product demand, the Group also places great emphasis on the management of potential environmental and social risks in the supply chain. The Group has established a rigorous and regulated procurement system and supplier selection procedures, and put forward requirements for suppliers on environmental and social risk control.

In the process of supply chain management, the Group strictly complies with the Pharmaceutical Administration Law of the People's Republic of China, Regulations for the Implementation of the Pharmaceutical Administration Law of the People's Republic of China, Regulations for the Control of Narcotic Drugs and Psychotropic Drugs, the Measure for the Supervision and Administration of Medical Devices, etc., and other relevant laws and regulations in an effort to minimize the potential environmental and social risks in the supply chain. During the Year, the Group has a total of 52 (2022: 47) suppliers, all of them are located in China.

ENVIRONMENT AND SOCIAL RISK MANAGEMENT IN SUPPLY CHAIN

The Group has been committed to ensuring suppliers to meet the environmental and social risk control requirements and strictly abide by laws and regulations in China. In order to improve the quality of suppliers, the Group constantly improved the supplier evaluation process and evaluated suppliers in a structured and systematic way. The Group expects suppliers to meet their standards not only in terms of quality and business ethics, but also in terms of environment, society and corporate governance. Therefore, the Group has formulated relevant rules and regulations on environmental, social and moral standards, carefully supervised the supply chain operation, regularly evaluated suppliers and demanded suppliers to have a positive impact on environmental and social issues, mainly including legal operation compliance, human rights protection, employee safety and health, social responsibility, business ethics, and environmental protection. To encourage suppliers to pursue sustainable development in their operations, the Group maintains close communication with suppliers and shares the latest knowledge about quality and safety, good employment and environmental practices. The Group also provides necessary guidance on how to implement environmental protection measures in the whole supply chain. By implementing the supplier evaluation and maintaining close communication with suppliers as mentioned, the Group closely monitors the suppliers' business behaviour, and the management is responsible for recording any non-compliance situation. If a supplier fails to continuously meet the Group's requirements, the supplier may be terminated to supply goods. To ensure that the corporate policies on supplier environment and society are consistent with the Group's policy direction, a total of 43 (2022: 38) suppliers were selected according to the Group's Supplier Qualification Evaluation and Excellent Supplier Evaluation Mechanism during the Year.

B. SOCIAL *(CONTINUED)*

B5. SUPPLY CHAIN MANAGEMENT (CONTINUED)

FAIR AND OPEN PROCUREMENT

The Group's procurement process strictly follows the relevant provisions of the Bidding Law of the People's Republic of China and other relevant regulations, and is in an open, fair and impartial environment. The Group will not discriminate against any suppliers, and will not allow any corruption or bribery, and employees and other individuals who have interest in relevant suppliers will not be permitted to participate in related procurement activities. The Group focuses on the integrity of its suppliers and partners, and will only select suppliers and partners who have good business records in the past and have committed in any serious law or business ethics.

As to the supply of drugs, the evacuation introduction and procurement of the drugs shall be discussed and concluded by the medical professionals of the Group, and the introduction of medical equipment and medical consumables as well as the temporary purchase of licensed pharmaceuticals shall all subject to discussion and decision of medical professionals of the Group. The relevant medical equipment suppliers shall possess relevant qualifications such as the "Operation Permit for Medical Device", otherwise the Group will terminate its supply contract. The Group has always maintained a stable relationship with various suppliers, and never encountered any major problems in obtaining sufficient supplies to meet operational needs, nor did it rely on any specific supplier.

B6. PRODUCT RESPONSIBILITY

The Group places great emphasis on the quality of medical services and corporate reputation. The Group employs professional medical teams with medical licenses to manage the Group's products and medical service quality which meet the standard of hospital management. The Group also actively ensures the quality of our services through internal controls and are committed to providing medical services that meet international industry standards. The Group has also been maintaining communication with our customers to ensure that we understand and cater to their needs and expectations. The Group also expects to grasp the degree of satisfaction of our customers so as to continuously improve our service quality.

According to the Regulation on the Administration of Medical Institutions and its provisions of implementation rules, all our medical institutions can only operate subject to obtaining "The Practice License of Medical Institutions". At the same time, the Group actively complies with consumer protection laws and regulations including but not limited to the Trade Descriptions Regulations in Hong Kong, Bad Advertising (Medicine) Regulations, Personal Data (Privacy) Regulations and the Regulations for the Supervision and Administration of Medical Devices, the Law of the People's Republic of China on the Protection of Consumer Rights and Interests, Advertising Law of the People's Republic of China, and Measures for the Administration of Medical Advertisements in China. During the Year, the Group was not aware of any non-compliance of relevant laws and regulations relating to healthy and safety, advertising, labelling and privacy matters relating to products and services provided that have a significant impact on the Group.

QUALITY OF NURSING SERVICE

The Group provides professional, high-quality and highly efficient services to different customers in various ways, actively creates value for customers, concerns, explores and responds to customer needs, and strives to provide customers with services beyond their expectations.

B. SOCIAL *(CONTINUED)*

B6. PRODUCT RESPONSIBILITY (CONTINUED)

QUALITY OF NURSING SERVICE *(CONTINUED)*

In order to maintain service quality, the Group has formulated the "Policy on the Nursing Quality and Safety Training" for postpartum care centres. Through employees' training, especially continuous training for nursing staff, the Group guarantees the quality and safety of nursing services we provide to our customers, and improve our nursing staff's professional standards, details of which are elaborated in the section headed "Occupational Safety Training" under aspect B2 and the section headed "Training Courses" under aspect B3.

In addition, the Group joined the Guangzhou Bioindustry Alliance, which is a local and non-profit social organization voluntarily formed by upstream and downstream enterprises in the city's biological industry chain, scientific research institutes, high schools, industry organizations, medical institutions, and investment and financing institutions, with an objective of integration of "government, enterprises, institutions, researchers and users", focusing on the significant needs of industry development. With the government guidance and socialization to improve the biological ecological chain and promote the development of bio-pharmaceutical industry. The Group has joined the Alliance, which aims to leverage a group of top and highly influential expert consultants and university research resources backed by the Alliance platform so as to further consolidate the Group's technological advantages and provide customers with more professional and qualified medical service.

During the Year, the Group did not receive any cases of products or services sold or shipped that had to be recalled for safety and health reasons.

CUSTOMER SERVICE

FEEDBACK COLLECTION AND RESEARCH

The Group has a dedicated customer service function to collect and analyze customer feedback. Through active extension of services and communication, Customer Service Division becomes an important constituent to ensure patients' positive experience. The Group conducts customer satisfaction surveys through questionnaires, and understand the customers experience and satisfaction according to the results so as to put in place a service quality monitoring system.

The Group also cooperates with third parties from time to time to conduct comprehensive surveys, analysis and studies, so as to organize, analyze and study relevant information on customer experience and satisfaction obtained from the above methods, thus demonstrating the improvement of the Group's medical service standards.

COMPLAINT MANAGEMENT

Customers can file complaints by mail, telephone, or in person. The Group is committed to solving all patient complaints in the shortest time or on the spot (where applicable). For material complaints that involve clinical safety or may affect health, the Group will immediately take actions to prevent or minimize the adverse impact on customers. The Group requires that every complaint should be properly submitted to and handled by the responsible personnel and manager and prohibits staff from reaching a private settlement with the complainant. During the Year, the Group did not have any records of major complaints about products and services.

B. SOCIAL *(CONTINUED)*

B6. PRODUCT RESPONSIBILITY (CONTINUED)

CUSTOMER PRIVACY PROTECTION

The Group strictly and carefully manages customer files to avoid leakage of customer privacy. The Group strictly abides by laws and regulations such as the Protection of State Secrets of the People's Republic of China and Regulations on the Administration of the Secret Management of State Secret Carriers and other laws and regulations. We are committed to implementing stringent security protection measures on customer personal data collected during business operations to ensure that customer personal data is not leaked out and misused.

The Group strictly manages the enquiry, usage and downloading of customer privacy information in the information system to effectively prevent data leakage and abuse. Customer information and customer data must not be sold, shared, or disclosed for any purpose, and every employee must protect customer information and data in accordance with the Group's regulations. Our conversations with customers, transaction history, documents and reports provided by them (if not for public) will be kept confidential, and disclosure of customer information to third parties without customer authorization is strictly prohibited. At the same time, customers always have the right to review and modify their information. The Group is firmly committed to protecting the privacy of our customers, thereby earning their trust and confidence, maintaining the Group's market competitiveness, and driving the Group's sustainable business development and service quality assurance.

INTELLECTUAL PROPERTY

For the Group's business operation, intellectual property is not an important environmental, social and governance issue of the Group. However, the Group has formulated relevant policies to regulate the IT management within the Group. In addition, the Group's IT department is responsible for ensuring the proper licensing of the software, hardware and information used in business operations. Copying or downloading any information, software or images from the Internet requires the approval of relevant departments. Further, the Group pays close attention to the infringement in the market to prevent the Group from any related noncompliance, such as counterfeiting trademarks. The Group also regularly monitors relevant operations in the market to ensure that its intellectual property rights are not infringed.

ADVERTISING AND LABELLING

In order to ensure that the label of the Group's products conforms to the actual situation of the product, the Group strictly abides by relevant laws and regulations on advertising and marketing, such as the Advertising Law of the People's Republic of China, formulates and implements relevant systems to supervise advertising and marketing, and strictly reviews publicly released promotional materials and sales commitments, so as to prevent misleading or misleading publicity content and protect customers' consumer rights from being infringed.

The Group requires that all publicity content such as external image display, event publicity, and marketing publicity of all units, institutions, and subordinate projects must be approved by deputy leader before it can be produced and released externally, so as to avoid any form of false publicity and to ensure the content truthfulness and accuracy of the publicity.

B. SOCIAL *(CONTINUED)*

B7. ANTI-CORRUPTION

PREVENT CORRUPTION AND FRAUD

The Group believes that a clean corporate culture is the key to our continued success. Therefore, the Group attaches great importance to anti-corruption work and system building, commits ourselves to building a clean and transparent corporate culture, and pays special attention to the professional ethics of hospital staff. The Group strictly complies with the relevant laws and regulations, including but not limited to the Prevention of Bribery Ordinance in Hong Kong and the Company Law of the People's Republic of China, Bidding Law of the People's Republic of China, and Interim Provisions on Banning Commercial Bribery in China. In addition, the Group strictly complies with the relevant medical laws and regulations formulated by Chinese government departments, including the "Code of Conduct for the Practitioners of Medical Institutions", the "Notice on Printing and Circulating of "Nine Prohibitions" for Enhancing the Construction of Medical Health Industry Style", and the "Notice of the Ministry of Health on Issuing the Provisions on the Establishment of Commercial Bribery Record in the Purchase and Sales Medicines" etc. The Group implements a zero-tolerance policy on any accepted bribery of medical personnel. Any employee found to violate our anti-corruption and bribery policies will be dismissed.

During the Year, the Group did not find any major violations of laws and regulations on preventing bribery, extortion, fraud and money laundering, nor did it find any concluded corruption, pending or threatened lawsuits against the Group and its employees.

The Group has formulated the Anti-Money Laundering and Counter-Terrorism Financing Policy and implemented adequate and appropriate policies, procedures and control measures. The Group strictly prohibits any bribery or other improper payment in business operations. The relevant regulations apply to all business activities, regardless of whether the people involved are government officials or business people, the kind of services they provide, delivery channels or geographical locations involved, and such payments should not be confused with reasonable and limited expenditures for gifts, rewards and other legitimate activities directly related to the business operation of the Group. Stakeholders can report illegal or potential illegal activities to the Board in a confidential manner through the channels established by the Group.

In order to keep employees informed and prevent any form of illegal activities in daily operations, and to ensure the compliance operation and reputation of the Group, the Group is committed to providing compliance training for directors and employees, and encourages all employees to take efforts to understand the latest dynamics and future trends of global anti-money laundering and compliance work. During the Year, the Group's directors and employees respectively received about 12 hours and about 5 hours (2022: about 9 hours and about 3 hours) of anti-corruption training on related laws of anti-corruption, anti-money laundering and anti-terrorism financing, corporate integrity governance and ethical conduct.

B. SOCIAL *(CONTINUED)*

B8. COMMUNITY INVESTMENT

CORPORATE SOCIAL RESPONSIBILITY

The Group believes that corporation is a social cell that grows with the nurturing of social maternity while shoulders the responsibility of returning to society. As a responsible medical service operator, the Group has always been committed to supporting various public welfare and community activities and hopes to give back to the community through the medical profession. The Group actively fulfills its social responsibilities as a corporate citizen and cultivates its employees' sense of social responsibility. Therefore, the Group encourages employees to participate in charity activities during their work and private time to make greater contributions to society. There has always been arrangement for the Group's staff to participate in activities such as charity events related to environmental issues, donations for students and social services. The Group believes that through personally participating in activities that contribute to the community, employees' civic awareness can be raised to establish the correct values.

During the Year, the Group invested most of its resources to maintain its business operations due to the COVID-19 epidemic, so it did not hold or participate in any charitable activities. However, as an enterprise providing postpartum care services, the Group attaches great importance to the health of pregnant women and newborn babies in the community. Therefore, the Group will reallocate resources in the future and invest more in the community, especially in promoting the well-being of pregnant women and newborn babies, so as to give back to the society.

Independent Auditors' Report

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF
AIDIGONG MATERNAL & CHILD HEALTH LIMITED
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Aidigong Maternal & Child Health Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 93 to 194, 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, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including 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 ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key Audit Matters	How our audit address the key audit matters
Impairment assessment on intangible assets and goodwill, in respect of the Group's postpartum care services segment	
Refer to Note 18 and 19 to the consolidated financial statements As at 31 December 2023, the Group had intangible assets and goodwill related to the postpartum care services segment of approximately HK$609,143,000 and HK$397,419,000 respectively. Management performed impairment assessment of the postpartum care services segment and concluded that no impairment loss on intangible assets and goodwill was recognised. This conclusion was based on value in use model that required significant management judgement with respect to the discount rate and the underlying cash flows, in particular future revenue growth and capital expenditure. Independent external valuation was obtained in order to support management's estimates.	Our procedures in relation to management's impairment assessment included: • Evaluating the independent valuer's competence, capabilities and objectivity; • Assessing management's identification of CGUs based on the Group's accounting policies and our understanding of the Group's business; • Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the relevant industry and using our valuation experts; • Challenging the reasonableness of key assumptions based on our knowledge of the business and industry; and • Checking on a sampling basis, the accuracy and relevance of the input data used. We found the key assumptions adopted by the management's impairment assessment were supported by available evidence.

OTHER INFORMATION

The directors 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 auditors' report thereon ("Other Information").

