China Medical & HealthCare Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 383)

2021 Annual Report

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Chong Sok Un *(Deputy Chairman)*
Mr. Guo Meibao
Mr. Zhou Haiying

Non-Executive Directors

Mr. Zheng Zhen
Mr. Lai Hin Wing Henry Stephen

Independent Non-Executive Directors

Mr. Zhang Jian
Dr. Xia Xiaoning
Dr. Wong Wing Kuen, Albert
Ms. Yang Lai Sum, Lisa

AUDIT COMMITTEE

Dr. Wong Wing Kuen, Albert *(Chairman)*
Mr. Zheng Zhen
Mr. Zhang Jian
Dr. Xia Xiaoning
Ms. Yang Lai Sum, Lisa

NOMINATION COMMITTEE

Ms. Chong Sok Un *(Chairman)*
Mr. Zhang Jian
Dr. Xia Xiaoning
Dr. Wong Wing Kuen, Albert
Ms. Yang Lai Sum, Lisa

REMUNERATION COMMITTEE

Dr. Xia Xiaoning *(Chairman)*
Ms. Chong Sok Un
Mr. Zheng Zhen
Mr. Zhang Jian
Dr. Wong Wing Kuen, Albert
Ms. Yang Lai Sum, Lisa

COMPANY SECRETARY

Ms. Leung Yuk Yi

AUDITOR

RSM Hong Kong
Certified Public Accountants
Registered Public Interest Entity Auditor
29th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

SOLICITORS

Robertsons
P.C. Woo & Co.

PRINCIPAL BANKERS

Agricultural Bank of China Limited
Bank of China Limited
China Construction Bank Corporation
China Merchants Bank Corporation
Industrial and Commercial Bank of China Limited
Industrial and Commercial Bank of China (Asia) Limited
Shanghai Pudong Development Bank Co., Ltd.
Shanghai Rural Commercial Bank Co., Ltd.
The Hongkong and Shanghai Banking
Corporation Limited

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

47/F., China Online Centre
333 Lockhart Road
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

383

WEBSITE

http://www.cmhg.com.hk
http://www.irasia.com/listco/hk/cmhg/

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of China Medical & HealthCare Group Limited (the "Company"), I have the pleasure to present the financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2021.

FINANCIAL RESULTS

For the year ended 31 December 2021, the Group recorded an increased total revenue of HK$1,465,679,000 (2020: HK$1,197,396,000) but a loss for the year attributable to owners of the Company of HK$137,296,000 (2020: HK$111,928,000). The increase in loss attributable to owners of the Company was mainly due to (i) the increase in impairment loss under expected credit losses model of financial assets of HK$68,905,000 (2020: HK$26,206,000); (ii) a provision for properties held for sale of HK$7,228,000 (2020: nil); (iii) an impairment loss recognised on goodwill of HK$34,043,000 (2020: nil), which were partially off-set by; (iv) the decreased loss on fair value of investments held for trading of HK$4,784,000 (2020: HK$11,445,000); and (v) a gain on fair value changes on investment properties of HK$2,290,000 (2020: loss of HK$34,722,000).

Loss per share (basic) for the year ended 31 December 2021 was HK0.948 cents compared with loss per share (basic) of HK0.773 cents in 2020.

The Group's net asset value per share as at 31 December 2021 amounted to HK$0.117 (2020: HK$0.123).

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend (2020: nil) for the year ended 31 December 2021.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "AGM") is scheduled to be held on Wednesday, 1 June 2022. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 27 May 2022 to Wednesday, 1 June 2022, both dates inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all transfers of ordinary shares, duly accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration, no later than 4:30 p.m. on Thursday, 26 May 2022.

REVIEW OF OPERATIONS

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

Healthcare Division:

Despite the adverse impact from the on-going COVID-19 pandemic with sporadic incidences, there was a gradual recovery in the global business and production activities, employment and economic performance, and movement in people during the year 2021. Under such challenging operating conditions, the Group's Healthcare Division, operated through its wholly-owned subsidiary, Tongren Healthcare Industry Group Co., Ltd. （同仁醫療產業集團有限公司）("Tongren Healthcare"), managed to achieve an increased revenue of HK$1,372,032,000 (2020: HK$1,093,752,000) and an increased profit of HK$59,573,000 (2020: HK$31,728,000). Without interest, tax, depreciation and amortisation, the Healthcare Division generated an increased EBITDA, being earnings before interest, tax, depreciation and amortisation, of HK$195,567,000 (2020: HK$174,073,000) for the year ended 31 December 2021.

CHAIRMAN'S STATEMENT

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

For NJH, a Class III integrated hospital located in Jiangning Development Zone, Nanjing City, Jiangsu Province, PRC and the Division's flagship hospital, currently it operates 41 clinical medical & technical departments, including 1 national key clinical specialty (otorhinolaryngology ("ENT"), head and neck surgery), 1 provincial key clinical specialty (ENT, head and neck surgery), 5 municipal key medical specialties (ENT, head and neck surgery, ophthalmology, neurology, medical imaging, and anesthesiology), an academician workstation, as well as the approved Nanjing Tongren's ENT Hospital and Nanjing Tongren Children's Hospital.

During the year under review:

(i) for infrastructure development: various construction and renovation projects were completed in accordance with the annual reinvestment plan thereby ensuring medical safety while enhancing the quality of service and improving the overall environment of the hospital. Among them, NJH completed the expansion of sewage treatment plant, construction of new wastage disposal station and renovation of hazardous chemicals warehouse, configured its sewage treatment capacity in accordance with the planned allocation of hospital beds and resolved the potential safety concerns arising from the hazardous chemicals warehouse located in the hospital. In October 2021, the renovation of the central operating room system was completed and upon inspection acceptance, relevant China Inspection Body and Laboratory Mandatory Approval （中國計量認證檢測報告） was received, thereby improving the medical safety of the hospital. To meet the needs of epidemic prevention and control, the fever clinic has been expanded to include a waiting area, infusion area, consultation room, observation room, clinical laboratory, pharmacy and computed tomography mobile shelter;

(ii) for application of Class III A integrated hospital accreditation: application was submitted to the Jiangsu Province Medical Management Centre （江蘇省醫管中心） in April 2021. Preparatory works for the accreditation assessment, such as policies and procedures review, training and learning sessions for all staff, emergency drills, knowledge and skills assessment, and books of records and accounts review, were undertaken. In November 2021, the accredtition assessment was conducted with on-site review of the hospital from various aspects, including document review, record review, staff interview, on-site inspection, operational assessment, patient interview, medical record check, medical case check, data verification and tracking inspection;