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 the Other Information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITORS' 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 auditors' report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981 and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

As part of an audit in accordance with HKSAs, we exercise professional judgment 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

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

The engagement director on the audit resulting in this independent auditors' report is Ng Ka Wah.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Ng Ka Wah
Practising Certificate Number: P06417

Hong Kong, 28 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	*7*	**554,581**	679,946
Cost of sales		**(433,549)**	(581,206)
Gross profit		**121,032**	98,740
Other gains and losses	*9*	**29,736**	31,481
Administrative expenses		**(140,920)**	(121,023)
Selling and distribution expenses		**(116,266)**	(148,453)
Share of result of associates		**305**	(248)
Loss from operations		**(106,113)**	(139,503)
Loss on convertible preference shares, net	*30*	**(3,888)**	–
Gain on disposal of subsidiaries	*39*	**–**	4,793
Finance cost	*10*	**(53,768)**	(64,571)
Loss before income tax	*11*	**(163,769)**	(199,281)
Income tax (expense)/credit	*13*	**(13,079)**	21,141
Loss for the year		**(176,848)**	(178,140)
Other comprehensive (expense)/income, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Share of other comprehensive expense of associates		**(11)**	(493)
Exchange differences on translating foreign operations		**(21,000)**	(52,336)
Release of exchange reserve upon disposal of subsidiaries		**–**	(13,967)
Items that will not be reclassified subsequently to profit or loss			
Change in fair value of equity investments at fair value through other comprehensive income		**(7,600)**	209
Other comprehensive expense for the year, net of income tax		**(28,611)**	(66,587)
Total comprehensive expense for the year		**(205,459)**	(244,727)

Consolidated Statement of Profit or Loss and Other Comprehensive Income *(Continued)*

For the year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
(Loss)/profit for the year attributable to:			
Owners of the Company		**(177,421)**	(165,324)
Non-controlling interests		**573**	(12,816)
		(176,848)	(178,140)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(205,049)**	(229,727)
Non-controlling interests		**(410)**	(15,000)
		(205,459)	(244,727)
Loss per share for the year attributable to the owners of the Company:			
Basic (HK cents per share)	*15*	**(4.08)**	(3.84)
Diluted (HK cents per share)	*15*	**(4.08)**	(3.84)

Consolidated Statement of Financial Position

As at 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment	*16*	**101,500**	116,212
Right-of-use assets	*17*	**195,607**	368,479
Intangible assets	*18*	**731,031**	738,378
Goodwill	*19*	**397,419**	401,414
Interests in associates	*20*	**1,704**	1,410
Other receivables	*23*	**51,921**	68,975
Deferred tax assets	*31*	**34,086**	44,031
		1,513,268	1,738,899
Current assets			
Deposits, prepayments and other receivables	*23*	**344,779**	378,553
Trade receivables	*24*	**–**	4,163
Inventories	*25*	**1,808**	1,940
Equity investments at fair value through other comprehensive income	*22*	**–**	20,100
Financial assets at fair value through profit or loss	*26*	**20,009**	34,022
Bank and cash balances	*26*	**80,303**	53,847
		446,899	492,625
Current liabilities			
Trade payables	*27*	**20,513**	31,233
Accruals and other payables	*28*	**27,937**	80,203
Contract liabilities	*28*	**149,925**	156,321
Lease liabilities	*17*	**90,742**	132,853
Bank and other borrowings	*33*	**33,686**	32,676
Bonds payable	*32*	**47,003**	24,390
Convertible preference shares	*30*	**8,989**	–
Tax payable		**5,633**	5,994
		384,428	463,670
Net current assets		**62,471**	28,955
Total assets less current liabilities		**1,575,739**	1,767,854

Consolidated Statement of Financial Position *(Continued)*

As at 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Capital and reserves			
Share capital	*29*	**44,350**	43,450
Reserves		**693,352**	863,303
Equity attributable to owners of the Company		**737,702**	906,753
Non-controlling interests		**18,247**	18,657
Total equity		**755,949**	925,410
Non-current liabilities			
Deferred tax liabilities	*31*	**152,817**	153,848
Convertible preference shares	*30*	**224,189**	–
Bank and other borrowings	*33*	**297,123**	367,586
Lease liabilities	*17*	**132,117**	270,862
Bonds payable	*32*	**13,544**	50,148
		819,790	842,444
		1,575,739	1,767,854

The consolidated financial statements were approved and authorised for issue by the Board of Directors of the Company on 28 March 2024 and are signed on its behalf by:

Cheung Wai Kuen
Director

Kai Xiang Mei
Director

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Attributable to the owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Equity investment at fair value through other comprehensive income reserve HK$'000	Statutory reserve HK$'000	Shares held for the share award scheme HK$'000	Share based payments reserve HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2022	42,850	1,309,622	28,822	(4,609)	27,192	(1,019)	982	(46,339)	(260,788)	1,096,713	153,030	1,249,743
Loss for the year	–	–	–	–	–	–	–	–	(165,324)	(165,324)	(12,816)	(178,140)
Other comprehensive (expenses)/income												
Share of other comprehensive expense of associates	–	–	(493)	–	–	–	–	–	–	(493)	–	(493)
Exchange differences on translating foreign operations arising during the year	–	–	(50,152)	–	–	–	–	–	–	(50,152)	(2,184)	(52,336)
Release of exchange reserve upon disposal of subsidiaries	–	–	(13,967)	–	–	–	–	–	–	(13,967)	–	(13,967)
Change in value of equity investments at fair value through other comprehensive income	–	–	–	209	–	–	–	–	–	209	–	209
Total comprehensive (expenses)/income for the year	–	–	(64,612)	209	–	–	–	–	(165,324)	(229,727)	(15,000)	(244,727)
Recognition of equity-settled share-based payments	600	24,000	–	–	–	2,074	14,466	–	–	41,140	–	41,140
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	(119,373)	(119,373)
Purchase of shares for the share award scheme *(Note 35)*	–	–	–	–	–	(1,373)	–	–	–	(1,373)	–	(1,373)
At 31 December 2022 and 1 January 2023	43,450	1,333,622	(35,790)	(4,400)	27,192	(318)	15,448	(46,339)	(426,112)	906,753	18,657	925,410
(Loss)/profit for the year	–	–	–	–	–	–	–	–	(177,421)	(177,421)	573	(176,848)
Other comprehensive expenses												
Share of other comprehensive expense of associates	–	–	(11)	–	–	–	–	–	–	(11)	–	(11)
Exchange differences on translating foreign operations arising during the year	–	–	(20,017)	–	–	–	–	–	–	(20,017)	(983)	(21,000)
Change in value of equity investments at fair value through other comprehensive income	–	–	–	(7,600)	–	–	–	–	–	(7,600)	–	(7,600)
Total comprehensive expenses for the year	–	–	(20,028)	(7,600)	–	–	–	–	(177,421)	(205,049)	(410)	(205,459)
Recognition of equity-settled share-based payments	900	29,700	–	–	–	–	6,663	–	–	37,263	–	37,263
Purchase of shares for the shares award scheme *(Note 35)*	–	–	–	–	–	(1,265)	–	–	–	(1,265)	–	(1,265)
Disposal of equity investment at fair value through other comprehensive income	–	–	–	12,000	–	–	–	–	(12,000)	–	–	–
At 31 December 2023	44,350	1,363,322	(55,818)	–	27,192	(1,583)	22,111	(46,339)	(615,533)	737,702	18,247	755,949

The accompanying notes form an integral part of these consolidated financial statements.

SHARE PREMIUM

The application of share premium is governed by Section 40 of the Companies Act 1981 of Bermuda (as amended). The share premium account may be distributed in the form of fully paid bonus shares.

TRANSLATION RESERVE

Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (Hong Kong dollars ("HK$")) are recognised directly in other comprehensive income and accumulated in the translation reserve. Such exchange differences accumulated in the translation reserve are reclassified to profit or loss on the disposal of the foreign operations.

STATUTORY RESERVE

The statutory reserve of the Group refers to the statutory reserve fund in the People's Republic of China (the "PRC"). Appropriations to such reserve fund are made out of profit after tax as recorded in the statutory financial statements of the PRC subsidiaries. The amount should not be less than 10% of the profit after tax as recorded in the statutory financial statements unless the aggregate amount exceeds 50% of the registered capital of the PRC subsidiaries. The statutory reserve can be used to make up prior year losses, if any, and can be applied in conversion into the PRC subsidiaries' capital by means of capitalisation issue.

SHARE BASED PAYMENTS RESERVE

The share based payments reserve comprises the fair value of the share options granted which are yet to be exercised. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profit when the related options being lapsed.

SHARES HELD FOR THE SHARE AWARD SCHEME

As at 31 December 2023, 4,616,000 (2022: 876,000) ordinary shares acquired under the Share Award Scheme were deem to be held in trustee, representing 0.10% (2022: 0.02%) of the shares in issue as at 31 December 2023. The nominal value of shares held in trustee was approximately HK$46,000 (2022: approximately HK$9,000).

OTHER RESERVE

Other reserve represents the difference between the consideration paid to obtain additional non-controlling interests in subsidiaries and its carrying amount on the date of acquisition.

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Cash flows from operating activities			
Loss before tax		**(163,769)**	(199,281)
Adjustments for:			
Interest income from loans receivable	*7*	**–**	(3,604)
Bank interest income	*9*	**(230)**	(179)
Interest income from financial assets at fair value through profit or loss	*9*	**(1,394)**	(930)
Interest expense	*10*	**53,768**	64,571
Depreciation of property, plant and equipment	*16*	**48,308**	54,267
Depreciation of right-of-use assets	*17*	**130,846**	142,906
(Reversal of)/allowance for expected credit losses on trade receivables	*24*	**(635)**	223
Allowance for expected credit losses on other receivables	*5(B)*	**68,585**	23,007
Reversal of expected credit losses on short-term loans receivable		**–**	(1,267)
Gain on disposal of subsidiaries	*39*	**–**	(4,793)
Loss on convertible preference shares, net	*30*	**3,888**	–
Share of result of associates		**(305)**	248
Gain on fair value change of financial assets at fair value through profit or loss	*9*	**(128)**	(229)
Loss on disposal of property, plant and equipment	*9*	**754**	–
Gain on lease modification	*9*	**(2,715)**	–
Share based payment expenses		**37,263**	41,140
Operating cash flows before movements in working capital		**174,236**	116,079
Decrease/(increase) in trade receivables		**4,798**	(1,317)
Decrease in inventories		**132**	776
Increase in deposits, prepayment and other receivables		**(24,609)**	(43,516)
Increase in properties under development		**–**	(1,909)
Decrease in short-term loans receivable		**–**	29,622
(Decrease)/increase in trade payables		**(10,717)**	6,269
(Decrease)/increase in contract liabilities		**(6,396)**	17,489
(Decrease)/increase in accruals and other payables		**(52,262)**	5,170
Cash generated from operating activities		**85,182**	128,663
Interest received		**1,624**	3,783
Income tax paid		**(4,115)**	(17,613)
Net cash generated from operating activities		**82,691**	114,833

Consolidated Statement of Cash Flows *(Continued)*

For the year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Cash flows from investing activities			
Purchase of property, plant and equipment	*16*	**(36,369)**	(37,354)
Proceeds on disposal of property, plant and equipment		**–**	740
Purchase of financial assets at fair value through profit or loss		**(181,832)**	(135,092)
Disposal of financial assets at fair value through profit or loss		**195,219**	164,459
Net cash (outflow)/inflow from disposal of subsidiaries	*39*	**–**	(11,883)
Proceeds from disposal of equity investment at fair value through other comprehensive income	*22*	**12,500**	–
Net cash used in investing activities		**(10,482)**	(19,130)
Cash flows from financing activities			
Proceeds from issue of bonds, net of related expenses	*32*	**8,950**	38,840
Purchase of shares for the share award scheme	*35*	**(1,265)**	(1,373)
Repayment of borrowings and bonds		**(115,681)**	(134,270)
Interest paid		**(45,291)**	(79,550)
Net proceed from issuing convertible preference shares		**222,472**	–
Proceeds from bank and other borrowings		**22,673**	186,261
Capital element of lease rentals paid		**(136,885)**	(132,575)
Net cash used in financing activities		**(45,027)**	(122,667)
Net increase/(decrease) in cash and cash equivalents		**27,182**	(26,964)
Cash and cash equivalents at the beginning of the year		**53,847**	87,627
Effect of foreign exchange rate changes		**(726)**	(6,816)
Cash and cash equivalents at the end of the year		**80,303**	53,847
Analysis of the balance of cash and cash equivalents			
Bank and cash balances		**80,303**	53,847

The accompanying notes form an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

The Company is an exempted company incorporated in Bermuda with limited liability and shares of the Company are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). The addresses of the Company's registered office and principal office in Hong Kong are disclosed in the "Corporate Information" section of the annual report.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company and all values are rounded to the nearest thousand (HK$'000) except otherwise indicated.

The Company's principal activity is investment holding and the principal activities of its principal subsidiaries are set out in Note 45.

2. APPLICATION OF 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 amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual period 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 HKAS1 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 positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

NEW AND AMENDMENTS TO HKFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR (CONTINUED)

IMPACTS ON APPLICATION OF AMENDMENTS TO HKAS 12 DEFERRED TAX RELATED TI ASSETS ABD LIABILITIES ARISING FROM A SINGLE TRANSACTION

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. In accordance with the transitional provisions:

(i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;

(ii) the Group also, as at 1 January 2022, recognized a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The application of the amendments has had no material impact on the Group's financial position and performance, except that the Group recognized both the deferred tax assets and deferred tax liabilities with the same amount of approximately HK$32,348,000 as at 1 January 2022 on a gross basis but it has no material impact on the retained earnings at the earliest period presented.

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 to the consolidated financial statements.

2. APPLICATION OF 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 new and amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 And HKAS 28	Sales or Contribution of Assets between an its Joint Venture[1]
Amendments to HKFRS 16	Lease liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

[1] Effective for annual periods beginning on or after a date to be determined.

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

[3] Effective for annual periods beginning on or after 1 January 2025.

The directors anticipate that the application of all amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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

(A) BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Companies Ordinance (Chapter 622, Laws of Hong Kong).

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

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

(B) 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in 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.

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

(B) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

CHANGES IN THE GROUP'S INTERESTS IN EXISTING SUBSIDIARIES

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests 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") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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.

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 or HK(IFRIC)-Int 21, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

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

(B) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

BUSINESS COMBINATIONS *(CONTINUED)*

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

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

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

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard; and

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

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and liabilities assumed as at acquisition date. If, after reassessment, 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.

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

(B) 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 the 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 group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

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

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

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

INTERESTS IN ASSOCIATES AND JOINT VENTURES

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

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

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

(B) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

INTERESTS IN ASSOCIATES AND JOINT VENTURES *(CONTINUED)*

The results and assets and liabilities of associates and joint venture are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognised only to the extend that the Group has incurred legal or constructive obligations or made payment on behalf of the associate or joint venture.

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

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

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

(B) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

INTERESTS IN ASSOCIATES AND JOINT VENTURES *(CONTINUED)*

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

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

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

(B) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

IMPAIRMENT OF NON-FINANCIAL ASSETS OTHER THAN GOODWILL

At the end of the reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that these 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. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of non-financial 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.

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 estimate of future cash flows have not been adjusted.

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

(B) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

IMPAIRMENT OF NON-FINANCIAL ASSETS OTHER THAN GOODWILL *(CONTINUED)*

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 amount 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 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 or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) 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 for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in the profit or loss.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management.

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

(B) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

EFFECTIVE INTEREST METHOD

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.

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

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

(B) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

FINANCIAL INSTRUMENTS *(CONTINUED)*

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.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

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

(B) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

FINANCIAL INSTRUMENTS *(CONTINUED)*

FINANCIAL ASSETS *(CONTINUED)*

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

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the assets is no longer credit-impaired.

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 equity investment at fair value through other comprehensive income 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 retained profits.

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 income" line item.

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

(B) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

FINANCIAL INSTRUMENTS *(CONTINUED)*

FINANCIAL ASSETS *(CONTINUED)*

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

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on financial assets which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within twelve 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 end of reporting period as well as the forecast of future conditions.

The Group recognises lifetime ECL for trade receivables arising from revenue from contracts with customers.

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, in which case 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 end of the reporting period 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.

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

(B) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

FINANCIAL INSTRUMENTS *(CONTINUED)*

FINANCIAL ASSETS *(CONTINUED)*

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

Impairment of financial assets (Continued)

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- 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.

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

(B) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

FINANCIAL INSTRUMENTS *(CONTINUED)*

FINANCIAL ASSETS *(CONTINUED)*

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

Impairment of financial assets (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial assets 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 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:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) 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;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

(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. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

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

(B) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

FINANCIAL INSTRUMENTS *(CONTINUED)*

FINANCIAL ASSETS *(CONTINUED)*

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

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information. Estimation of ECL reflects an unbiased and probability weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provisional matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

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.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, other receivables where the corresponding adjustment is recognised through a loss allowance account.

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

(B) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

FINANCIAL INSTRUMENTS *(CONTINUED)*

DERECOGNITION OF FINANCIAL ASSETS

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of 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 FVTOCI reserve is not reclassified to profit or loss, but is transferred to retained earnings.

FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company 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

All financial liabilities are subsequently measured at amortised cost using the effective interest or FVTPL.

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

(B) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

FINANCIAL INSTRUMENTS *(CONTINUED)*

FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS *(CONTINUED)*

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

Convertible preference shares contain debt and derivative components

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative.

At the date of issue, both the debt component and derivative components are recognised at fair value. In subsequent periods, the debt component of the convertible preference shares is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible preference shares are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible preference shares using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities (including trade payables, accruals and other payables, lease liabilities, bank and other borrowings, convertible preference shares (debt components) and bonds payable) are subsequently measured at amortised cost, using the effective interest method.

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

(B) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

FINANCIAL 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 liabilities derecognised and the consideration paid and payable is recognised in profit or loss.

INTANGIBLE ASSETS

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses which are disclosed in Note 18.

Intangible assets acquired in a business combination and recognised separately from goodwill are recognised initially at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

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.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services or for administrative purpose. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

(B) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the profit or loss in the reporting period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

The above items of property, plant and equipment, other than construction in progress, are depreciated over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method, as follows:

Leasehold improvements	Over the shorter of lease terms and 5 years
Office equipment	30%
Furniture and fixture	20%
Computer software	30%
Motor vehicle	25%
Medical equipment	10%

Depreciation is recognised so as to write off the cost of assets 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.

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

(B) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

BORROWING COST

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. For properties under development for which revenue is recognised over time, the Group ceases to capitalise borrowing costs as soon as the properties are ready for the Group's intended sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

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 or 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.

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

(B) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

REVENUE FROM CONTRACTS WITH CUSTOMERS *(CONTINUED)*

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

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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. A contract asset and a contract liability relating to same contract are accounted for and presented on a net basis.

For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

Contracts with multiple performance obligations (including allocation of transaction price)
The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

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

(B) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

REVENUE FROM CONTRACTS WITH CUSTOMERS *(CONTINUED)*

(i) Provision of anti-aging healthcare services and postpartum care services

Revenue is recognised when service treatments are delivered to customers. Payments that are related to services not yet rendered are deferred and shown as contract liabilities in the consolidated statement of financial position. Upon expiry of prepaid packages of beauty, wellness and postpartum care services, the corresponding deferred revenue is fully recognised in profit or loss. The performance obligation is satisfied over time as services are rendered in which the customers simultaneously receive and consume the benefits provided by the Group.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted of the original effective, interest rate of the instrument and continues unwinding the discount as interest income.

TAXATION

Income tax expense represents the sum of current and deferred income tax expenses.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “loss 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 rate that have been enacted or substantively enacted by the end of the reporting period.

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

(B) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

TAXATION *(CONTINUED)*

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 goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. 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 and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary differences 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 profits 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 rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

For the purposes of measuring deferred tax 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.

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

(B) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

TAXATION *(CONTINUED)*

For leasing transactions in which the tax deductions are attributable to the lease liabilities the Group applies HKAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable 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 to the same taxable entity 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.

LEASES

DEFINITION OF A LEASE

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

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

AS A LESSEE

Allocation of consideration to components of a contract

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

Non-lease components are separated from lease component and are accounted for applying other applicable standards.

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

(B) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

LEASES *(CONTINUED)*

AS A LESSEE *(CONTINUED)*

Allocation of consideration to components of a contract *(Continued)*

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of office premises 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.

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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.

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

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

(B) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

LEASES *(CONTINUED)*

AS A LESSEE *(CONTINUED)*

Refundable rental deposits

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

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;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate the lease.

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

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

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

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

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

(B) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

LEASES *(CONTINUED)*

AS A LESSEE *(CONTINUED)*

Lease modifications

The Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

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

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

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

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.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Allocation of consideration to components of a contract

The Group applies HKFRS 15 Revenue from Contracts with Customers ("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.

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

(B) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

LEASES *(CONTINUED)*

AS A LESSOR *(CONTINUED)*

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as operating lease by reference to the right-of-use asset arising from the head lease.

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at 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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. 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.

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

(B) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

FOREIGN CURRENCIES *(CONTINUED)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 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.

EMPLOYEE BENEFITS

SHORT-TERM AND OTHER LONG-TERM EMPLOYEE BENEFITS

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

RETIREMENT BENEFIT COSTS

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

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

(B) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

SHARE-BASED PAYMENT ARRANGEMENTS

SHARES/SHARE OPTIONS GRANTED TO EMPLOYEES

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share based payments reserve. For shares/share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share based payments reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share based payments reserve will be transferred to retained earnings.

When shares granted are vested, the amount previously recognised in share based payments reserve will be transferred to share premium.

SHARES GRANTED TO NON-EMPLOYEES

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses (unless the goods or services qualify for recognition as assets).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are discussed below.

IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSET

Determining whether goodwill and intangible assets are impaired requires an estimation of the recoverable amount of the group of cash-generating units to which goodwill has 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 a group of cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

As at 31 December 2023, the carrying amounts of goodwill and intangible assets were HK$397,419,000 and HK$731,031,000 respectively (2022: HK$401,414,000 and HK$738,378,000 respectively). Details of the recoverable amount calculation are disclosed in Note 18 and 19.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(CONTINUED)*

ALLOWANCE FOR EXPECTED CREDIT LOSSES OF FINANCIAL ASSETS

The policy for the allowance for expected credit losses of financial assets of the Group is based on the forward looking basis the expected credit losses associated with its assets carried at amortised cost. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables including the Group's historical records, existing market conditions and forward looking estimates at the end of reporting period. If the financial condition of the Group's financial assets was deteriorated, resulting in an impairment of their abilities to make payments, additional allowances may be required.

FAIR VALUE MEASUREMENTS AND VALUATION PROCESSES

Certain assets and liabilities of the Group are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. At the end of each reporting period, the Group works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The Group will first consider and adopt Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 inputs are not available, the Group will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the directors of the Company.

Information about the valuation techniques and inputs used in the determination of the fair value of various assets and liabilities are disclosed in Note 5(c).

ESTIMATED IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (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 recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash-generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

As at 31 December 2023, the carrying amounts of the right-of-use assets and property, plant and equipment subject to impairment assessment were HK$195,607,000 and HK$101,500,000 (2022: HK$368,479,000 and HK$116,212,000) respectively.

5. FINANCIAL INSTRUMENTS

(A) CATEGORIES OF FINANCIAL INSTRUMENTS

	2023 HK$'000	2022 HK$'000
Financial assets		
At amortised cost		
– Deposits and other receivables	328,380	408,547
– Trade receivables	–	4,163
– Bank and cash balances	80,303	53,847
At FVTPL		
– Structured bank deposits	20,009	34,022
At FVTOCI		
– Equity investments	–	20,100
Financial liabilities		
At amortised cost		
– Trade payables	20,513	31,233
– Accruals and other payables	27,937	80,203
– Lease liabilities	222,859	403,715
– Bank and other borrowings	330,809	400,262
– Bonds payable	60,547	74,538
– Convertible preference shares	74,089	–
At FVTPL		
– Convertible preference shares	159,089	–

The Group's major financial instruments include deposits and other receivables, trade receivables, bank and cash balances, financial assets at FVTPL, equity investments at FVTOCI, trade payables, accruals and other payables, lease liabilities, bank and other borrowings, convertible preference shares and bonds payable. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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

5. FINANCIAL INSTRUMENTS *(CONTINUED)*

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

FOREIGN CURRENCY RISK

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The main operations of the Group were in the PRC and most of the transactions were denominated in RMB. Foreign exchange risk arises from the foreign currency denominated of commercial transactions, assets and liabilities. The Group has no significant direct exposure to foreign currencies as most of the commercial transactions, assets and liabilities are denominated in a currency as the functional currency of each entity of the Group.

The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

INTEREST RATE RISK

The Group has interest-bearing assets and liabilities including time deposits and bank balances, financial assets at FVTPL, bank and other borrowings, bonds payable, convertible preference shares and lease liabilities. Details of these financial instruments are disclosed in respective notes. The Group currently does not have interest rate hedging policy. However, the management of the Company monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

SENSITIVITY ANALYSIS

If the floating rates had been 50 basis points (2022: 50 basis points) higher/lower and all other variables were held constant, the Group's profit before tax for the year ended 31 December 2023 would increase/decrease by approximately HK$1,639,000 (2022: HK$1,741,000). This is mainly attributable to the Group's exposure to interest rates on its bank borrowings.

CREDIT RISK AND IMPAIRMENT ASSESSMENT

The Group's credit risk is mainly attributable to trade receivables, deposits and other receivables, and bank and cash balances. The management of the Company has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit loss. It considers available reasonable and supportive forwarding-looking information.

5. FINANCIAL INSTRUMENTS *(CONTINUED)*

(B) *FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)*

CREDIT RISK AND IMPAIRMENT ASSESSMENT *(CONTINUED)*

As at 31 December 2023 and 2022, trade receivables that are individually significant have been separately assessed for impairment. The Group makes periodic assessments on the recoverability of the receivables based on the background and reputation of the customers, historical settlement records and past experience.

Trade receivables account for nil% (2022: 58.8%) and nil% (2022: 99.4%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. In view of the history of business dealings with the debtors and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivable balance due from these debtors saved for the debtor related to the impaired trade receivable disclosed in the below. Management makes periodic assessment on the recoverability of the trade and other receivables based on historical payment records, the length of overdue period, the financial strength of the debtors and whether there are any disputes with the debtors.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

TRADE RECEIVABLES

	0 to 30 days	31 to 60 days	61 to 90 days	Over 90 days	Total
At 31 December 2022					
Expected credit loss rate	–	–	–	16.3%	13.2%
Gross carrying amount (HK$'000)	407	254	254	3,883	4,798
Lifetime ECL	–	–	–	(635)	(635)
	407	254	254	3,248	4,163

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without under cost or effort.

In order to minimise the credit risk, the management 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.

5. FINANCIAL INSTRUMENTS *(CONTINUED)*

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

CREDIT RISK AND IMPAIRMENT ASSESSMENT *(CONTINUED)*

DEPOSITS AND OTHER RECEIVABLES

For deposits and other receivables, the management makes periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information.

In assessing whether the credit risk of deposits and other receivables has increased significantly since initial recognition, the Group compares the risk of default occurring on the deposits and other receivables assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is past due for more than 90 days.

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 since initial recognition:

– an actual or expected significant deterioration in other receivables and deposits from external or internal credit rating (if available);

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group; and

– the financial asset is past due.

For deposits and other receivables relating to accounts that are long overdue with significant amounts, known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance. The Group recognised the provision for ECL by assessing the credit risk characteristics of debtor, discount rate and the likelihood of recovery and considering the prevailing economic conditions. The Group recognised allowance for expected credit loss of approximately HK$68,585,000 (2022: HK$23,007,000) in respect of deposits and other receivables for the year ended 31 December 2023. The expected credit loss rate for deposits and other receivables is 23.49% (2022: 7.31%). The management of the Group believes that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL of the average rate 8.89% (2022: 7.31%), except for during the year ended 31 December 2023, the Group made an additional provision of ECL of approximately HK$61,835,000 in related to the other receivables with total gross amount of HK$68,762,000, mainly representing full allowance of defaulted amount due from a former subsidiary of approximately HK$31,549,000 and outstanding payments from other debtors of approximately HK$37,213,000 who have failed to meet their scheduled payment obligations. In response, the management has taken proactive measures by issuing reminder letters and statutory demand letters to those debtors. The management would closely monitor the payment status of those debtors.

5. FINANCIAL INSTRUMENTS *(CONTINUED)*

(B) *FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)*

CREDIT RISK AND IMPAIRMENT ASSESSMENT *(CONTINUED)*

DEPOSITS AND OTHER RECEIVABLES *(CONTINUED)*

Internal credit risk grading categories

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Deposit and other receivables
Stage 1	The counterparty has a low risk of default and does not have any past due amounts	Lifetime ECL not credit-impaired	12-month ECL
Stage 2	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
Stage 3	There is evidence indicating the asset is credit-impaired	Lifetime ECL credit-impaired	Lifetime ECL credit-impaired
Written-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

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2023 and 2022:

5. FINANCIAL INSTRUMENTS *(CONTINUED)*

(B) *FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)*

CREDIT RISK AND IMPAIRMENT ASSESSMENT *(CONTINUED)*

DEPOSITS AND OTHER RECEIVABLES *(CONTINUED)*

Internal credit risk grading categories *(Continued)*

As at 31 December 2023

	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000	Allowance ECL HK$'000	Average loss rate %
Deposit and other receivables	**360,435**	**–**	**68,762**	**–**	**429,197**	**100,817**	**23.49%**
Bank and cash balances	**80,303**	**–**	**–**	**–**	**80,303**	**–**	**–**
	440,738	**–**	**68,762**	**–**	**509,500**	**100,817**	**19.79%**

As at 31 December 2022

	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000	Allowance ECL HK$'000	Average loss rate %
Trade receivables	–	–	–	4,798	4,798	635	8.47%
Deposit and other receivables	440,779	–	–	–	440,779	32,232	7.31%
Bank and cash balances	53,874	–	–	–	53,874	–	–
	494,653	–	–	4,798	499,451	32,867	6.58%

The movement of allowance of expected credit losses of deposits and other receivables during the year are as follows:

	Stage 1 (12-month ECL) HK$'000	**Stage 3 (Lifetime ECL credit-impaired)** HK$'000	**Total** HK$'000
At 1 January 2022	9,225	–	9,225
Allowance for expected credit losses, net	23,007	–	23,007
At 31 December 2022 and 1 January 2023	32,232	–	32,232
Transfer to credit-impaired	(6,927)	6,927	–
Allowance for expected credit losses, net	6,750	61,835	68,585
At 31 December 2023	**32,055**	**68,762**	**100,817**

5. FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

CREDIT RISK AND IMPAIRMENT ASSESSMENT (CONTINUED)

BANK BALANCES

The credit risk on bank balances are limited because the majority of the counterparties are bank with high credit-ratings assigned by International credit-ratio agencies. The Group has no other significant concentration of credit risk.

The Group is not exposed to significant credit risk in relation to other financial assets such as cash and cash equivalents.

LIQUIDITY RISK

The Group manages liquidity risk by regularly monitoring current and expected liquidity requirements and ensuring sufficient liquid cash and intended credit lines of funding from major financial institutions to meet the Group's liquidity requirements in the short and long term. The liquidity risk is under continuous monitoring by the management of the Group. The Group will raise bank borrowings whenever necessary.

The following tables detail the Group's contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest dates on which the Group can be required to pay. The amounts disclosed in the table are based on the contractual undiscounted payments, are as follows:

	Weighted average effective interest rate	On demand or less than 1 year	Between 1-5 years	Over 5 years	Total contractual undiscounted cash flows	Total carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2023						
Non-derivative financial liabilities:						
Trade payables	**–**	**20,513**	**–**	**–**	**20,513**	**20,513**
Accruals and other payables	**–**	**27,937**	**–**	**–**	**27,937**	**27,937**
Convertible preference shares	**13.26**	**8,989**	**83,078**	**–**	**92,067**	**74,089**
Bonds payables	**13.68**	**51,946**	**12,886**	**–**	**64,832**	**60,547**
Bank and other borrowings	**6.74**	**30,686**	**353,379**	**–**	**384,065**	**330,809**
Lease liabilities	**5.49**	**101,030**	**136,220**	**5,229**	**242,479**	**222,859**
Total		**241,101**	**585,563**	**5,229**	**831,893**	**736,754**
At 31 December 2022						
Non-derivative financial liabilities:						
Trade payables	–	31,233	–	–	31,233	31,233
Accruals and other payables	–	80,203	–	–	80,203	80,203
Bonds payables	13.21	20,367	57,786	–	78,153	74,538
Bank and other borrowings	7.56	36,715	395,254	–	431,969	400,262
Lease liabilities	4.33	151,637	232,446	81,183	465,266	403,715
Total		320,155	685,486	81,183	1,086,824	989,951

5. FINANCIAL INSTRUMENTS *(CONTINUED)*

(C) FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid prices and ask prices respectively;

- the fair values of derivative instruments are calculated using quoted prices. When such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives; and

- the fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements are approximate to their fair values.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2023				
Financial assets:				
Structured bank deposits at FVTPL	–	–	20,009	20,009
Financial liabilities:				
Convertible preference shares	–	–	(159,089)	(159,089)
At 31 December 2022				
Financial assets:				
Equity investments at FVTOCI	–	–	20,100	20,100
Structured bank deposits at FVTPL	–	–	34,022	34,022

5. FINANCIAL INSTRUMENTS *(CONTINUED)*

(C) FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL INSTRUMENTS UNDER LEVEL 3 MEASUREMENT

FAIR VALUE ESTIMATION

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).