(iii) for epidemic prevention and control: in July 2021's COVID-19 incidence occurred at Nanjing Lukou International Airport, Nanjing, NJH moblised its healthcare staff, participated in the intensive prevention and control work that lasted for 30 days and achieved zero cross-infection within the hospital. During the period, NJH (a) deployed 25 batches of healthcare staff to support local Lukou community in epidemic prevention and control which covered a total of 3,600 person-visits and 159,058 nucleic acid samples; (b) arranged infection-control specialists to provide assistance to designated medical institutions, infection-control authority and quarantine hotels; (c) set up vaccination clinic with more than 220,000 doses of vaccines given; and (d) undertook 830 vaccinations for people who wanted to leave the city. In this wave of the epidemic, NJH was highly recognised and praised by government authorities for successfully completed the task of epidemic prevention and control that contained the risk of spread of the infection;

(iv) for high-end integrated clinic – Cedar Care Polyclinic: renovation works of the poly-clinic situated at the prime commercial building in central business district of Hexi, Nanjing commenced and will offer a wide range of healthcare services, such as general practice, ophthalmology, otorhinolaryngology, stomatology and medical asesthetic;

CHAIRMAN'S STATEMENT

(v) for commercial medical projects: the stomatology center has deployed various special technologies, such as micro-endodontics, dental anesthesia for children, dental implant and restoration and chairside digital systems in implant restoration in its services;

(vi) for scientific research development: the vice president of NJH was awarded one specialised project each from the National Natural Science Foundation of China （國家自然科學基金） and the Natural Science Foundation of Jiangsu Province （江蘇省自然基金）. In addition, NJH has applied for 4 research projects on geriatrics in Jiangsu Province, 2 medical research projects from Jiangsu Commission of Health, 1 special project on life and health sciences and technology in Nanjing and 11 projects from Nanjing Commission of Health;

(vii) for information system development: Level 5 provincial assessment on NJH's electronic medical records system was passed, internet hospital system was launched, and acceptance inspections on digital medical case system and endoscopic cleaning and disinfecting tracking system were completed; and

(viii) for marketing: during the epidemic, NJH actively supported and led enterprises to carry out epidemic prevention and control work, such as on-site nucleic acid tests covering 10,452 person-visits. In a bid to expand its patient base, NJH successfully applied as a designated assessment agency for Nanjing's disability income insurance program, which will provide qualification accreditation and assessment for more than 10,000 severely disabled people in Jiangning District before they are entitled to the disability income insurance. The hospital entered into cooperation agreements with 43 optical shops of 15 optometric centers across the country with an aim to expand the publicity and technical influence of its ophthalmology department.

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

For KMH, another Class III integrated hospital of the Group located in Kunming City, Yunnan Province, PRC, currently it operates 40 clinical medical & technical departments.

During the year under review:

(i) for specialty and department development: the thoracalgia center was officially upgraded from the basic version to standard version while the stroke prevention and control center successfully passed through the expert acceptance inspection. The 120 network emergency stations continued to improve its services quality and efficiency for treatment of trauma patients with all its operational data ranked at the top in Xishan District, Yunnan Province, PRC;

(ii) for application of Class III A integrated hospital accreditation: preparatory works for the accreditation assessment, including review and construction of hospital system development and the relevant functional department system development were undertaken;

(iii) for scientific research management: the application made by the Internationsal Spinal Cord Injury Center （國際脊髓損傷治療中心） of KMH to Kunming Science and Technology Bureau （昆明市科學技術局） for the establishment of the "Luo Zhuojing Expert Workstation" （羅卓荊專家工作站） (orthopedics) was approved. In 2021, a total of 16 continuing educational projects were approved, including 1 state-level, 6 provincial-level and 9 municipal-level projects; and

(iv) for marketing: by exploring the new media marketing, KMH cooperates with local internet celebrities to promote the comfortable treatment of its stomatology department and night-time clinic through short videos on TikTok and shop visits. The hospital also assists gynaecologists to operate TikTok accounts to regularly produce and push specialist science videos, and combined health lectures with live streaming.

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For the year under review, NJH recorded a total of 1,180,171 out-patients visits (2020: 712,829), 27,154 in-patient admissions (2020: 27,062) and 62,612 body-checks (2020: 49,386) while KMH recorded a total of 299,951 out-patients visits (2020: 229,930), 15,917 in-patient admissions (2020: 13,441) and 70,810 body-checks (2020: 77,601). As at 31 December 2021, NJH operated with 402 doctors (2020: 404), 532 nurses (2020: 501) and 1,015 beds (2020: 1,015) and KMH operated with 266 doctors (2020: 250), 387 nurses (2020: 354) and 475 beds (2020: 450).

Eldercare Division:

For the year ended 31 December 2021, the Group's Eldercare Operations, operated through its wholly-owned subsidiary, Aveo China (Holdings) Limited ("Aveo China"), recorded a reduced revenue of HK$79,889,000 (2020: HK$82,392,000) and an increased loss of HK$72,135,000 (2020: HK$34,845,000) inclusive of a loss on fair value changes of investment properties of HK$1,404,000 (2020: HK$27,382,000), an impairment loss recognised on goodwill of HK$34,043,000 (2020: nil) and provision for properties held for sale of HK$7,228,000 (2020: nil). During the year under review, the business environment of Eldercare Division was difficult which was due to the negative impacts of the COVID-19 epidemic, the consequential stringent regulations on elders community village and the increasingly tightened regulation and control in elders real estate market in PRC.

As of 31 December 2021, Tide Health Campus （天地健康城） of the Eldercare Division located in Zhu Jia Jiao County, Qingpu District, Shanghai, PRC, a retirement community village that integrates community eldercare, institutional eldercare, home eldercare and eldercare nursing hospital (Shanghai Deyi Hospital, "SDH"), sold 854 Independent Living Units ("ILU(s)") out of a total inventory of 868 ILUs and among which 14 ILUs (2020: 11) were recorded as sales in the year under review with more than 346 residents (2020: 330) moved into the retirement community village. In addition, the Division's serviced apartments ("SA(s)") consist of three 11-storey buildings with the construction and renovation of the first building and the second building completed in November 2016 and May 2020 respectively, offering a total of 210 SAs (2020: 210) for lease. As at 31 December 2021, the Division leased out 59 SAs (2020: 58).