Financial instruments	**Fair value 2023 HK$'000**	Fair value 2022 HK$'000	**Fair value hierarchy**	**Valuation techniques and key inputs**	**Significant unobservable inputs**
Unlisted equity investments presented as equity investments at FVTOCI	**–**	20,100	Level 3	Market approach, using three market multiples (P/E, P/B and P/S), adjusted by size to determine the implied value of the Company	Discount for lack of marketability of Nil% (2022: 35%), determined by reference to the Stout Restricted Stock Study
Structured bank deposits presented as financial assets at FVTPL	**20,009**	34,022	Level 3	Discounted cash flow was used to capture the present value of the expected future economic benefits to be derived from the ownership	Discount rate ranging from 2.70% to 3.70% (2022: 1.42% to 3.20%) *(note (ii))*
Convertible preference shares	**(159,089)**	–	Level 3	Crank-Nicolson finite-difference method	Discount rate of 9.3% (at 23 March 2023: 10.31%) and volatility of 71.76% (at 23 March 2023: 68.07%) *(note (iii))*

Notes:

(i) The higher the discount rate, the lower the fair value.

(ii) An increase in the discount rate would result in a decrease in fair value measurement of the financial assets at FVTPL, and vice versa.

(iii) A slight increase in the volatility used in isolation would results in a significant increase in the fair value measurement of the convertible preference shares and vice versa. If the volatility rate had been 10% higher/lower and all other variables were held constant, the fair value of the convertible preference shares would be increase/(decrease) by approximately HK$2,161,000/(HK$1,744,000).

There is no transfer into and out of level 3 for the years ended 31 December 2023 and 2022.

5. FINANCIAL INSTRUMENTS *(CONTINUED)*

(C) *FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)*

FINANCIAL INSTRUMENTS UNDER LEVEL 3 MEASUREMENT *(CONTINUED)*

FAIR VALUE ESTIMATION *(CONTINUED)*

The following table present the level 3 instrument at the end of the reporting period:

Reconciliation of Level 3 fair value measurements

	Convertible preference shares HK$'000	**Structured bank deposits at FVTPL** HK$'000	**Equity investments at FVTOCI** HK$'000
At 1 January 2022	–	69,344	19,891
Gain on fair value change for the year	–	229	209
Additional	–	135,092	–
Disposal	–	(164,459)	–
Exchange alignment	–	(6,184)	–
As at 31 December 2022 and 1 January 2023	–	34,022	20,100
Issuance of convertible preference shares, net	(219,059)	–	–
Additional	–	181,832	–
Disposal	–	(195,219)	(12,500)
Gain/(loss) on fair value change for the year	59,970	128	(7,600)
Exchange alignment	–	(754)	–
As at 31 December 2023	(159,089)	20,009	–

SENSITIVITY ANALYSIS

No sensitivity analysis is disclosed for the impact of changes in the relevant unobservable data in respect of structured bank deposits classified as financial assets at FVTPL and equity investments at FVTOCI, as the management considers that the exposure is insignificant to the Group.

6. 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 stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains.

The capital structure of the Group consists of bank and other borrowings, bonds payable, convertible preference shares and lease liabilities and equity (comprising share capital and reserves).

The directors review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The gearing ratio at the end of the reporting period was as follows:

	2023 **HK$'000**	2022 HK$'000
Lease liabilities *(Note 17(B))*	**222,859**	403,715
Convertible preference shares *(Note 30)*	**233,178**	–
Bank and other borrowings *(Note 33)*	**330,809**	400,262
Bonds payable *(Note 32)*	**60,547**	74,538
	847,393	878,515
Total equity	**755,949**	925,410
Gearing ratio	**112.1%**	95.0%

7. REVENUE

	2023 HK$'000	2022 HK$'000
Revenue from contracts with customers:		
Disaggregated by major products or service lines		
Provision of postpartum care services	**554,581**	676,342
Timing of revenue recognition		
Over-time	**554,581**	676,342
Revenue from other sources:		
– Interest income from loans receivable	**–**	3,604
	554,581	679,946

All revenue contracts are for period of one year or less, as permitted by practical expedient under HKFRS 15, the transaction price allocated to these unsatisfied contacts is not disclosed.

8. OPERATING SEGMENTS

For the purposes of resource allocation and assessment of segment performance, information reported to the executive Directors of the Company, being the chief operating decision makers (the "CODM"), focus on types of goods or services delivered or provided.

Particulars of the Group's reportable operating segments are summarised as follows:

Postpartum care services	–	provision of maternal and child healthcare services in the PRC
Health industry	–	healthcare property development in the PRC

"Other" segment primarily comprises investment and finance business and others operations that do not meet the quantitative thresholds. Information regarding the above segments is reported below.

INFORMATION ABOUT MAJOR CUSTOMERS

No individual customer contributed over 10% of the total revenue of the Group during the year ended 31 December 2023 (2022: Nil):

Operating segment information is presented below:

SEGMENT REVENUES AND RESULTS

	Postpartum Care Services		Health Industry		Others		Consolidated	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue								
Revenue from external customers	**554,581**	676,342	**–**	–	**–**	3,604	**554,581**	679,946
Results								
Segment results for reportable segment	**11,655**	(63,569)	**(42,233)**	(14,848)	**(61,342)**	(15,895)	**(91,920)**	(94,312)
Unallocated expenses, net*							**(84,928)**	(83,828)
Loss for the year							**(176,848)**	(178,140)

* Unallocated gain and expenses mainly include certain depreciation on property, plant and equipment, right-of-use assets, general office expenses, unallocated employee benefit expenses, loss on convertible preference shares, gain on disposal of subsidiaries, interest on bonds payables, convertible preference shares and equity-settled share based expenses.

8. OPERATING SEGMENTS *(CONTINUED)*

SEGMENT ASSET AND LIABILITIES

	Postpartum Care Services		Health Industry		Others		Consolidated	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Assets								
Segment assets for reportable segments	**1,471,961**	1,708,419	**422,003**	472,199	**55,075**	31,983	**1,949,039**	2,212,601
Unallocated assets							**11,128**	18,923
Total assets							**1,960,167**	2,231,524
Liabilities								
Segment liabilities for reportable segments	**728,741**	997,876	**370**	1,062	**11,600**	60,417	**740,711**	1,059,355
Unallocated liabilities							**463,507**	246,759
Total liabilities							**1,204,218**	1,306,114

Segment revenue reported above represents revenue generated from external customers. There were no intersegment sales during both years.

Segment results represent the profit earned/(the loss incurred) by each segment without allocation of corporate expenses.

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

All assets are allocated to reportable segments other than unallocated corporate assets which mainly include certain property, plant and equipment, right-of-use assets, prepayments and deposits and corporate bank balances.

All liabilities are allocated to reportable segments other than unallocated corporate liabilities which mainly include certain accruals and other payables, bond payable, convertible preference shares and deferred tax liabilities.

8. OPERATING SEGMENTS (CONTINUED)

GEOGRAPHICAL INFORMATION

In determining the Group's geographical information, revenue information is based on the location of the customers, and asset information is based on the location of the assets.

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

	Revenue from external customers		Non-current assets*	
	2023	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000
The People's Republic of China (the "PRC", for the sole purpose of this report, excluding Hong Kong and Macau)	**554,581**	676,342	**1,422,390**	1,623,169
Hong Kong	**–**	3,604	**3,167**	1,314

* Non-current assets excluded those relating to interests in associates, other receivables and deferred tax assets.

OTHER SEGMENT INFORMATION

	Postpartum Care Services		Health Industry		Others		Consolidated	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Depreciation of property, plant and equipment	**47,553**	53,582	**133**	112	**622**	573	**48,308**	54,267
Depreciation of right-of-use assets	**128,832**	140,927	**–**	432	**2,014**	1,547	**130,846**	142,906
Share of result of associates	**(305)**	248	**–**	–	**–**	–	**(305)**	248
Bank interest income	**(215)**	(175)	**(10)**	(1)	**(5)**	(3)	**(230)**	(179)
Interest income from financial assets at FVTPL	**(1,394)**	(930)	**–**	–	**–**	–	**(1,394)**	(930)
Allowance for/(reversal of) expected credit losses of								
– trade receivables	**(635)**	223	**–**	–	**–**	–	**(635)**	223
– other receivables	**57**	41	**35,489**	21,344	**33,039**	1,622	**68,585**	23,007
– short-term loans receivable	**–**	–	**–**	–	**–**	(1,267)	**–**	(1,267)
Gain on disposal of subsidiaries	**–**	–	**–**	(4,793)	**–**	–	**–**	(4,793)
Loss on convertible preference shares, net	**–**	–	**–**	–	**3,888**	–	**3,888**	–
Capital expenditures*	**92,402**	194,654	**–**	561	**2,256**	–	**94,658**	195,215
Finance cost	**39,401**	46,988	**9**	44	**14,358**	17,539	**53,768**	64,571

* Capital expenditure consists of addition to property, plant and equipment and right-of-use assets. These capital expenditures were mainly incurred in the PRC, except for the other segments of HK$2,256,000 which are incurred in Hong Kong.

9. OTHER GAINS AND LOSSES

	2023 HK$'000	2022 HK$'000
Bank interest income	**230**	179
Imputed interest income from consideration receivable	**8,203**	5,623
Gain on fair value change of financial assets at FVTPL *(Note 26)*	**128**	229
Gain on lease modification *(Note 17)*	**2,715**	–
Interest income from financial assets at FVTPL	**1,394**	930
Dividend income from unlisted investments	**–**	1,137
Rental income	**14,040**	13,683
Management fee income	**759**	590
Government grants *(note)*	**2,536**	7,844
Loss on disposal of property, plant and equipment	**(754)**	–
Others	**485**	1,266
	29,736	31,481

note: Government grants were mainly granted to the Group as (i) subsidies to support the operation of the PRC subsidiaries and (ii) COVID-19 related subsidies which are related to Employment Support Scheme provided by the Hong Kong government. The government grant had no conditions or contingencies attached to them and they were non-recurring in nature.

10. FINANCE COST

	2023 HK$'000	2022 HK$'000
Interest on bonds payable *(Note 32)*	**4,303**	9,866
Interest on bank and other borrowings	**26,406**	53,775
Interest expense on lease liabilities	**16,241**	20,366
Finance costs on convertible preference shares *(Note 30)*	**6,818**	–
	53,768	84,007
Less: Capitalised in properties under development *(note)*	**–**	(19,436)
	53,768	64,571

note: Borrowing costs capitalised during the years ended 31 December 2022 arising from the specific loan and are capitalised by applying a capitalisation rate of 6.8% per annum to expenditure on the properties under development. During the year ended 31 December 2023, no borrowing costs have been capitalised.

11. LOSS BEFORE INCOME TAX

	2023 HK$'000	2022 HK$'000
Loss for the year has been arrived at after charging/(crediting):		
Total staff costs including remuneration of the directors:		
Salaries and other benefits	**198,950**	259,012
Equity-settled share based expenses *(Note 35)*	**6,663**	14,466
Retirement benefit scheme contributions	**15,703**	16,605
	221,316	290,083
Auditors' remuneration for audit services	**2,000**	2,000
Allowance for/(reversal of) expected credit losses of		
– trade receivables	**(635)**	223
– other receivables	**68,585**	23,007
– short-term loans receivable	**–**	(1,267)
Depreciation of property, plant and equipment *(Note 16)*	**48,308**	54,267
Depreciation of right-of-use assets *(Note 17A)*	**130,846**	142,906
Equity-settled share based expenses with advisory consultants *(Note 35 & 36)*	**30,600**	26,674
Payments to short-term leases	**28,734**	3,942

12. DIRECTORS', SENIOR MANAGEMENT'S AND EMPLOYEES' EMOLUMENTS

(A) DIRECTORS' EMOLUMENTS

Fees and other emoluments paid or payable to the directors of the Company for the years ended 31 December 2023 and 2022 were as follows:

For the year ended 31 December 2023

	Fees HK$'000	Salaries and allowances HK$'000	Bonuses HK$'000	Contributions to retirement benefit scheme HK$'000	Equity-settled share based expenses HK$'000	Total HK$'000
Executive directors:						
Mr. Cheung Wai Kuen	–	–	–	–	–	–
Ms. Zhu Yufei *(note (a))*	–	–	–	–	–	–
Mr. Li Runping	–	–	–	–	–	–
Mr. Lin Jiang	–	300	–	–	–	300
Ms. Meng Lijia *(note (c))*	150	–	–	–	–	150
Ms. Kai Xiang Mei *(note (b))*	18	–	–	–	–	18
Non-executive directors:						
Ms. Liang Linmin *(note (d))*	–	–	–	–	–	–
Mr. Guo Qifei *(note (e))*	–	–	–	–	–	–
Independent non-executive directors:						
Mr. Lam Chi Wing *(note (f))*	18	–	–	–	–	18
Mr. Wong Yiu Kit, Ernest	150	–	–	–	–	150
Mr. Huang Wenhua *(note (g))*	150	–	–	–	–	150
Mr. Wang Qingyu *(note (h))*	100	–	–	–	–	100
Ms. Yu Lin *(note (i))*	150	–	–	–	–	150
Total	736	300	–	–	–	1,036

12. DIRECTORS', SENIOR MANAGEMENT'S AND EMPLOYEES' EMOLUMENTS *(CONTINUED)*

(A) DIRECTORS' EMOLUMENTS *(CONTINUED)*

For the year ended 31 December 2022

	Fees HK$'000	Salaries and allowances HK$'000	Bonuses HK$'000	Contributions to retirement benefit scheme HK$'000	Equity-settled share based expenses HK$'000	Total HK$'000
Executive directors:						
Ms. Zhu Yufei	–	–	–	–	–	–
Mr. Cheung Wai Kuen	–	–	–	–	–	–
Mr. Li Runping	–	–	–	–	–	–
Mr. Lin Jiang	–	300	–	–	–	300
Ms. Meng Lijia *(note (c))*	11	–	–	–	–	11
Non-executive directors:						
Mr. Guo Qifei *(note (e))*	–	–	–	–	–	–
Ms. Liang Linmin *(note (d))*	–	–	–	–	–	–
Mr. Wong Kin Man *(note (j))*	–	–	–	–	–	–
Mr. Yang Zhibo *(note (k))*	–	–	–	–	–	–
Independent non-executive directors:						
Ms. Yu Lin *(note (i))*	150	–	–	–	–	150
Mr. Wong Yiu Kit, Ernest	150	–	–	–	–	150
Mr. Huang Wenhua *(note (g))*	150	–	–	–	–	150
Mr. Wang Qingyu *(note (h))*	11	–	–	–	–	11
Mr. Lam Chi Wing *(note (f))*	1	–	–	–	–	1
Total	473	300	–	–	–	773

No emoluments were paid by the Group to the directors of the Company, its chief executive officer and senior management of the highest paid individuals as a discretionary bonus or an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2023 and 2022.

None of the directors of the Company and chief executive officer of the Company agreed to receive or waived any emoluments in the years ended 31 December 2023 and 2022.

No share option, share award and share incentive was held by directors as at 31 December 2023 and 2022. Details of the share option, share award and share incentive scheme are disclosed in Notes 34, 35 and 36.

12. DIRECTORS', SENIOR MANAGEMENT'S AND EMPLOYEES' EMOLUMENTS *(CONTINUED)*

(A) DIRECTORS' EMOLUMENTS (CONTINUED)

notes:

(a) Ms. Zhu Yufei resigned as an executive director of the Company with effect from 26 October 2023.

(b) Ms. Kai Xiang Mei appointed as executive director of the Company with effect from 26 October 2023.

(c) Ms. Meng Lijia appointed as executive director of the Company with effect from 5 December 2022.

(d) Ms. Liang Linmin was appointed as non-executive director of the Company with effect from 27 December 2022.

(e) Mr. Guo Qifei appointed as non-executive director of the Company with effect from 5 December 2022.

(f) Mr. Lam Chi Wing resigned as independent non-executive director of the Company with effect from 5 December 2022 and re-appointed as independent non-executive director of the Company with effect from 26 October 2023.

(g) Mr. Huang Wenhua appointed as independent non-executive director of the Company with effect from 5 December 2022.

(h) Mr. Wang Qingyu appointed as independent non-executive director of the Company with effect from 27 December 2022.

(i) Ms. Yu Lin resigned as independent non-executive director of the Company with effect from 26 October 2023.

(j) Mr. Wong Kin Man resigned as non-executive director of the Company with effect from 8 August 2022.

(k) Mr. Yang Zhibo resigned as non-executive director of the Company with effect from 6 May 2022.

12. DIRECTORS', SENIOR MANAGEMENT'S AND EMPLOYEES' EMOLUMENTS *(CONTINUED)*

(B) FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest emoluments in the Group, no (2022: no) director of the Company whose emoluments was included in Note 12(A) above. The emoluments of the remaining five (2022: five) individuals were as follows:

	2023 **HK$'000**	2022 HK$'000
Salaries, bonuses and other allowances	**4,462**	2,743
Contribution to retirement benefits scheme	**99**	66
	4,561	2,809

Their emoluments were within the following bands:

	2023	2022
Nil to HK$1,000,000	**4**	5
HK$1,000,001 to HK$2,000,000	**1**	–
	5	5

During the year ended 31 December 2023, no emolument was paid or payable by the Group to the five highest paid employees as an inducement to join or upon joining the Group or as compensation for the loss of office (2022: Nil). At the end of the reporting period, there was no forfeited contribution, which arose upon employees leaving the retirement benefits scheme and which are available to reduce the contribution payable in the future years.

13. INCOME TAX EXPENSE/(CREDIT)

	2023 **HK$'000**	2022 HK$'000
Income tax expense/(credit) comprises:		
Current tax – Hong Kong Profits tax		
Charge for the year	**–**	–
Current tax – PRC Enterprise income tax		
Charge for the year	**3,754**	11,613
Deferred tax	**9,325**	(32,754)
	13,079	(21,141)

13. INCOME TAX EXPENSE/(CREDIT) *(CONTINUED)*

(A) HONG KONG PROFITS TAX

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualified for the two-tiered profits tax rates regime continue to be taxed at a flat rate of 16.5%.

(B) PRC ENTERPRISE INCOME TAX

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

(C) BERMUDA, CAYMAN ISLANDS AND BRITISH VIRGIN ISLANDS CORPORATE INCOME TAX

Pursuant to the rules and regulations of the Bermuda, Cayman Islands and the British Virgin Islands (the "BVI"), the Company and the Company's subsidiaries registered in the Bermuda, the Cayman Islands or the BVI are not subject to any income tax in the Bermuda, Cayman Islands and BVI, respectively.

The income tax expense for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2023 **HK$'000**	2022 HK$'000
Loss before tax	**(163,769)**	(199,281)
Tax at the Hong Kong Profits Tax rate of 16.5%	**(27,022)**	(32,881)
Tax effect of share of result of associates	**(50)**	41
Tax effect of income not taxable for tax purpose	**(2,220)**	(1,939)
Tax effect of expenses not deductible for tax purpose	**7,273**	7,046
Tax effect of tax losses not recognised	**35,625**	13,759
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**(527)**	(7,167)
Income tax expense/(credit)	**13,079**	(21,141)

14. DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 December 2023 (2022: Nil).

15. LOSS PER SHARE

The calculation of the basic and diluted loss per share for the year ended 31 December 2023 and 2022 attributable to owners of the Company is based on the following data:

Loss for the year attributable to owners of the Company

	2023 **HK$'000**	2022 HK$'000
Loss for the purpose of basic and diluted loss per share	**(177,421)**	(165,324)

Number of shares

	2023 **'000**	2022 '000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share after excluding shares held for the share award scheme	**4,350,901**	4,308,892

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible preference shares since their assumed exercise would result in a decrease in loss per share.

The computation of diluted loss per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares for both 2023 and 2022.

The diluted loss per share is the same as the basic loss per share for the year ended 31 December 2023 and 2022.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Office equipment HK$'000	Furniture and fixture HK$'000	Computer software HK$'000	Motor vehicle HK$'000	Medical equipment HK$'000	Total HK$'000
Cost:							
At 1 January 2022	229,743	4,097	5,151	3,735	8,459	18,095	269,280
Additions	28,935	1,786	837	2,168	2,104	1,524	37,354
Disposals	–	(340)	(237)	–	(407)	(2,735)	(3,719)
Exchange alignment	(14,451)	(659)	(202)	(437)	(618)	(2,408)	(18,775)
At 31 December 2022 and 1 January 2023	244,227	4,884	5,549	5,466	9,538	14,476	284,140
Additions	32,739	778	247	31	1,527	1,047	36,369
Disposals	(183)	(667)	(168)	–	(19)	(4,527)	(5,564)
Exchange alignment	(3,712)	(138)	(110)	(118)	(154)	(487)	(4,719)
At 31 December 2023	273,071	4,857	5,518	5,379	10,892	10,509	310,226
Accumulated depreciation and impairment:							
At 1 January 2022	107,807	1,492	4,687	666	4,597	5,263	124,512
Charge for the year	47,056	955	715	504	1,619	3,418	54,267
Disposals	–	(135)	(176)	–	(333)	(2,335)	(2,979)
Exchange alignment	(5,169)	(378)	(115)	(116)	(253)	(1,841)	(7,872)
At 31 December 2022 and 1 January 2023	149,694	1,934	5,111	1,054	5,630	4,505	167,928
Charge for the year	42,471	1,094	497	542	1,892	1,812	48,308
Disposals	(125)	(345)	(134)	–	(18)	(4,188)	(4,810)
Exchange alignment	(2,027)	(45)	(120)	(36)	(77)	(395)	(2,700)
At 31 December 2023	190,013	2,638	5,354	1,560	7,427	1,734	208,726
Carrying amounts:							
At 31 December 2023	**83,058**	**2,219**	**164**	**3,819**	**3,465**	**8,775**	**101,500**
At 31 December 2022	94,533	2,950	438	4,412	3,908	9,971	116,212

For impairment testing, please refer to Note 19 for details.

17. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

(A) RIGHT-OF-USE ASSETS

	Leased properties HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Total HK$'000
At 1 January 2022	384,572	871	4	385,447
Additions (note i)	156,883	–	–	156,883
Depreciation charge	(142,385)	(517)	(4)	(142,906)
Exchange alignment	(30,945)	–	–	(30,945)
At 31 December 2022 and 1 January 2023	368,125	354	–	368,479
Additions (note ii)	58,289	–	–	58,289
Lease modification (note iii)	(98,276)	–	–	(98,276)
Depreciation charge	(130,492)	(354)	–	(130,846)
Exchange alignment	(2,039)	–	–	(2,039)
At 31 December 2023	**195,607**	**–**	**–**	**195,607**

notes:

(i) Amount includes right of use assets resulting from renewal of lease.

(ii) Amount includes rights of use assets resulting from renewal of lease and the new lease properties for a new postpartum care centre in PRC.

(iii) During the year ended 31 December 2023, after negotiated and agreed by both parties, a properties lease was terminated in advance without compensation. As at the date of termination, the carrying amount of right of use assets and lease liabilities were approximately HK$98,276,000 and HK$100,991,000 respectively and the gain on lease modification of approximately HK$2,715,000 was recognised in profit or loss during the year.

For both years, the Group leases various properties, equipment and vehicles for its operations. Lease contracts are entered into for fixed term of 2 years to 10 years, but may have extension and termination options. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The maturity analysis of lease liabilities is presented in Note 17(B).

17. RIGHT-OF-USE ASSETS/LEASE LIABILITIES *(CONTINUED)*

(A) *RIGHT-OF-USE ASSETS (CONTINUED)*

As at 31 December 2023, right-of-use asset with carrying amount of approximately HK$Nil (2022: HK$856,000) was carried under lease with a related company.

For impairment testing, please refer to Note 19 for details.

(B) *LEASE LIABILITIES*

	2023 **HK$'000**	2022 HK$'000
Analysed as:		
Non-current	**132,117**	270,862
Current	**90,742**	132,853
	222,859	403,715

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period are as follows:

	2023 **HK$'000**	2022 HK$'000
Within one year	**90,742**	132,853
After one year but within two years	**88,932**	78,383
After two years but within five years	**38,421**	120,780
After five years	**4,764**	71,699
	222,859	403,715

The weighted average incremental borrowing rate applied to lease liabilities range from 4.87% to 9.20% (2022: from 4.87% to 8.42%).

18. INTANGIBLE ASSETS

	Land development right HK$'000	Trademark HK$'000	Total HK$'000
Cost:			
At 1 January 2022	134,060	669,973	804,033
Exchange alignment	(10,947)	(54,708)	(65,655)
At 31 December 2022 and 1 January 2023	123,113	615,265	738,378
Exchange alignment	(1,225)	(6,122)	(7,347)
At 31 December 2023	**121,888**	**609,143**	**731,031**
Carrying amounts:			
At 31 December 2023	**121,888**	**609,143**	**731,031**
At 31 December 2022	**123,113**	**615,265**	**738,378**

The land development right was acquired by the Company through the acquisition of 100% equity interests of Harvest Luck Investment Limited ("Harvest Luck") during the year ended 31 December 2016. The management considered that the legal rights of the land development rights is capable of being renewed indefinitely at insignificant cost and it is expected to generate positive cash flows indefinitely. The development rights will not be amortised until its useful life is determined to be finite upon reassessment of its useful life annually by the management. Instead, it will be tested for impairment annually and whenever there is an indication that it may be impaired. The management estimated the recoverable amounts of the land development right based on the higher of fair value less costs of disposal and value in use. The carrying amount of the land development right does not exceed the recoverable amount, no impairment losses were recognised for both years.

18. INTANGIBLE ASSETS *(CONTINUED)*

At 31 December 2023, the trademark from postpartum care services with carrying amount of approximately HK$609,143,000 (2022: HK$615,265,000) was acquired by the Company through the step-up acquisition of Shenzhen Aidigong Group during the year ended 31 December 2019.

The management of the Group considered that the trademarks from postpartum care services business are expected to generate positive cash flows indefinitely and therefore they have indefinite useful lives. The trademarks will not be amortised until its useful life are determined to be finite. Instead, it will be tested for impairment annually and whenever there is an indication that it may be impaired. Particulars of the impairment testing are disclosed in Note 19.

IMPAIRMENT TESTING OF INTANGIBLE ASSETS

For the purpose of impairment testing, intangible asset has been allocated to the following CGU. The carrying amount of intangible asset (net of accumulated impairment losses) at 31 December 2023 and 2022 was allocated as follow:

	2023 **HK$'000**	2022 HK$'000
Postpartum care services	**609,143**	615,265
Health industry	**121,888**	123,113

19. GOODWILL

	2023 **HK$'000**	2022 HK$'000
Cost:		
At 1 January	**401,414**	437,106
Exchange alignment	**(3,995)**	(35,692)
At 31 December	**397,419**	401,414
Carrying amounts:		
At 31 December	**397,419**	401,414

19. GOODWILL *(CONTINUED)*

IMPAIRMENT TEST OF GOODWILL

For the purpose of impairment testing, goodwill has been allocated to the following CGU. The carrying amount of goodwill (net of accumulated impairment losses) at 31 December 2023 and 2022 was allocated as follow:

	2023 **HK$'000**	2022 HK$'000
Postpartum care services	**397,419**	401,414

The recoverable amount of this cash-generating units of postpartum care services business have been determined on a value in use calculation which use cash flow projection based on financial budgets approved by the directors and valued by an independent professional valuer covering a five year period, and discount rate of 16.70% (2022: 16.72%) per annum. Cash flows beyond that five-year period have been extrapolated using a steady 3.00% (2022: 3.00%) growth rate. This growth rate does not exceed the long-term average growth rate for the market.

The key assumptions used in the value-in-use calculations are as follows:

Budgeted market share	Average market share in the period immediately before the budget period. The values assigned to the assumption reflect past experience.
Budgeted gross margin	Average gross margins achieved in the period immediately before the budget period which reflects the past experience.
Forecast revenue growth rates	Forecast revenue growth rates are based on past experience adjusted for occupancy rate and the revenue contribution of new postpartum care centres.
Operating profits	Operating profits are forecast based on historical experience of operating margins, adjusted for the impact of new postpartum care centres which are in the early stage of opening.
Cash conversion	Cash conversion is the ratio of operating cash flow to operating profit. Management forecast cash conversion rates are based on historical experience.

During the year ended 31 December 2023 and 31 December 2022, management of the Group determines that there is no impairment on postpartum care services. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of postpartum care services to exceed the recoverable amount of postpartum care services.

20. INTERESTS IN ASSOCIATES

	2023	2022
	HK$'000	HK$'000
Interests in associates, included in non-current assets:		
Share of net assets	**1,704**	1,410
Interests in associates	**1,704**	1,410
Dividend from the associate during the year	**–**	–

DISCLOSURE ON ASSOCIATES THAT ARE NOT INDIVIDUALLY MATERIAL

The following tables illustrate the aggregate financial information of the Group's associates that are not individually material:

	2023	2022
	HK$'000	HK$'000
Share of the associates' profit/(loss) for the year	**305**	(248)
Share of the associates' other comprehensive loss for the year	**(11)**	(18)
Carrying amount of the Group's interests in the associates that are not individually material	**1,704**	1,410

21. INTERESTS IN JOINT VENTURES

Details of the Group's interest are as follows:

	2023 HK$'000	2022 HK$'000
Cost of investments in joint ventures	–	73,235
Amounts due from joint ventures	–	60,330
	–	133,565
Impairment loss recognised	–	(133,565)
	–	–

Details of the Group's joint ventures, which are held indirectly by the Company at the end of reporting period, are as follows:

Name of joint venture	Form of business and structure	Place of incorporation	Class of shares held	Proportion of ownership interest and voting rights held by the Group 2023	2022	Principal activities
Golden Royce Investment Limited	Incorporated	Hong Kong	Ordinary	–*%	40%	Deregistered

* On 14 March 2023, Golden Royce Investment Limited was deregistered. All cost invested and the amount due from the joint ventures have been written-off.

22. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 HK$'000	2022 HK$'000
Equity investment at FVTOCI		
– Unlisted *(notes)*	–	20,100

notes:

(a) Dragon Pride Group was principally engaged in the provision of medical services in Hong Kong.

(b) On 31 July 2023, the equity investments at fair value through other comprehensive income have been disposed to the independent third party with the consideration of HK$12,500,000.

23. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2023 HK$'000	2022 HK$'000
Deposits	**43,234**	38,649
Prepayments *(note (i))*	**68,320**	38,981
Other receivables *(note (ii))*	**385,963**	402,130
	497,517	479,760
Less: Allowance for expected credit losses	**(100,817)**	(32,232)
	396,700	447,528
Analysed for reporting purposes as:		
Non-current	**51,921**	68,975
Current	**344,779**	378,553
	396,700	447,528

The directors consider that carrying amounts of deposits paid and other receivables approximate to their fair values.

notes:

(i) The prepayments mainly comprised of prepaid rental and food ingredient payments for the daily operation of postpartum care centres of approximately HK$29,115,000 (2022: HK$25,744,000).