During the year under review:

(i) for sale of ILUs and lease of SAs: amid the difficult elders real estate market condition, with limited inventory, the pace of sales of ILUs was controlled while marketing efforts on lease of SAs were made;

(ii) for community village operations: due to the recurring local epidemic, owner resident's occupancy rate in the community village remained low. The Division focused on existing non-owners residents, i.e. members, to tap their spending potential, expanded value-added services and implemented revenue-raising measures, improved member service profiles and health records management, etc.. During 2021, the community village continued close-loop management of its nursing homes with focus on strengthening internal management and trainings in order to provide more people-oriented services to the elders; and

(iii) for SDH operation: continued to strengthen its refined management, improve operational efficiency, explore the development of rehabilitation department treatment programs and enhance its medical technology leverage.

During the year ended 31 December 2021, SDH recorded a total of 25,330 out-patients visits (2020: 17,395) and 8,670 in-patient admissions (2020: 8,086). As at 31 December 2021, SDH operated with 21 doctors (2020: 18), 17 nurses (2020: 19) and 100 beds (2020: 100). As of 31 December 2021, home care services were rendered to a total of 34 elders (2020: 46) with 5,419 visits (2020: 7,143).

CHAIRMAN'S STATEMENT

As at 31 December 2021, the Division's investment properties portfolio, 100% attributable to the Group, comprising the SAs (three 11-storey buildings with total gross floor area ("GFA") of 25,804 m^2) and the retail shopping precinct (retail shops with GFA of 1,980 m^2 and shopping mall with GFA of 7,354 m^2) with a total value amounted to HK$549,570,000 (2020: HK$530,396,000).

Property Development:

For the year ended 31 December 2021, the Group's property development business recorded a turnover of HK$6,803,000 (2020: HK$11,851,000) and a profit of HK$439,000 (2020: loss of HK$1,638,000). As at 31 December 2021, the Group's properties under development for sale of HK$6,488,000 (2020: HK$6,324,000) consisted of a parcel of commercial land in Lianyungang, PRC.

Property Investments:

For the year ended 31 December 2021, the Group's investment properties portfolio, for leasing, located in Hong Kong and the PRC recorded a rental income of HK$4,756,000 (2020: HK$6,125,000) and a profit of HK$6,296,000 (2020: loss of HK$2,986,000) with a gain on fair value changes of investment properties of HK$3,694,000 (2020: loss of HK$7,340,000). As at 31 December 2021, the Group's investment properties portfolio, 100% attributable to the Group, amounted to HK$256,875,000 (2020: HK$253,180,000).

Securities Trading and Investments:

For the year under review, the Group's activities in securities trading and investments recorded a reduced turnover of HK$2,199,000 (2020: HK$3,276,000) and a loss of HK$4,506,000 (2020: HK$11,568,000). This was mainly due to the loss on fair value of investments held for trading of HK$4,784,000 compared with a loss of HK$11,445,000 recorded in 2020.

As at 31 December 2021, the Group maintained a portfolio of financial assets at fair value through profit or loss ("FVTPL") and debt instruments at fair value through other comprehensive income ("FVTOCI") of HK$5,484,000 (2020: HK$5,404,000) and a portfolio of investments held for trading of HK$14,791,000 (2020: HK$21,759,000).

Investments Held for Trading:

As at 31 December 2021, the Group's investments held for trading consisted of securities listed in different geographic locations and their respective performance were as follows:

Geographic Location	**Carrying value 2021**	**Carrying value 2020**	**Realised gain/(loss) 2021**	**Fair value gain/(loss) 2021**	**Dividend received 2021**	**% of carrying value to the Group's total assets 2021**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	%
Hong Kong	12,065	18,682	900	(5,348)	15	0.35%
Australia	1,658	1,592	–	66	–	0.05%
Philippines	1,068	1,485	(3)	(399)	–	0.03%
Total	14,791	21,759	897	(5,681)	15	

CHAIRMAN'S STATEMENT

As at 31 December 2021, the Group's investments held for trading consisted of investments in different categories of company and their respective performance were as follows:

Principal Business	Carrying value 2021 HK$'000	Carrying value 2020 HK$'000	Realised gain/(loss) 2021 HK$'000	Fair value loss 2021 HK$'000	Dividend received 2021 HK$'000	% of carrying value to the Group's total assets 2021 %
Entertainment and media	1,551	2,820	900	–	–	0.04%
Financial services and investment	254	403	(3)	(132)	–	0.01%
Industrial materials	5,041	6,198	–	(1,156)	–	0.14%
Property and construction	7,945	12,338	–	(4,393)	15	0.23%
Total	14,791	21,759	897	(5,681)	15	

As at 31 December 2021, there was no investment held for trading which was significant to the Group (exceeded 5% the total assets of the Group).

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

Money Lending:

For the year under review, the Group's money lending business recorded no interest income (2020: nil) and a loss of HK$75,000,000 (2020: HK$22,434,000) after the impairment loss recognised on the loan receivable and other relevant receivables of HK$75,000,000 (2020: HK$22,468,000). As at 31 December 2021, the carrying value of the loan receivable ("Loan") is nil (2020: HK$68,846,000).

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

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During the year under review, the Group is aware that the Borrower Group has announced in various announcements that, among others:

(i) in October 2020, January 2021 and April 2021, the new Joint Provisional Liquidators (the "JPLs") contacted various parties regarding the possibility of restructuring the Borrower Group and the new JPLs have received preliminary proposals from potential investors on the restructuring of the Borrower Group. The new JPLs have had discussions with the potential investors but no formal restructuring proposal or formal agreement has been entered into by the Borrower as at the dates of the respective announcements. However, in December 2021, the potential investor informed the new JPLs that it would not pursue the restructuring of the Borrower Group given the impossibility of fulfilling the resumption guidance by January 2022 as the trading in the shares of the Borrower has been suspended since July 2020. Trading of the shares of the Borrower was cancelled in January 2022;

(ii) in April 2021, a creditor of the Borrower filed an urgent application with the Supreme Court of Bermuda seeking, among other things, an order for substituting the creditor as the petitioner in the creditor's winding-up petition filed in March 2020 (the "Creditor's Winding-up Petition"). In the hearing held in November 2021, the Bermuda Court ordered that the Creditor's Winding-up Petition be further adjourned to February 2022; and

(iii) in May 2021 and June 2021, the Borrower Subsidiary II entered into a memorandum of understanding with an investor and the Borrower Subsidiary II's receivers which involves the implementation of a rescue proposal inclusive of, among others, a capital reorganisation, rights issue, placing and a scheme of arrangement to compromise with all creditors' claims against the Borrower Subsidiary II (inclusive of the shareholder's loan owed by the Borrower Subsidiary II to the Borrower under the Deed of Assignment II) ("Proposed Creditors' Scheme"). In August 2021, as part of the Proposed Creditors' Scheme, a voluntary conditional cash offer was made by the investor on all the issued shares of Borrower Subsidiary II but did not become unconditional and therefore lapsed. Since the Borrower Subsidiary II received a winding-up petition in May 2020 and with no written consent by all parties concerned to further adjourn the hearing by the deadline, the Borrower Subsidiary II was ordered by the High Court of Hong Kong to be wound up and the Official Receiver was appointed as provisional liquidator in September 2021. In October 2021, a new joint and several liquidators was appointed for the Borrower Subsidiary II.