(ii) As at 31 December 2023, the other receivables mainly comprised of (i) outstanding financial assistance of the disposal company of approximately HK$121,002,000 (2022: HK$121,002,000) before the disposal, (ii) consideration receivables for the prior year disposal of subsidiaries and associates of approximately HK$92,704,000 (2022: HK$121,634,000) and repayable within one year bearing effective interest rate of 5.71%, (iii) amount due from a former subsidiary and dividend from the former associate of approximately HK$31,549,000 and HK$7,281,000 respectively (2022: HK$32,183,000 and HK$7,281,000 respectively), (iv) Consideration receivables for the disposal of subsidiaries of approximately HK$84,386,000 (2022: HK$81,894,000) and repayable within three year installment bearing effective interest rate of 7.12%.

Details of allowance for expected credit losses assessment for the years ended 31 December 2023 and 2022 were set out in Note 5(B).

24. TRADE RECEIVABLES

	2023 **HK$'000**	2022 HK$'000
Trade receivables	–	4,798
Less: Allowance for expected credit losses	–	(635)
	–	4,163

The Group has not granted any credit period (2022: 30 to 90 days) to its customers during the year ended 31 December 2023. The following is an ageing analysis of trade receivables (net of allowance for expected credit losses and presented based on the invoice date), at the end of the reporting period:

	2023 **HK$'000**	2022 HK$'000
0 to 30 days	–	407
31 to 60 days	–	254
61 to 90 days	–	254
Over 90 days	–	3,248
	–	4,163

Reversal of expected credit losses of approximately HK$635,000 have been recognised for trade receivables as at 31 December 2023 (2022: allowance of approximately HK$223,000).

The Group maintains a defined credit policy to assess the credit quality of each counterparty. The collection is closely monitored to minimise any credit risk associated with these trade receivables.

The Group rebutted the presumption of default under expected credit losses model for trade receivables over 90 days past due based on no significant change in credit quality after understood the customers' background as well as the good payment records of and continuous business relationship with the customers.

These customers were assessed individually and/or collectively using a provision matrix with appropriate groupings for the credit risk based on their historical default rate, probability of default and exposure of default and were adjusted for forward-looking information that was available without undue cost or effort. The Group did not hold any collateral over these balances.

24. TRADE RECEIVABLES *(CONTINUED)*

Movement in the allowance for expected credit losses in respect of trade receivables during the year is as follows:

	2023	2022
	HK$'000	HK$'000
Balance at 1 January	**635**	412
(Reversal of)/allowance for expected credit losses during the year	**(635)**	223
Balance at 31 December	**–**	635

Details of impairment assessment under expected credit loss model of trade receivables for the years ended 31 December 2022 were set out in Note 5(B).

25. INVENTORIES

	2023	2022
	HK$'000	HK$'000
Finished goods	**1,808**	1,940

The directors have assessed the net realisable values and condition of the Group's inventories as at 31 December 2023 and 2022 and have considered no write-down of obsolete inventories to be made.

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/BANK AND CASH BALANCES

(A) FINANCIAL ASSETS AT FVTPL

	2023	2022
	HK$'000	HK$'000
Structured bank deposits	**20,009**	34,022

Structured bank deposits generally include foreign currency, commodity price, or assets linked structured bank deposits ("SBDs") placed by the Group to a number of banks. Pursuant to the relevant underlying agreements, the SBDs generally carry interest income at the interest rate range from 1.00% to 3.25% (2022: 0.03% to 3.3%) per annum with reference to the performance of foreign currency, commodity price, or assets during the investment period and the principal sums are denominated in RMB. Certain of the structured bank deposits are capital guaranteed. The structured bank deposits are either redeemable on demand or have a maturity date ranged from within one month to three years (2022: three months to three year). The change of fair value of the financial assets of HK$128,000 (2022: HK$229,000) have been recognised at profit or loss during the year ended 31 December 2023.

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/BANK AND CASH BALANCES

(B) BANK AND CASH BALANCES

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term time deposits are denominated in HK$ and RMB which made for varying periods between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates.

At 31 December 2023, the Group's bank and cash balances denominated in RMB are approximately HK$77,690,000 (2022: HK$53,233,000).

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

27. TRADE PAYABLES

The following is an ageing analysis of trade payables presented based on the invoice date:

	2023 **HK$'000**	2022 HK$'000
0 to 30 days	**12,441**	21,031
31 to 60 days	**5,176**	7,059
61 to 180 days	**2,000**	1,521
181 to 365 days	**896**	874
Over 365 days	**–**	748
	20,513	31,233

The average credit period granted by suppliers ranges from 0 to 30 days.

28. ACCRUALS AND OTHER PAYABLES/CONTRACT LIABILITIES

(A) ACCRUALS AND OTHER PAYABLES

	2023 **HK$'000**	2022 HK$'000
Accruals	**13,762**	37,688
Other payables *(note)*	**14,175**	42,515
	27,937	80,203

28. ACCRUALS AND OTHER PAYABLES/CONTRACT LIABILITIES

(A) ACCRUALS AND OTHER PAYABLES

note:

At 31 December 2022, other payables mainly comprised of (a) approximately HK$25,800,000 interests on bonds payable and (b) HK$10,642,000 advance payment from independent third parties.

(B) CONTRACT LIABILITIES

	2023 **HK$'000**	2022 HK$'000
Contract liabilities *(note)*	**149,925**	156,321

note:

When the Group received a deposit before the postpartum care service commences, this will give rise to contract liabilities at the start of contract, until the revenue recognized on the relevant contract.

At 31 December 2023, contract liabilities mainly comprised of approximately HK$149,925,000 (2022: HK$156,321,000) of deferred income relating to postpartum care services and expected to be recognised as revenue within one year.

MOVEMENTS IN CONTRACT LIABILITIES

	2023 **HK$'000**	2022 HK$'000
As at 1 January	**156,321**	211,162
Decrease in contract liabilities as a result of recognising revenue during the year	**(156,321)**	(156,655)
Disposals of subsidiaries *(Note 39)*	**–**	(54,507)
Increase in contract liabilities as a result of receiving deposits during the year in respect of services not yet rendered as at 31 December	**149,925**	156,321
As at 31 December	**149,925**	156,321

29. SHARE CAPITAL

	Number of shares '000	Share capital HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	80,000,000	800,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 January 2022	4,285,015	42,850
Share capital issued under incentive agreement *(note (i))*	30,000	300
Share capital issued under incentive agreement *(note (ii))*	30,000	300
At 31 December 2022 and 1 January 2023	4,345,015	43,450
Share capital issued under incentive agreement *(note (iii))*	90,000	900
At 31 December 2023	**4,435,015**	**44,350**

notes:

(i) On 30 May 2022, an aggregate of 30,000,000 incentive shares have been awarded to Hongchang International Investment Limited ("Zhu Associate") in accordance with the Incentive Agreement. Details of the incentive agreement are set out in the Company's announcement dated 23 May 2022.

(ii) On 27 September 2022, an aggregate of 30,000,000 incentive shares have been awarded to Zhu Associate in accordance with the Incentive Agreement. Details of the incentive agreement are set out in the Company's announcement dated 9 September 2022.

(iii) On 27 November 2023, an aggregate of 90,000,000 incentive shares have been awarded to Zhu Associate in accordance with the Incentive Agreement. Details of the incentive agreement are set out in the Company's announcement dated 29 October 2023.

30. CONVERTIBLE PERFERENCE SHARES

	Number of shares '000	Nominal value of share HK$'000
Authorised:		
Convertible preference shares Class A of HK$0.01 each		
At 1 January 2022	–	–
Increase in authorized share capital under convertible preferences shares Class A *(note i)*	400,000	4,000
At 31 December 2022, 1 January 2023 and 31 December 2023	**400,000**	**4,000**
Convertible preference shares Class B of HK$0.01 each		
At 1 January 2022	–	–
Increase in authorized share capital under convertible preferences shares Class B *(note i)*	400,000	4,000
At 31 December 2022, 1 January 2023 and 31 December 2023	**400,000**	**4,000**
Issued and fully paid:		
Convertible preference shares Class A of HK$0.01 each		
At 1 January 2022, 31 Decemeber 2022 and 1 January 2023	–	–
Convertible preferences share Class A issued *(note ii)*	187,266	1,872
At 31 December 2023	**187,266**	**1,872**
Convertible preference shares Class B of HK$0.01 each		
At 1 January 2022, 31 Decemeber 2022 and 1 January 2023	–	–
Convertible preferences share Class B issued *(note ii)*	187,266	1,872
At 31 December 2023	**187,266**	**1,872**

30. CONVERTIBLE PERFERENCE SHARES (CONTINUED)

The analysis of the carrying amount of convertible preference shares is as follows:

	Convertible preference shares Class A		Convertible preference shares Class B			
	Debt component HK$'000	Derivative components HK$'000	Debt component HK$'000	Derivative components HK$'000	Deferred day-one loss HK$'000	Total HK$'000
At 1 January 2022, 31 December 2022 and 1 January 2023	–	–	–	–	–	–
Issuance of convertible preference shares, net	28,030	102,572	39,241	116,487	(63,858)	222,472
Imputed interest expense	2,841	–	3,977	–	–	6,818
Loss on convertible preference shares, net	–	(34,903)	–	(25,067)	63,858	3,888
As at 31 December 2023	**30,871**	**67,669**	**43,218**	**91,420**	**–**	**233,178**

	2023 HK$	2022 HK$
Analysed for reporting purposes are:		
Non-current	**224,189**	–
Current	**8,989**	–
	233,178	–

30. CONVERTIBLE PERFERENCE SHARES *(CONTINUED)*

notes:

(i) On 9 September 2022, the Company entered into a subscription agreement ("Subscription Agreement") with Zhuhai Deyou Bohui Enterprise Management Consulting Center (Limited Partnership)(珠海德祐博暉企業管理諮詢中心(有限合夥))(the "Subscriber"), pursuant to which, the Company adopted the creation of additional 400,000,000 new class A convertible preference shares of par value of HK$0.01 each and 400,000,000 new class B convertible preference shares of par value of HK$0.01 each according to an ordinary resolution passed by the Company at the special general meeting held on 30 December 2022. The issuance of the convertible preference shares ("CPS") have been completed on 23 March 2023. For details, please refer to the announcements of the Company dated 9 September 2022 and 8 December 2022, 3 March 2023, 23 March 2023, the circular dated 9 December 2022, the poll results announcement dated 30 December 2022.

(ii) The convertible preference shares Class A ("CPS Class-A") and convertible preference shares Class B ("CPS Class-B) are non-voting shares and redeemable. Each class of holders ("Holders") are entitled to receive the 4.0% per annum of their subscription price (Class A: HK$0.5, Class B HK$0.70 in each case, as adjusted by the adjustment events) and payable annually as dividends ("Dividend") subject to the relevant laws and regulations of Bermuda. In addition, the Holders have a conversion right to convert any CPS into Ordinary Share in accordance with the terms of the Subscription Agreement equal to the quotient of the subscription price divided by the then effective conversion price (CPS Class-A: HK$0.5, CPS Class-B HK$0.70 in each case, as adjusted by the adjustment events), resulting in an initial conversion ratio of 1:1 for each CPS at any time during the 30-month period beginning on the first anniversary of 23 March 2023.

The Company shall have the right to request, by 30 business days' prior written notice to any Holders specifying the CPS to be redeemed from such Holders to redeem all or any of the outstanding CPS held by it upon occurence of any of the following events: (i) 18 months having lapsed from 23 March 2023; or (ii) the average closing price of the shares trading on the Main Board of the Stock Exchange for the 3-month period immediately preceding the date of the Company redemption notice being no less than HK$2.00 per Share. The redemption price per CPS shall be equal to (i) the RMB subscription price, plus (ii) simple interest of 13% per annum commencing on the 23 March 2023 and ending on the date of payment of the redemption price for such CPS in full, less (iii) the Dividend actually paid by the Company on such CPS.

Holders shall have the right to request, at any time after the first occurrence of any of the events set out in the subscription agreement, two years having lasped from 23 March 2023 and before expiry of the 42-month period from 23 March 2023, the Company to redeem all or part of the outstanding CPS with the redemption price set out above and held by it by written notice to the Company specifying the number of CPS to be redeemed.

For the details of the CPS, please refer to the announcements of the Company dated 9 September 2022 and 8 December 2022, 3 March 2023, 23 March 2023, the circular dated 9 December 2022, the poll results announcement dated 30 December 2022.

In accordance with accounting policy as the convertible preference share is redeemable and payment of dividends is at the non-discretion of the Company, the CPS separated as debt components which included non-discretion dividend and derivative components which included conversion option, issuer's redemption option and holder's redemption option.

The fair value of CPS Class-A and CPS Class-B issuance is determined using valuation model which involved unobservable inputs. The day-1 loss of approximately HK$63,858,000, which represented the difference between the transaction price and the fair value of CPS Class A and CPS Class B at the issue date, is not recognised in the consolidated statement of profit or loss and other comprehensive income immediately but is deferred. Upon issuance of CPS Class-A and CPS Class-B, amounts of approximately HK$28,030,000 and HK$39,241,000 were recognised as debt components of CPS Class A and CPS Class B respectively and derivative component embedded in CPS Class-A and CPS Class-B of HK$102,572,000 and HK$116,487,000 were recognised as derivative component respectively. The day-1 loss of approximately HK$63,858,000 is included in the carrying amount of CPS and will be recognised based on the change in Company's shares market price that market participants would take into account when pricing the liability.

As at 31 December 2023, the fair value of the CPS Class-A and CPS Class-B derivative components amounting to approximately HK$67,669,000 and HK$91,420,000 respectively and the change of the fair value on the CPS Class A and CPS Class B derivative components of HK$34,903,000 and HK$25,067,000 respectively and deferred day-one loss of HK$63,858,000 is recognised in profit or loss during the year ended 31 December 2023. As at 31 December 2023, the carrying amount of the CPS were HK$233,178,000. No CPS were converted into ordinary shares of the Company and no CPS have been redeemed up to 31 December 2023.

31. DEFERRED TAX ASSETS/LIABILITIES

For the purpose of presentation in the consolidated financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balance for the financial reporting purposes:

	2023 HK$'000	2022 HK$'000
Deferred tax assets	**34,086**	44,031
Deferred tax liabilities	**(152,817)**	(153,848)
	(118,731)	(109,817)

The movements of deferred income tax assets/(liabilities) were as follows:

	Accured expenses HK$'000	Loss available for offset future taxable profit HK$'000	Allowance for expected credit losses HK$'000	Right-of-use assets HK$'000	Lease liabilities HK$'000	Intangible assets HK$'000	Total HK$'000
At 1 January 2022	6,155	5,314	2,226	32,348	(32,348)	(167,524)	(153,829)
Credit/(charge) to the consolidated statement of profit or loss and other comprehensive income	5,874	25,964	916	3,624	(3,624)	–	32,754
Exchange alignment	(742)	(1,494)	(182)	(1,725)	1,725	13,676	11,258
At 31 December 2022 and 1 January 2023	11,287	29,784	2,960	34,247	(34,247)	(153,848)	(109,817)
Credit/(charge) to the consolidated statement of profit or loss and other comprehensive income	(5,199)	(1,520)	(2,716)	(15,107)	15,217	–	(9,325)
Exchange alignment	(147)	(450)	(22)	(171)	170	1,031	411
At 31 December 2023	5,941	27,814	222	18,969	(18,860)	(152,817)	(118,731)

At the end of the reporting period, the Group has unused tax losses of approximately HK$946,061,000 (2022: HK$730,152,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the remaining HK$834,805,000 (2022: HK$728,606,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$376,388,000 (2022: HK$168,493,000) that will expire within 5 years. Other losses of HK$569,673,000 (2022: 561,659,000) may be carried forward indefinitely. A deferred tax asset has been recognised in respect of HK$111,256,000 (2022: HK$119,136,000) of such losses which available for offset future taxable profit.