During the year under review, in relation to the Appeal, at a hearing held in the Court of First Instance of the High Court of Hong Kong (the "Hong Kong Court") on 8 April 2021, the Appeal was dismissed with costs of the Appeal to be payable by the Plaintiff to the Lender forthwith to be summarily assessed. Such costs were summarily assessed at HK$120,000 by a subsequent order made by the Hong Kong Court dated 20 April 2021.

The Group and the Receivers have been in back and forth discussions with the Borrower Group and the new JPLs on the settlement of the total indebtedness under the Loan Documents. The Group and the Receivers have also been approached and in discussion with other potential investors for possible realisation of the security assets under the Loan Documents. However, no definitive proposal or agreement has been entered into with the Group as at 31 December 2021.

In view of the above-mentioned development, the Group made a prudent full impairment loss allowance on the Loan of HK$68,846,000 (2020: HK$22,468,000). However, the Group and the Receivers will continue to maintain regular dialogue with the Borrower Group and the new JPLs, discuss and negotiate with other potential investors, regularly monitor the progress of settlement and/or realisation of security assets, re-assess the value of securities based on the information currently available to the Group from time to time and shall take all appropriate further actions as and when appropriate.

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

As at 31 December 2021, the Group's non-current assets of HK$2,507,443,000 (2020: HK$2,430,381,000) consisted of investment properties of HK$806,445,000 (2020: HK$783,576,000), property, plant and equipment of HK$1,541,800,000 (2020: HK$1,433,064,000), right-of-use assets of HK$152,309,000 (2020: HK$102,166,000), loan receivable of nil (2020: HK$68,846,000), financial assets at FVTPL of HK$802,000 (2020: HK$802,000), goodwill of nil (2020: HK$32,931,000) and deposits for acquisition of property, plant and equipment of HK$6,087,000 (2020: HK$8,996,000). These non-current assets are principally financed by the Group's shareholders' funds.

As at 31 December 2021, the total borrowings of the Group amounted to HK$919,940,000 (2020: HK$971,379,000) consisting of secured bank borrowings of HK$210,140,000 (2020: HK$204,828,000), unsecured bank borrowings of HK$367,701,000 (2020: HK$445,592,000), secured other borrowings of HK$74,895,000 (2020: HK$106,417,000) and unsecured term loans of HK$267,204,000 (2020: HK$214,542,000). Among the total borrowings of the Group, HK$603,533,000 (2020: HK$538,845,000) was with maturity of less than one year, HK$267,358,000 (2020: HK$261,207,000) was with maturity more than one year but not exceeding two years and HK$49,049,000 (2020: HK$171,327,000) was with maturity more than two years but not exceeding five years.

As at 31 December 2021, the Group's gearing ratio, calculated on the basis of the Group's net borrowings (after pledged bank deposits, restricted bank deposits and bank balances and cash) over total equity, was 16.5% (2020: 17.9%). The Group's gearing ratio would be adjusted to 15.3% (2020: 16.4%) with marketable securities inclusive of debt instruments at FVTOCI and investments held for trading deducted from the net borrowings.

As at 31 December 2021, the Group recorded a net current liabilities amounted to HK$356,380,000 (2020: HK$132,931,000). As at 31 December 2021, the Group had undrawn, unsecured, standby credit facility with terms of more than two years amounting to HK$300,000,000 (2020: HK$200,000,000), of which the credit limit was increased to HK$415,000,000 subsequent to the reporting period ("Medium Term Standby Loan Facility").

Taking into account that (i) there exists the ongoing availability of finance to the Group, including the cash flows generated from its principal operations, the existing banking facilities, successful refinancing of certain bank borrowings of approximately HK$106,500,000 and the utilisation of the Medium Term Standby Loan Facility, if necessary; (ii) the Medium Term Standby Loan Facility gives the Group more flexibility in refinancing the Group's current liabilities with non-current borrowings; (iii) given the Group's relatively low gearing level, it can raise additional finance, if necessary; and (iv) the net loss for the year then ended comprised mainly various non-cash items such as impairment loss recognised on loan receivable and goodwill, hence the impact of the net loss on the cash flows would be much smaller, the Group considers that it will have sufficient working capital to meet its financial obligations as and when they fall due within the next 12 months from the end of the reporting period.

In December 2015, the subscription agreement for subscribing 2,000,000,000 new shares of the Company at the subscription price of HK$0.45 per share raising gross proceeds of HK$900,000,000 ("Subscription") for the Company was completed. As at 31 December 2021, details of use of net proceeds from the Subscription were as follows:

CHAIRMAN'S STATEMENT

Intended use of the net proceeds	Actual use of the net proceeds
(i) An amount of approximately HK$600,000,000 will be used for working capital and for expansion of the Group's hospital and healthcare, and aged care businesses	a) Approximately HK$139,750,000 was used for construction cost of Block D of NJH. b) Approximately HK$39,600,000 was used for construction cost of Block F of NJH. c) Approximately HK$80,569,000 was used for working capital of the healthcare business. d) Approximately HK$100,287,000 (RMB90,000,000) was used to settle the acquisition costs of 18.36% equity interests of Yangpu Zhaohe Industrial Co. Ltd.（洋浦兆合實業有限公司）(“Yangpu Zhaohe”）*. e) HK$85,800,000 was used to settle the acquisition cost of 30% equity interests of Aveo China. f) Approximately HK$153,994,000 was used for purchasing and improvement of medical and healthcare equipment.
(ii) The remaining balance of approximately HK$299,250,000 will be used for reduction of the borrowings of the Group	HK$299,250,000 was used for reduction of the borrowings of the Group.

Note:

* Yangpu Zhaohe owns 72.5% of the equity interests in Tongren Healthcare with the remaining 27.5% equity interests owned by the another wholly-owned subsidiary of the Group.

Intended use of the net proceeds	Net proceeds used in previous financial years HK$'000	Net proceeds used in the year ended 31 December 2021 HK$'000	Remaining balance of the net proceeds as at 31 December 2021 HK$'000
(i) An amount of approximately HK$600,000,000 will be used for working capital and for expansion of the Group's hospital and healthcare, and aged care businesses	586,972	13,028	–
(ii) The remaining balance of approximately HK$299,250,000 will be used for reduction of the Group's borrowings	299,250	–	–
Total	886,222	13,028	–

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The detailed breakdown of proceeds used during the year ended 31 December 2021 is as follows:

	HK$'000
For the construction cost of Block D of NJH	2,192
For the construction cost of Block F of NJH	4,867
For the purchase and improvement of medical and healthcare equipment	5,969
Total	13,028

As at 31 December 2021, the total net proceeds from Subscription have been fully utilised.

During the year under review, the Company did not repurchase any shares (2020: nil) in the capital of the Company.

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

CHARGE ON GROUP ASSETS

As at 31 December 2021, the Group's investments held for trading of HK$14,791,000 (2020: HK$21,759,000), buildings (included in property, plant and equipment) of HK$220,352,000 (2020: HK$175,209,000), investment properties of HK$520,825,000 (2020: HK$502,792,000), properties held for sale of HK$4,435,000 (2020: HK$37,545,000), pledged bank deposits of HK$46,678,000 (2020: HK$12,670,000) and medical equipment of HK$75,214,000 (2020: HK$91,022,000) were pledged to banks, financial institution, securities brokers houses and finance lease provider to secure credit facilities granted to the Group.

CAPITAL COMMITMENT

As at 31 December 2021, the Group had capital commitment contracted for but not provided relating to the acquisition of property, plant and equipment and investment properties of HK$30,692,000 (2020: HK$28,720,000) and HK$2,853,000 (2020: HK$25,387,000) respectively.

CONTINGENT LIABILITIES

Save as disclosed in this report, as at 31 December 2021, the Group is not aware of any material contingent liabilities.

MATERIAL ACQUISITIONS AND DISPOSAL, AND FUTURE PLANS

Save as disclosed in this report, during the year ended 31 December 2021, the Group did not hold any other significant investments nor have any material acquisitions or disposals of subsidiaries, associated companies and joint ventures.

Save as disclosed in this report, as at 31 December 2021, the Group did not have any plan for material investments or capital assets.

CHAIRMAN'S STATEMENT

EMPLOYEES

The Group had 2,492 employees as at 31 December 2021 (2020: 2,462). The Group ensures that its employees are remunerated in line with market conditions and individual performance and the remuneration policies are reviewed on a regular basis.

COVID-19 PANDEMIC RESPONSE

During the year under review, the COVID-19 pandemic continued to spread globally. To safeguard the health and safety of employees and to minimise its impacts on business operations, the Company has implemented the following prevention and control measures in accordance with the protocols and guidelines issued by the Government of the Hong Kong Special Administrative Region:

(i) measures to ensure social distancing and adequate staff protection within the Hong Kong office;

(ii) measures on regular office cleaning and disinfection;

(iii) requirements on wearing mask at all times and conducting compulsory body temperature checks;

(iv) conducting meetings by conference calls or video conference in replacement of physical meetings;

(v) cancellation of all non-essential travel;

(vi) self-isolation following travel, development of symptoms, interaction with person who has symptoms or is a confirmed case of COVID-19, or requirement to undergo a coronavirus test as and when necessary;

(vii) flexible working arrangements and meal time for employees;

(viii) promotion of COVID-19 vaccination and regular testing; and

(ix) maintaining inventory of surgical face masks, hand sanitiser and hygiene supplies.

As for operations of the Healthcare Division and Eldercare Division in the PRC, various emergency prevention and control measures have been taken to contain the spread of the disease, protect the safety and health of all its medical and technical staff, employees, patients and residents, and ensure the continuation of all necessary operations.

PROSPECTS

Healthcare Division:

In 2022, at the hospital healthcare level, the Division will cautiously carry out the development of KMH Phase II, the Nuclear Medicine Centre of NJH and other important strategic projects so as to achieve deeper development of its specialist capabilities in primary care, integrate cutting-edge research technology and multidisciplinary treatment, and build a large specialist system with high technological barriers. As to consumer healthcare level, the Division will continue the development of high-end outpatient clinics, Cedar Care Polyclinic, build an innovative business model with focuses on ENT, light-assets and out-patient medical care, cater for multi-dimensional market stratification needs, accelerate the efficient penetration of our medical resources, experience and practice towards the consumer healthcare market, and establish a medical brand with superior specialist clusters.

CHAIRMAN'S STATEMENT

Eldercare Division:

Under the prevailing difficult operating environment, the Division will nuture a corporate culture of "attentiveness, consideration and reliability". The Division will make good use of its institutional system, training resources, assessment and incentives system, etc. to improve the working style and habits of staff. It will strengthen its marketing efforts to promote the sales of eldercare products, upgrade the eldercare services offered, enhance the engagement of the elders so as to improve their experience. It will launch home care services in due course, strengthen the establishment of online and offline sales channels to further improve the overall operating performance.

Others:

Progressive vaccination and more government fiscal stimulus have raised hopes but uncertainty and pressure on economic and business environment remain as new waves and variants of the coronavirus, and geo-political conflicts and tensions are posing worry. Against this backdrop of uncertain global and local economic, business and investment outlooks, the operating environments of the Group will continue to be difficult and the Group will remain cautious and continue to review and adjust its business and investment strategies, and investment portfolio to suit the prevailing challenging economic and investment environments and will seek investment and business opportunities in the PRC, Hong Kong and the Asia Pacific region to enhance value for its shareholders.

APPRECIATION

On behalf of the Board, I would like to extend my whole-hearted thanks to our shareholders for their continued support and to our staff for their contribution to the Group during the year.

Chong Sok Un
Deputy Chairman

Hong Kong, 29 March 2022

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

EXECUTIVE DIRECTORS

Ms. Chong Sok Un ("Ms. Chong"), M.H. aged 67, was appointed as an executive director and the chairman of the Company on 23 August 2002 and has been re-designated as the deputy chairman of the Company since 16 December 2015. Ms. Chong was awarded the Medal of Honour (M.H.) by the Government of the Hong Kong Special Administrative Region on 1 July 2011. She is a member of the National Committee of the Chinese People's Political Consultative Conference, Guangdong Province, the Honorary Director of the Chinese Red Cross Foundation, Permanent Honorary Chairman of the Hong Kong Federation of Fujian Associations, vice chairman of the Hong Kong Federation of Fujian Associations Ladies' Committee and Honorary Chairman of All-China Women's Federation Hong Kong Delegates Association. She is the namer and director of YOT Chong Sok Un Medical Fund (cancer aid) since 2007 and a member of Yan Oi Tong Advisory Board since 2011. Ms. Chong was the chairman of the 31st Term Board of Directors of Yan Oi Tong from 2010 to 2011 and a director of the 27th Term Board of Directors of Yan Oi Tong from 2006 to 2007. She was also a director of Po Leung Kuk from 2009 to 2010. She was an executive director and the chairman of APAC Resources Limited (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Main Board"), stock code: 1104) from 6 July 2007 to 1 March 2016 and a non-executive director of Alibaba Pictures Group Limited (a company listed on the Main Board, stock code: 1060) from 25 June 2007 to 23 April 2009.