31. DEFERRED TAX ASSETS/LIABILITIES (CONTINUED)

Deferred income taxes are calculated in full on temporary differences under the liability method using the tax rates which are expected to apply at the time of reversal of the temporary differences.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred tax has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the profits earned by the PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

32. BONDS PAYABLE

	2023 HK$'000	2022 HK$'000
At 1 January	**74,538**	72,441
Initial recognition, net of related expenses	**8,950**	38,840
Repayment	**(24,600)**	(15,400)
Imputed interest expenses	**4,303**	9,866
Interest paid	**(2,644)**	(5,409)
Transfer to other payables	**–**	(25,800)
At 31 December	**60,547**	74,538
Current liabilities	**47,003**	24,390
Non-current liabilities	**13,544**	50,148
	60,547	74,538

During the year ended 31 December 2023, the Company, through an independent placing agent issued coupon bonds for an aggregate principal amount of HK$10,000,000 (2022: HK$43,000,000), which carry a fixed coupon interest rate of 3.50% per annum (2022: 6.8% to 12.00% per annum). The bonds are unsecured and will mature on the date falling on the second and third anniversary of the date of issue of the bonds. The net proceeds are intended to be used for general capital of the Group. The bonds are subsequently measured at amortised cost.

As at 31 December 2023, the bonds payable with principal amount of HK$65,200,000 (2022: HK$79,800,000) will be due between 2024 and 2025. The effective interest rates are ranging from 13.02% to 14.43% (2022: 11.50% to 14.75%).

33. BANK AND OTHER BORROWINGS

Bank and other borrowings comprised of:

	2023 HK$'000	2022 HK$'000
Bank borrowings, secured *(note (i))*	**327,809**	348,165
Other borrowing, secured *(note (ii))*	**3,000**	–
Other borrowings, unsecured *(note (iii))*	**–**	52,097
Total borrowings	**330,809**	400,262

	2023 HK$'000	2022 HK$'000
Carrying amount repayable:		
Within 1 year or on demand	**33,686**	32,676
Between 1 to 2 years	**97,200**	64,491
Between 2 to 5 years	**199,923**	303,095
	330,809	400,262
Analysed for reporting purposes are		
Non-current	**297,123**	367,586
Current	**33,686**	32,676
	330,809	400,262

notes:

(i) On 12 September 2019, Guangdong Common Splendor Health Industry Group Limited ("Guangdong CS"), a wholly-owned subsidiary of the Company, as borrower, with Dongguan Rural Commercial Bank Co., Ltd. ("DRC Bank"), as lender, pursuant to which, DRC Bank, Donglian Branch agreed to make available to Guangdong CS the Loan Facilities of up to an aggregate principal amount of RMB340,000,000. The bank loans were secured by following: (a) a pledge of 88.5184% shares of Shenzhen Aidigong; (b) personal guarantee by related parties; and (c) corporate guarantee by its wholly-owned subsidiaries, Guangdong Common Splendor Supply Chain Management Limited and Dongguan Great King Health Industry Company Limited. The principal was due between 2024 and 2026 and the annual interest rate of above loans ranged from 5.40% to 6.75% (2022:6.89% to 7.11%), of which HK$311,793,000 was utilised as at 31 December 2023 (2022: HK$348,165,000).

As at 31 December 2023, the short-term secured bank borrowings of approximately HK$16,016,000 were secured by corporate guarantee by the Group's PRC subsidiaries, the Company and personal guarantees by related parties. The bank borrowings were repayable within 12 months and charged at floating interest rate of 5.40% which was repricing every year.

(ii) At 31 December 2023, the other borrowing of HK$3,000,000 were provided by a shareholder with interest rate of 12% per annum and repayable within one year. The borrowing was pledged by the Company's ordinary shares of 142,050,000 which held by Champion Dynasty Limited.

(iii) At 31 December 2022, the other borrowings of RMB13,313,000 (equivalent to approximately HK$15,000,000) and HK$37,097,000 were provided by independent third parties. The interest rates were charged from 9.00% to 13.00% per annum. The principal is repayable within one to two year. During the year ended 31 December 2023, the principal were fully settled.

The Group's borrowings are denominated in the following currencies:

	2023 HK$'000	2022 HK$'000
Hong Kong Dollar	**3,000**	37,097
RMB	**327,809**	363,165
	330,809	400,262

34. SHARE OPTION SCHEME

At the annual general meeting of the Company held on 28 June 2022, the shareholders of the Company (the "Shareholders") approved, among other things, (1) the termination of the share option scheme adopted on 11 October 2012 (the "Old Share Option Scheme"); and (2) the adoption of the new share option scheme (the "New Share Option Scheme"). No options were granted, outstanding, exercised, cancelled or lapsed under the Old Share Option Scheme since its adoption. For details, please refer to the circular of the Company dated 6 June 2022.

According to the terms of the New Share Option Scheme, its purpose is to provide incentives or rewards to eligible participants (as defined in the New Share Option Scheme) for their contribution to the Group. Eligible participants include any employees, executives or officers of the Group (including any directors, whether executive or non-executive and whether independent or not, of the Company or any of its subsidiaries). Unless otherwise cancelled or amended, the New Share Option Scheme will remain in force for 10 years from the effective date.

Unless approved by the Shareholders in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant options to any Grantee if the acceptance of those options would result in the total number of Shares issued and to be issued to that Grantee on exercise of his options during any 12 month period up to the Offer Date exceed 1% of the total Shares then in issue.

The major terms of the New Share Option Scheme are summarised as follows:

(a) The purpose of the New Share Option Scheme is to enable the Group to grant Options to selected participants as incentives or rewards for their contribution to the Group, in particular:

- to motivate them to optimise their performance and efficiency for the benefit of the Group; and

- to attract and retain or otherwise maintain ongoing business relationships with them whose contributions are or will be beneficial to the Group.

(b) The Share Option Scheme will expire on 27 June 2032.

(c) The eligible participants include:

(1) any employee (whether full time or part time, including any executive director of the Company and non-executive director of the Company) of any member of the Company, any of its subsidiaries or any entity ("Invested Entity");

(2) any independent non-executive directors of the Company of any member of the Group or any Invested Entity;

(3) any supplier of goods or services to any member of the Group or any Invested Entity;

(4) any customer of any member of the Group or any Invested Entity;

(5) any person or entity that provides research, development or other support (technical or otherwise) to any member of the Group or any Invested Entity;

(6) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

34. SHARE OPTION SCHEME *(CONTINUED)*

(c) The eligible participants include: *(Continued)*

(7) any adviser or consultant (professional or otherwise) to any area of business or business development of any member of the Group or any Invested Entity; and

(8) any other group or classes of participants who have contributed or may contribute by way of joint ventures, business alliance or other business arrangement to the development and growth of the Group.

and, for the purpose of the Share Option Scheme, any grant may be made to any company controlled by one or more eligible participants.

(d) The Board shall, in accordance with the provisions of the New Share Option Scheme and the Listing Rules, be entitled but shall not be bound, at any time within a period of ten (10) years commencing on the Adoption Date to make an Offer to such Eligible Participant as the Board may in its discretion select to subscribe for such number of Shares at the exercise price as the Board shall determine.

(e) The Exercise Price in respect of any Option shall, subject to any adjustments made pursuant to the terms in the New Share Option Scheme, be at the absolute discretion of the Board, provided that it shall be not less than the highest of:

(1) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant;

(2) the average closing price of Shares as stated in the Stock Exchange's daily quotations sheet for the five (5) Business Days immediately preceding the Date of Grant; and

(3) the nominal value of the Shares.

(f) Maximum number of the shares available for subscription

The maximum number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue on the date of approval of the Shareholders for the adoption of the New Share Option Scheme (the "Scheme Limit"), excluding for this purpose Shares which would have been issuable pursuant to Options which have lapsed in accordance with the terms of the New Share Option Scheme (or any other share option schemes of the Company). Subject to the issue of a circular by the Company and the approval of the shareholders of the Company in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

(a) renew the Scheme Limit at any time to 10% of the Shares in issue (the "New Scheme Limit") as at the date of the approval by the shareholders of the Company in general meeting; and/or

(b) grant options beyond the Scheme Limit to Eligible Participants specifically identified by the Board. The circular issued by the Company to the Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the Options serve such purpose, the information required under Rule 17.02(2) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

34. SHARE OPTION SCHEME *(CONTINUED)*

(f) Maximum number of the shares available for subscription *(Continued)*

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time (the "Maximum Limit"). No options shall be granted under any schemes of the Company (including the New Share Option Scheme) if this will result in the Maximum Limit being exceeded. The maximum number of Shares in respect of which Options may be granted shall be adjusted, in such manner as the auditors of the Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of the Company in accordance with the New Share Option Scheme whether by way of capitalisation issue, rights issue, open offer (if there is a price-dilutive element), consolidation, sub-division of shares or reduction of the share capital of the Company but in no event shall exceed the limit prescribed herein.

(g) Time of exercise of an option

A period (which may not end later than ten (10) years from the Date of Grant) to be determined and notified by the Board to the Grantee thereof and, in the absence of such determination, from the date of acceptance of the offer of such Option to the earlier of the date on which such Option lapses and ten (10) years from the Date of Grant. The Board may, at its absolute discretion, fix any minimum period for which an Option must be held and any other conditions that must be fulfilled before the Options can be exercised upon the grant of an Option to an Eligible Participant.

As at 31 December 2023 and 2022, no share option was granted exercised, cancelled or lapsed and no share option was outstanding under the New Share Option Scheme.

35. SHARE AWARD SCHEME

A share award scheme was adopted on 30 August 2018 by the Company to recognise the contributions by certain personnel of the Group, to provide them with incentives in order to retain them for the continued operation and development of the Group, and to attract suitable personnel for further development of the Group. Subject to any early termination determined by the Board of Directors of the Company, the share award scheme is valid and effective for a period of ten years commencing on 30 August 2018. The Board of Directors of the Company may at its discretion grant any eligible participant awarded shares, provided that the total number of awarded shares shall not exceed 3% of the issued share capital of the Company as at the date of grant.

The share award scheme is operated through a trustee which is independent of the Group. The Board may either (i) cause to allot and issue new Shares to the Trustee at the Subscription Price under the Scheme Mandate or the General Mandate (as the case may be) (1) as Awarded Shares in the event that the Board has selected certain Eligible Persons as Selected Participants or (2) from time to time for future Award, and the Board shall in such events cause an amount equal to the Subscription Price of such new Shares to be allotted and issued under the Scheme Mandate or the General Mandate (as the case may be) be transferred from the Company's resources as soon as practicable prior to the allotment and issuance of such Shares as subscription monies for the new Shares to the Trustee or (ii) from time to time instruct the Trustee in writing to purchase Shares on the Stock Exchange out of the Trust Fund.

35. SHARE AWARD SCHEME *(CONTINUED)*

In the event that the aggregate interests of connected persons of the Company under the share award scheme exceeds 30% at any time during the life of the share award scheme, the Trustee will become a connected person of the Company under the Listing Rules. In such event, any issue and allotment of new shares to the Trustee in satisfaction of awards granted under the share award scheme will constitute connected transactions of the Company subject to independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

SHARES HELD FOR SHARE AWARD SCHEME

The purposes of the Scheme is to recognise and incentivise certain employees, directors, agent and consultant (the "Participants") and to recognise the contributions by certain personnel of the Group, to provide them with incentives in order to retain them for the continued operation and development of the Group, and to attract suitable personnel for further development of the Group.

	Number of shares held for Share Award Scheme '000	**Shares held for Share Award Scheme** HK$'000
At 1 January 2022	2,100	1,019
Shares purchased for Share Award Scheme *(note (a))*	3,776	1,373
Vested of shares of Share Award Scheme *(note (b))*	(5,000)	(2,074)
At 31 December 2022 and 1 January 2023	876	318
Shares purchased for Share Award Scheme *(note (c))*	3,740	1,265
At 31 December 2023	4,616	1,538

notes:

(a) On 26 May 2022, 27 May 2022, 30 May 2022 and 2 June 2022, the Company purchased for an aggregate for 1,000,000 shares, 1,080,000 shares, 900,000 shares and 796,000 shares at approximately HK$0.3468, HK$0.3643, HK$0.375 and HK$0.37 per share at the consideration of approximately HK347,000, HK$393,000, HK$338,000 and HK$295,000 for the adoption of the share award scheme (the"Scheme").

(b) On 1 January 2022 and 20 September 2022, the Company awarded for an aggregate for 2,100,000 shares and 2,900,000 to the consultant respectively.

(c) On 20 June 2023, 21 June 2023, 29 June 2023, 5 July 2023 and 11 July 2023, the Company purchased for an aggregate for 300,000 shares, 680,000 shares, 180,000 shares, 1,520,000 shares and 1,060,000 shares at approximately HK$0.375, HK$0.3606, HK$0.3500, HK$0.3396 and HK$0.3096 per share at the consideration of approximately HK112,500, HK245,200, HK$63,000, HK$516,150 and HK$328,200 for the adoption of the Scheme.

35. SHARE AWARD SCHEME (CONTINUED)

As at 31 December 2023, the total number of shares held by the trustee under the scheme for the purpose of setting aside a pool of shares available for allocation to selected participants was 4,616,000 (2022: 876,000) shares.

During the year ended 31 December 2023, the equity-settled share-based expenses with consultant under the share award scheme were approximately HK$Nil (2022: HK$2,074,000).

SHARE AWARD SCHEME WITH EXERCISE OPTION

On 12 November 2021, the Company granted 63,500,000 award shares to 69 selected persons thereunder in the form of issue of shares under general mandate pursuant to Share Award Scheme. The number of Award Shares granted are determined based on the Grantees' contributions to the Company or the Group. Each of the Grantees is a senior management, core employee and consultant (excluding Directors) of the Group.

In relation to the Award Shares granted to the Grantees, the new Shares shall be allotted and issued to the Trustee under the general mandate granted by the shareholders of the Company at the annual general meeting of the Company held on 8 June 2021 (the "2021 General Mandate") and such Award Shares shall be issued and allotted to the independent Trustee at nominal value of HK$0.01 per share.

The Company has set a number of exercising conditions for the aforesaid Grantees who can only exercise their Awarded Shares upon fulfilling the conditions (unless an exemption from the Company is obtained). Pursuant to one of the exercising conditions, the Grantees may exercise 30% of the Awarded Shares after 12 months, 30% of the Awarded Shares after 24 months and 40% of the Awarded Shares after 36 months from the date of issuance of the Share Award. For details, please refer to the announcement of the Company dated 12 November 2021, the Circular of the Company dated 15 August 2018 and the poll results announcement of the Company dated 30 August 2018.

During the year ended 31 December 2023, the equity-settled share-based expenses were approximately HK$6,663,000 (2022: HK$14,466,000).

			Movement during the year								
	Date of grant	Outstanding at 1 January 2022	Granted	Exercised	Lapsed	Outstanding at 31 December 2022 and 1 January 2023	Granted	Exercised	Lapsed	Outstanding at 31 December 2023	Validating period
Employees and others	12 November 2021	19,050,000	–	–	–	19,050,000	–	–	–	19,050,000	12 November 2021 to 12 November 2022
	12 November 2021	19,050,000	–	–	–	19,050,000	–	–	–	19,050,000	12 November 2021 to 12 November 2023
	12 November 2021	25,400,000	–	–	–	25,400,000	–	–	–	25,400,000	12 November 2021 to 12 November 2024
	Total	63,500,000	–	–	–	63,500,000	–	–	–	63,500,000	

35. SHARE AWARD SCHEME *(CONTINUED)*

SHARE AWARD SCHEME WITH EXERCISE OPTION (CONTINUED)

The fair value of share award were calculated using the Binomial Model. The inputs into the model were as follows:

Date of grant	**2021.11.12**
Grant date share price	HK$0.88
Exercise price	HK$0.80
Expected volatility	56.13%
Expected life	1-4 years
Risk-free rate	0.62%
Expected dividend yield	0%

36. SHARE INCENTIVE SCHEME

On 27 October 2020, the Company and Hongchang International Investment Limited (a company wholly-owned by Ms. Zhu Yufei, Chairman and Chief Executive Officers of the Group) ("Zhu Associate") entered into the Incentive Agreement, pursuant to which Zhu Associate will be entitled to new shares that shall be alloted and issued by the Company to Zhu Associate as the Incentive ("Incentive Shares") depending and based on the aggregate net profit amount ("NPA") of the New Postpartum Care Centres during the Incentive Base Period (i.e. any six consecutive calendar months within the 18-month period commencing from the date of commencement of operation of such postpartum care centre). The maximum number of the Incentive Shares to be issued to Zhu Associate by the Company is 200,000,000 Incentive Shares, representing approximately (i) 5.22% of the issued share capital of the Company as at the date of this report; and (ii) 4.96% of the Company's issued share capital as enlarged by the issue of the maximum number of the Incentive Shares. For details, please refer to the announcement of the Company dated 27 October 2020.