Mr. Guo Meibao ("Mr. Guo"), aged 48, was appointed as an executive director of the Company on 22 September 2018. Mr. Guo graduated with a major in Financial Accounting in 1995 and obtained an Executive Master of Business Administration from Fudan University, a Master of Business Administration from the Open University of Macau and a Certified Public Accountant in the People's Republic of China (the "PRC"). He has more than 20 years of financial, operational and investment management experience in the PRC's medical, property and other industries. Mr. Guo was the chairman of 深圳市大馬化投資有限公司 from March 2017 to September 2018. He was a financial controller and the chief executive officer and chairman of 同仁醫療產業集團有限公司 (Tongren Healthcare Industry Group Co., Ltd., a wholly-owned subsidiary of the Company) from October 2010 to October 2013 and from October 2013 to March 2017 respectively. He was a financial controller and the general manager and chairman of 連雲港嘉泰建設工程有限公司 (Lianyungang Jiatai Construction Co., Ltd., a wholly-owned subsidiary of the Company) from June 2006 to October 2010 and from January 2014 to March 2017 respectively. He was also a financial controller of 長安高爾夫球鄉村俱樂部 (Long Island Golf & Country Club) from December 1998 to June 2006.

Mr. Zhou Haiying ("Mr. Zhou"), aged 51, was appointed as an executive director of the Company on 6 December 2018. Mr. Zhou graduated from Jiangxi University of Finance and Economics with a Bachelor's Degree. He acts as the chief operating officer of Tsinghua Tongfang Co., Ltd. ("THTF", a company listed on the Shanghai Stock Exchange, stock code: 600100) since April 2020 and is also a non-executive director of Neo-Neon Holdings Limited (a company listed on the Main Board, stock code: 1868). From January 2018 to February 2020, he acted as a financial controller and the chief financial officer of THTF. From June 2003 to January 2018, he has served successively as a senior manager, the deputy director of the finance department, head of asset management department, the general manager of the capital finance department and an assistant to the president of Tsinghua Holdings Co., Ltd.. In addition, he also worked as a director of Liaoning Road & Bridge Construction Corporation (遼寧省路橋建設集團有限公司), a director of Beijing Huahuan Electronics Co., Ltd. (北京華環電子股份有限公司) and the supervisor of Unisplendour Corporation Limited (紫光股份有限公司).

NON-EXECUTIVE DIRECTORS

Mr. Zheng Zhen ("Mr. Zheng"), aged 50, was appointed as a non-executive director of the Company on 12 June 2020. Mr. Zheng graduated from the University of International Business and Economics with a Bachelor's Degree in International Finance. Mr. Zheng joined CMIG Asia Assets Management Co., Ltd. as the vice president since August 2017 and is also an executive director of New Universe Environmental Group Limited (a company listed on the Main Board, stock code: 436) since 20 August 2021.

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

Mr. Zheng served as a director of the strategic investment department of CMIG Capital Management Co., Ltd. from January 2016 to August 2017. He also worked as the deputy head of the insurance business preparation team of China Minsheng Investment Group Corp., Ltd. from July 2015 to December 2015, the last position was the general manager of the marketing centre under the trade finance business unit of the head office of China Minsheng Banking Corp., Ltd. from March 2003 to July 2015, the manager of the business department of the banking business department branch at the head office of China CITIC Bank Co., Ltd. from November 1999 to March 2003, the account manager of the international department of Beijing branch of Shanghai Pudong Development Bank Co., Ltd. from December 1998 to November 1999 and the fund management position of the finance department of China International United Petroleum & Chemicals Co., Ltd. from August 1995 to November 1998.

Mr. Lai Hin Wing Henry Stephen ("Mr. Lai"), aged 65, was appointed as a non-executive director of the Company on 11 November 2020. Mr. Lai graduated from the University of Hong Kong with a bachelor of law degree and was admitted as a solicitor in Hong Kong, England and Wales and the State of Victoria, Australia. Mr. Lai is a partner and co-chairman of Messrs. P. C. Woo & Co., a firm of solicitors and notaries in Hong Kong, and has been practicing in the legal field for more than thirty years. Mr. Lai is a Notary Public and a China Appointed Attesting Officer in Hong Kong. Mr. Lai is the immediate past chairman and currently acts as an honorary council member, fellow member and chairman of the Corporate Governance Policies Committee of The Hong Kong Institute of Directors since July 2019. Mr. Lai is a member of the Process Review Panel for Securities and Futures Commission since November 2018. Mr. Lai has been appointed as a member of the Resolution Compensation Tribunal since 2018 and appointed as a member of the Consultation Panel of the West Kowloon Cultural District Authority in March 2021. He is also a member of the Consents Committee of the Law Society of Hong Kong and a member of the Association of China-Appointed Attesting Officers Limited Disciplinary Tribunal Panel.

Mr. Lai is currently the non-executive director of Winfull Group Holdings Limited (a company listed on the Main Board, stock code: 183) and the independent non-executive director of ANTA Sports Products Limited (a company listed on the Main Board, stock code: 2020).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhang Jian ("Mr. Zhang"), aged 80, was appointed as an independent non-executive director of the Company on 16 October 2006. Mr. Zhang is a professional senior engineer in the People's Republic of China. He was the chairman of Xian University of Architecture & Technology Peking Alumni Association until January 2022. He has been awarded National Outstanding Intellect in 1997 and National Top 10 Honest Persons of Outstanding Ability in 2004. Mr. Zhang has been awarded as Influential Person to China Nonferrous Metal Industry in 2005. From 1982 to 1998, he held various senior positions in China Nonferrous Metal Industry Company. From 1998 to 2003, he acted as the chairman and the general manager of China Nonferrous Metal Construction Group Company Ltd.. From 2003 to 2005, he acted as the general manager of China Nonferrous Metal Mining (Group) Co., Ltd.. From July 2016 to July 2020, he was an independent non-executive director of Go Higher Environment Co., Ltd..

Dr. Xia Xiaoning ("Dr. Xia"), aged 62, was appointed as an independent non-executive director of the Company on 8 December 2016. Dr. Xia is an independent supervisor of Central China Securities Co., Ltd. (a company listed on the Main Board, stock code: 1375). He was a non-executive director of Mason Group Holdings Limited (a company listed on the Main Board, stock code: 273) from August 2015 to September 2016. Dr. Xia graduated from the electric engineering department of Harbin Institute of Technology in 1982 with a Bachelor's Degree in Electric Engineering. He earned a Doctorate Degree from University Paris Dauphine in 1989. Dr. Xia is a Chartered Financial Analyst.

Dr. Xia has over 23 years private equity/investment experience in Asia. Dr. Xia was a senior consultant/responsible officer (Type 4 and Type 9 licences of the Securities and Futures Commission of Hong Kong) to Vision Finance Group Limited from October 2012 to February 2015. From 2008 to 2012, he was the chief executive officer of CITP Advisors (Hong Kong) Limited. Dr. Xia worked for AIF Capital Limited ("AIF"), a pan Asia private equity firm based in Hong Kong from 1995 to 2008 and his last position with AIF was senior partner/managing director. Dr. Xia also worked for Asian Development Bank in Manila from 1989 to 1995 with his last position as investment officer.

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

Dr. Wong Wing Kuen, Albert ("Dr. Wong"), aged 70, was appointed as an independent non-executive director of the Company on 6 December 2018. Dr. Wong holds a Doctor of Philosophy in Business Administration Degree from the Bulacan State University, Republic of the Philippines. He is a fellow member of The Chartered Governance Institute, The Hong Kong Chartered Governance Institute, The Taxation Institute of Hong Kong, Association of International Accountants and Society of Registered Financial Planners and also a member of Hong Kong Securities and Investment Institute, The Chartered Institute of Arbitrators and The Chartered Institute of Bankers in Scotland and a full member of Macau Society of Certified Practising Accountants.

Dr. Wong is the principal consultant of KND Associates CPA Limited since January 2018. He is an independent non-executive director of each of APAC Resources Limited (a company listed on the Main Board, stock code: 1104), Solargiga Energy Holdings Limited (a company listed on the Main Board, stock code: 757), China Merchants Land Limited (a company listed on the Main Board, stock code: 978), China VAST Industrial Urban Development Company Limited (a company listed on the Main Board, stock code: 6166), Dexin China Holdings Company Limited (a company listed on the Main Board, stock code: 2019) and China Wan Tong Yuan (Holdings) Limited (a company listed on the Main Board, stock code: 6966 after transfer of listing from GEM of The Stock Exchange of Hong Kong Limited ("GEM"), stock code: 8199 on 17 December 2019). Dr. Wong was an independent non-executive director of Capital Finance Holdings Limited (a company listed on GEM, stock code: 8239) from 1 January 2018 to 31 December 2021.

Ms. Yang Lai Sum, Lisa ("Ms. Yang"), aged 55, was appointed as an independent non-executive director of the Company on 6 December 2018. Ms. Yang graduated from the University of Sydney with a Bachelor's Degree in Law and Economics and is also qualified as a solicitor in Australia and England. She is a practicing solicitor in Hong Kong and currently a consultant of ONC Lawyers. Ms. Yang is also an independent non-executive director of each of Allied Group Limited (a company listed on the Main Board, stock code: 373), Tian An China Investments Company Limited (a company listed on the Main Board, stock code: 28) and Asiasec Properties Limited (a company listed on the Main Board, stock code: 271).

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

OTHER INFORMATION

Shanghai Stock Exchange Decision

As announced by the Company on 11 May 2020, the Company was notified by Mr. Zhou Haiying ("Mr. Zhou") that he received a decision ("Decision") on disciplinary measures （紀律處分決定書 2020 35 號） issued by the Shanghai Stock Exchange (the "SSE") regarding Tsinghua Tongfang Co., Ltd. ("THTF", a company listed on the SSE, stock code: 600100). Mr. Zhou was the chief financial officer of THTF at the relevant time. The Decision was not made against the Company or any of its subsidiaries. Further details of the above are disclosed in the Company's announcement dated 11 May 2020.

Hong Kong Market Misconduct Tribunal Proceedings

As announced by the Company on 13 May 2021, the proceedings instituted by the Securities and Futures Commission of Hong Kong (the "SFC") in the Market Misconduct Tribunal of Hong Kong (the "MMT") relating to the Company, Ms. Chong Sok Un ("Ms. Chong"), Mr. Zhang Jian ("Mr. Zhang") and four former directors of the Company (the "Former Directors") has concluded. Further details of the above are disclosed in the Company's announcements dated 19 May 2020 and 13 May 2021 respectively.

Based on the facts, liability and sanctions agreed between the SFC and the parties, the MMT made the order as summarised in the Company's announcement dated 13 May 2021 (the "MMT Order"). Pursuant to the MMT Order, the Company, Ms. Chong, Mr. Zhang and the Former Directors have fully complied with the sanctions under the MMT Order.

Following the MMT Order, the Company had timely organized training courses covering topics of corporate governance requirements, market misconducts and transactions, fiduciary duties of directors in a listed company and disclosure of inside information provided by The Hong Kong Institute of Directors for the respective directors.

DIRECTORS' REPORT

The directors of the Company (the "Director(s)") present their annual report and the audited consolidated financial statements for the year ended 31 December 2021 (the "Year").

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in Note 46 to the consolidated financial statements. Details and respective analysis of the main business segments of the Group during the Year are set out in Note 7 to the consolidated financial statements.

BUSINESS REVIEW

Further discussion and review on the business activities of the Group as required by Schedule 5 to the Companies Ordinance (Cap. 622) of Hong Kong, including a description of the principal risks and uncertainties facing the Group, material events that have occurred since the year-end date and an indication of likely future development in the Group's business are contained in the Chairman's Statement set out on pages 3 to 14 of this Annual Report. Those relevant contents form part of this Directors' Report. Details of the Group's financial risk management are disclosed in Note 43 to the consolidated financial statements.

Discussions on the Group's compliance with the relevant laws and regulations that have a significant impact on the Group are set out in Corporate Governance Report on pages 26 to 38 and Environmental, Social and Governance Report on pages 39 to 65. The Directors were not aware of any non-compliance with the relevant laws and regulations that have a significant impact on the Group during the Year.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of profit or loss on page 71. The Directors do not recommend the payment of a final dividend (2020: nil) for the Year.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The environment policies and performance are set out in Environmental, Social and Governance Report.