The Company entered into the incentive agreement in order to increase the number of postpartum care centres operated under the brand name of "Aidigong" and expand its coverage for the provision of postpartum care services to more people. The incentive agreement was approved by the independent Shareholders at the special general meeting held on 28 December 2020.

Zhu Associate shall, during the term of the incentive agreement (i) assist and give advice to the Company on selection of suitable site(s) to establish new postpartum care centres in the PRC; (ii) conduct market research and advise the Company on the establishment of such new postpartum care centres (including location and positioning of such new postpartum care centres); and (iii) liaise with intermediaries and cooperating institutions to implement the construction of the new postpartum care centres.

On 27 November 2023, the Company issued and granted 90,000,000 (2022: 60,000,000) incentive shares to Zhu Associate pursuant to the incentive agreement. Please refer to the announcements of the Company dated 29 October 2023 for details.

During the year ended 31 December 2023, the equity-settled share-based expenses with consultant were approximately HK$30,600,000 (2022: HK$24,600,000).

37. COMMITMENTS

(A) OPERATING LEASES COMMITMENT

THE GROUP AS LESSOR

At the end of reporting period, the Group had contracted with merchants for floor areas around the Nanshan postpartum care centre for the following minimum lease payments non-cancelable operating leases of the following period.

	2023 HK$'000	2022 HK$'000
Within one year	9,178	16,246
In the second the fifth year inclusive	2,308	11,486
	11,486	27,732

(B) CAPITAL COMMITMENTS

As at 31 December 2023, the Group did not have any significant capital commitment. As at 31 December 2022, the Group had a capital commitment amounted to approximately RMB178,000 (equivalent to approximately HK$200,000) which is related to the acquisition of property, plant and equipment contracted for but not recognised as liabilities.

38. RETIREMENT BENEFIT SCHEME

The Group operates the Mandatory Provident Fund Scheme ("MPF Scheme"). Contributions to the MPF Scheme are based on a percentage of employees' salaries ranging from 5% to 10%, depending upon the length of service of the employees. From 1 December 2000, newly joined employees are compulsorily required to join the MPF Scheme. The employer and its employees are each required to make contributions to the scheme at rates specified in the rules of the MPF Scheme.

The employees employed in the PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the China government. The PRC subsidiaries are required to contribute to the retirement benefits schemes based on a certain percentage of their payroll to fund the benefits. The only obligation of the Group with respect to these retirement benefits schemes is to make the required contributions under the schemes.

The total costs charged to the consolidated statement of profit or loss and other comprehensive income approximately HK$15,703,000 (2022: HK$16,605,000) represented contributions payable to these schemes by the Group for the year.

During the year ended 31 December 2023, the Group had no forfeited contribution available to reduce its contributions to pension schemes in future years (2022: HK$nil).

39. DISPOSAL OF SUBSIDIARIES

(a) On 28 August 2022, the Group entered into a sale and purchase agreement to disposal of its entire equity interest in (i) Guangdong Huatai Health Industry Co., Ltd.; (ii) Huizhou Chuangxing Zhongliang Real Estate Co., Ltd; (iii) Huizhou Huatai Health Service Co., Ltd and (iv) Huizhau Huatai Real Estate Co., Ltd to an independent third party for an aggregate fair value consideration of HK$83,025,000. The disposal was completed on 4 November 2022.

Summary of the effects of the disposal is as follows:

Detail of net assets of the subsidiaries disposal of financial impact are summarised as follows:

	Notes	2022 HK$'000
Net assets disposed of:		
Properties under development		488,569
Prepayments, deposits and other receivables		293,340
Bank and cash balances		17,256
Accruals and other payables		(4,084)
Amount due to related parties		(115,406)
Contract liabilities	*28*	(54,507)
Bank borrowings		(413,596)
		211,572
Gain on disposal of subsidiaries		4,793
Release of exchange difference upon disposal		(13,967)
Release of non-controlling interests upon disposal		(119,373)
		83,025
Satisfied by:		
Cash		5,373
Consideration receivables		77,652
		83,025

39. DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) *(Continued)*

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2022 HK$'000
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(11,883)

40. MAJOR NON-CASH TRANSACTIONS

(i) During the year ended 31 December 2023, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$58,289,000 (2022: HK$157,861,000) and HK$58,289,000 (2022: HK$157,861,000), respectively, in respect of lease arrangements for office premises.

(ii) During the year ended 31 December 2023, the equity-settled share based expenses were approximately HK$37,263,000 (2022: HK$41,140,000).

(iii) During the year ended 31 December 2022, the Group had consideration receivables from current year disposal of subsidiaries of approximately HK$81,894,000 which included in the other receivables. Details refer to Note 23 and 39.

41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Convertible preference share (Note 30) HK$'000	Lease liabilities (Note 17(B)) HK$'000	Bank and other borrowings (Note 33) HK$'000	Bonds payable (Note 32) HK$'000	Total HK$'000
At 1 January 2022	–	419,336	794,750	72,441	1,286,527
Proceeds from borrowings and bonds	–	–	186,261	38,840	225,101
Repayment of borrowings and bonds	–	–	(118,870)	(15,400)	(134,270)
Interest paid	–	(20,366)	(53,775)	(5,409)	(79,550)
Capital element of lease rentals paid	–	(132,575)	–	–	(132,575)
Non-cash changes					
Transfer to other payables	–	–	–	(25,800)	(25,800)
Finance cost recognised	–	20,366	53,775	9,866	84,007
Addition to lease liabilities	–	157,861	–	–	157,861
Disposal of subsidiaries	–	–	(413,596)	–	(413,596)
Exchange alignment	–	(40,907)	(48,283)	–	(89,190)
At 31 December 2022	–	403,715	400,262	74,538	878,515
At 1 January 2023	**–**	**403,715**	**400,262**	**74,538**	**878,515**
Proceeds from borrowings and bonds	**–**	**–**	**22,673**	**8,950**	**31,623**
Repayment of borrowings and bonds	**–**	**–**	**(91,081)**	**(24,600)**	**(115,681)**
Net proceeds from issuing convertible preference share	**222,472**	**–**	**–**	**–**	**222,472**
Interest paid	**–**	**(16,241)**	**(26,406)**	**(2,644)**	**(45,291)**
Capital element of lease rentals paid	**–**	**(136,885)**	**–**	**–**	**(136,885)**
Non-cash changes					
Loss on convertible preference shares, net	**3,888**	**–**	**–**	**–**	**3,888**
Finance cost recognised	**6,818**	**16,241**	**26,406**	**4,303**	**53,768**
Addition to lease liabilities	**–**	**58,289**	**–**	**–**	**58,289**
Lease modification	**–**	**(100,991)**	**–**	**–**	**(100,991)**
Exchange alignment	**–**	**(1,269)**	**(1,045)**	**–**	**(2,314)**
At 31 December 2023	**233,178**	**222,859**	**330,809**	**60,547**	**847,393**

42. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the consolidated financial statements, the Group and the Company had the following material transactions with related parties during the year:

	2023 HK$'000	2022 HK$'000
Finance cost on lease liability to a related company *(note (i))*	20	69
Interest expense on other borrowing from a shareholder *(note (ii))*	50	–

notes:

(i) This related company is ultimately controlled by a substantial shareholder of the Company. In 2022, the right-of-use asset with carrying amount of approximately HK$856,000 was carried under a lease with a related company (Note 17(A)) (2022: Nil).

(ii) The interest expense incurred on other borrowing from a shareholder regarding to the shareholder loan with interest rate of 12% per annum (Note 33).

Pursuant to Rules 14A.25 and 14A.31 of the Listing Rules, the loan to a shareholder constitutes financial assistance and a continuing connected transaction of the Company. An ordinary resolution was passed at the special general meeting of the Company held on 19 November 2018 to approve the renewal of the loan and the annual cap amounts.

Compensation of key management personnel

The Directors of the Company are identified as key management personnel of the Group and the remuneration of key management during the reporting period is set out in Note 12.

43. FINANCIAL INFORMATION OF THE COMPANY

The Company's statement of financial position at 31 December 2023 and 2022 were as follows:

	2023	2022
	HK$'000	HK$'000
Non-current assets		
Interest in subsidiaries	**1,004,194**	1,004,194
Right-of-use assets	**1,692**	856
	1,005,886	1,005,050
Current assets		
Deposits, prepayment and other receivables	**774**	12,169
Bank and cash balances	**926**	532
	1,700	12,701
Current liabilities		
Accruals and other payables	**7,811**	37,351
Lease liabilities	**763**	880
Bonds payable	**47,003**	24,390
Other borrowings	**3,000**	–
Convertible preference share	**8,989**	–
	67,566	62,621
Net current liabilities	**(65,866)**	(49,920)
Total assets less current liabilities	**940,020**	955,130

43. FINANCIAL INFORMATION OF THE COMPANY *(CONTINUED)*

	2023 HK$'000	2022 HK$'000
Capital and reserves		
Share capital	**44,350**	43,450
Reserves	**656,883**	830,063
Total equity	**701,233**	873,513
Non-current liabilities		
Convertible preference shares	**224,189**	–
Lease liabilities	**1,054**	–
Bonds payable	**13,544**	50,148
Other borrowings	**–**	31,469
	238,787	81,617
	940,020	955,130

The financial statement were approved and authorised for issue by the board of directors of the Company on 28 March 2024 and signed on its behalf by:

Cheung Wai Kuen
Director

Kai Xiang Mei
Director

44. RESERVES OF THE COMPANY

	Share capital HK$'000	Share premium HK$'000	Shares held for the share award scheme HK$'000	Share payments reserve HK$'000	Accumulated losses HK$'000	Total equity HK$'000
At 1 January 2022	42,850	1,309,622	(1,019)	982	(435,302)	917,133
Loss for the year	–	–	–	–	(83,387)	(83,387)
Total comprehensive expense for the year	–	–	–	–	(83,387)	(83,387)
Recognition of equity-settled share-based payments	600	24,000	2,074	14,466	–	41,140
Purchase of shares for the share award scheme *(note 36)*	–	–	(1,373)	–	–	(1,373)
At 31 December 2022 and 1 January 2023	43,450	1,333,622	(318)	15,448	(518,689)	873,513
Loss for the year	–	–	–	–	(208,278)	(208,278)
Total comprehensive expense for the year	–	–	–	–	(208,278)	(208,278)
Recognition of equity-settled share-based payments	900	29,700	–	6,663	–	37,263
Purchase of shares for the share award scheme *(note 36)*	–	–	(1,265)	–	–	(1,265)
At 31 December 2023	**44,350**	**1,363,322**	**(1,583)**	**22,111**	**(726,967)**	**701,233**

45. INTERESTS IN SUBSIDIARIES

Details of the Group's principal subsidiaries are as follows:

Name of subsidiaries	Place of incorporation/ operation	Class of shares/ registered capital held	Fully paid share capital/ registered capital	Proportion of nominal value of paid capital/registered capital held by the Company				Principal activities
				Directly		Indirectly		
				2023	2022	2023	2022	
Shenzhen Aidigong* (ii)	The PRC	Registered	RMB10,000,000/ RMB10,000,000	–	–	94.95%	94.95%	Postpartum care services
Chengdu Aidigong* (ii)	The PRC	Registered	RMB10,000,000/ RMB10,000,000	–	–	94.95%	94.95%	Postpartum care services
Beijing Aidigong* (ii)	The PRC	Registered	RMB2,000,000/ RMB2,000,000	–	–	94.95%	94.95%	Postpartum care services
G-Prop Services Limited	Hong Kong	Ordinary	HK$2	–	–	100%	100%	Investment and finance
Golden Circle Investment Limited	Hong Kong	Ordinary	HK$2	–	–	100%	100%	Provision of management services
Guangdong Common Splendor Supply Chain Management Limited* (i)	The PRC	Registered as limited liability company	HK$187,282,375/ HK$300,000,000	–	–	100%	100%	Investment holding
Huizhou Chuangxing Zhongliang Property Limited* (iii)	The PRC	Registered	RMB1,000,000/ RMB1,000,000	–	–	–	–	Properties development
Huizhou Eastern Zhongliang Investment Limited* (iii)	The PRC	Registered	RMB10,000,000/ RMB10,000,000	–	–	–	–	Properties development
Huizhou Zhongliang Health Services Limited* (iii)	The PRC	Registered	N/A/ RMB10,000,000	–	–	–	–	Properties development

* *For identification purpose only*

45. INTERESTS IN SUBSIDIARIES *(CONTINUED)*

Notes:

(i) Registered as a wholly-owned foreign enterprise under the PRC law.

(ii) Registered as a Sino-foreign equity joint venture under the PRC law.

(iii) Subsidiary was disposed during the year ended 31 December 2022.

None of the subsidiaries had issued any debt securities subsisting at the end of the reporting period or at any time during the reporting period.

The above table lists the subsidiaries of the Group 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 of the Company, result in particulars of excessive length.

46. EVENTS AFTER THE REPORTING PERIOD

On 20 March 2024, the Company proposes to raise gross proceeds of approximately HK$62.09 million before expenses by way of the rights issue ("Rights Issue") to the shareholders. The Rights Issue involves the issue of up to 1,478,338,324 rights shares ("Rights Shares") at the subscription price of HK$0.042 per Rights Share on the basis of one (1) Rights Share for every three (3) existing shares in issue on the record date to the qualifying shareholders. Please refer to the announcement of the Company dated 20 March 2024 for details.

Five-year Financial Summary

For the year ended 31 December 2023

Summary of the results, assets and liabilities of the Group for the last five years are as follows:

RESULTS

	For the year ended 31 December				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**554,581**	679,946	642,573	601,211	610,612
(Loss)/profit before income tax	**(163,769)**	(199,281)	53,409	(363,880)	36,126
Income tax credit/(expense)	**(13,079)**	21,141	(18,624)	(18,762)	(19,039)
(Loss)/profit for the year	**(176,848)**	(178,140)	34,785	(382,642)	17,087
(Loss)/profit for the year attributable to:					
Owners of the Company	**(177,421)**	(165,324)	5,300	(381,352)	11,237
Non-controlling interest	**573**	(12,816)	29,485	(1,290)	5,850
	(176,848)	(178,140)	34,785	(382,642)	17,087
(Loss)/earnings per share (HK cents)					
Basic	**(4.08)**	(3.84)	0.13	(9.96)	0.35
Diluted	**(4.08)**	(3.84)	0.13	(9.96)	0.35
Final dividend per share (HK cents)	**–**	–	–	–	0.067
Special dividend per share (HK cents)	**–**	–	–	–	–

For the year ended 31 December 2023

ASSETS AND LIABILITIES

	At 31 December				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**1,960,167**	2,231,524	3,022,949	2,869,362	3,136,629
Total liabilities	**(1,204,218)**	(1,306,114)	(1,773,206)	(1,875,228)	(1,829,822)
	755,949	925,410	1,249,743	994,134	1,306,807
Less: Non-Controlling interest	**(18,247)**	(18,657)	(153,030)	(221,366)	(203,398)
Equity attributable to owners of the Company	**737,702**	906,753	1,096,713	772,768	1,103,409
Net asset value per share attributable to owners of the Company (HK$)	**0.17**	0.21	0.26	0.20	0.29
Number of share issued	**4,435,014,974**	4,345,014,974	4,285,014,974	3,830,915,008	3,830,915,008

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