SHARE CAPITAL

Details of movements during the Year in the share capital of the Company are set out in Note 35 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company did not have any distributable reserves (2020: nil).

DIRECTORS' REPORT

DIRECTORS AND SERVICE CONTRACTS

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

Executive Directors:

Ms. Chong Sok Un *(Deputy Chairman)*
Mr. Kong Muk Yin *(ceased on 13 May 2021)*
Mr. Guo Meibao
Mr. Zhou Haiying

Non-Executive Directors:

Mr. Zhou Liye *(Chairman) (resigned on 15 April 2021)*
Dato' Wong Peng Chong *(ceased on 13 May 2021)*
Mr. Zheng Zhen
Mr. Lai Hin Wing Henry Stephen

Independent Non-Executive Directors:

Mr. Zhang Jian
Dr. Xia Xiaoning
Dr. Wong Wing Kuen, Albert
Ms. Yang Lai Sum, Lisa

Pursuant to Clause 99 of the Bye-Laws of the Company ("Bye-Laws"), Mr. Zhou Haiying, Dr. Wong Wing Kuen, Albert and Ms. Yang Lai Sum, Lisa shall retire from their office by rotation and being eligible, offer themselves for re-election at the forthcoming Annual General Meeting of the Company (the "AGM").

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

MANAGEMENT CONTRACT

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

DIRECTORS' REPORT

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 31 December 2021, the interests and short positions of the Directors, the chief executive of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Hong Kong (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange were as follows:

Long positions in the shares of the Company

	Number of ordinary shares of HK$0.0005 each						
Name of Director	Personal interests	Family interests	Corporate interests		Other interests	Total	Percentage of issued ordinary shares
Ms. Chong Sok Un ("Ms. Chong")	–	–	2,592,514,140	*(Note 1)*	–	2,592,514,140	17.90%

Note:

The percentage of shareholding is calculated on the basis of the Company's issued share capital of 14,480,072,773 shares as at 31 December 2021.

1. Vigor Online Offshore Limited, a wholly-owned subsidiary of China Spirit Limited ("China Spirit"), owned 2,592,514,140 ordinary shares of the Company. Ms. Chong maintained 100% beneficial interests in China Spirit. Accordingly, Ms. Chong was deemed to have an interest of 2,592,514,140 ordinary shares of the Company.

Further Note:

Subsequent to the year-end date, on 1 April 2022, Ms. Chong has beneficial interests in 12,375,000 ordinary shares of the Company.

Save as disclosed above, as at 31 December 2021, none of the Directors, the chief executive of the Company nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year was the Company or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares, underlying shares or debentures of the Company or any other body corporate.

DIRECTORS' REPORT

INTERESTS OF SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2021, the following parties had interests or short positions in the shares or underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

Long positions in the shares of the Company

Name	Capacity		Number of ordinary shares held	Percentage of issued ordinary shares
Tsinghua Tongfang Co., Ltd. ("THTF")	Held by controlled corporation	*(Note 1)*	4,000,000,000	27.62%
Resuccess Investments Limited ("Resuccess")	Held by controlled corporation	*(Note 1)*	4,000,000,000	27.62%
Cool Clouds Limited ("Cool Clouds")	Beneficial owner	*(Note 1)*	4,000,000,000	27.62%
Ms. Chong Sok Un ("Ms. Chong")	Held by controlled corporation	*(Note 2)*	2,592,514,140	17.90%
China Spirit Limited ("China Spirit")	Held by controlled corporation	*(Note 2)*	2,592,514,140	17.90%
Vigor Online Offshore Limited ("Vigor")	Beneficial owner	*(Note 2)*	2,592,514,140	17.90%
China Minsheng Investment Group Corp., Ltd. 中國民生投資股份有限公司("CMI")	Held by controlled corporation	*(Note 3)*	2,000,000,000	13.81%
CMIG Asia Asset Management Co., Ltd. 中民投亞洲資產管理有限公司("CMIG")	Held by controlled corporation	*(Note 3)*	2,000,000,000	13.81%
CMI Financial Holding Corporation ("CMIF")	Held by controlled corporation	*(Note 3)*	2,000,000,000	13.81%
CMIG International Capital Limited 中民投國際資本有限公司("中民投國際資本")	Held by controlled corporation	*(Note 3)*	2,000,000,000	13.81%
CM International Capital Limited ("CMIC")	Held by controlled corporation	*(Note 3)*	2,000,000,000	13.81%
Victor Beauty Investments Limited ("Victor Beauty")	Beneficial owner	*(Note 3)*	2,000,000,000	13.81%
Ms. Ding Moyan ("Ms. Ding")	Held by controlled corporation	*(Note 4)*	1,149,739,208	7.94%
Excellent Top Holdings Limited ("Excellent Top")	Held by controlled corporation	*(Note 4)*	1,149,739,208	7.94%
Greatime Management Corp. ("Greatime")	Beneficial owner	*(Note 4)*	1,149,739,208	7.94%
Mr. Lee Seng Hui	Held by controlled corporation	*(Note 5)*	3,142,468,833	21.70%
Ms. Lee Su Hwei	Held by controlled corporation	*(Note 5)*	3,142,468,833	21.70%
Mr. Lee Seng Huang	Held by controlled corporation	*(Note 5)*	3,142,468,833	21.70%
Allied Group Limited ("Allied Group")	Held by controlled corporation	*(Note 5)*	3,142,468,833	21.70%
Sun Hung Kai & Co. Limited ("SHK")	Held by controlled corporation	*(Note 5)*	1,284,939,208	8.87%
Shipshape Investments Limited ("Shipshape")	Held by controlled corporation	*(Note 5)*	1,284,939,208	8.87%
Itso Limited ("Itso")	Holder of security interest	*(Note 5)*	1,149,739,208	7.94%
Tian An China Investments Company Limited ("Tian An")	Held by controlled corporation	*(Note 5)*	1,857,529,625	12.82%

DIRECTORS' REPORT

Notes:

The percentage of shareholding is calculated on the basis of the Company's issued share capital of 14,480,072,773 shares as at 31 December 2021.

1. Cool Clouds, a wholly-owned subsidiary of Resuccess, owned 4,000,000,000 ordinary shares of the Company. THTF was the sole shareholder of Resuccess as at 31 December 2021. Accordingly, Resuccess and THTF were deemed to have interests in 4,000,000,000 ordinary shares of the Company in which Cool Clouds was interested.

2. Vigor, a wholly-owned subsidiary of China Spirit, owned 2,592,514,140 ordinary shares of the Company. Ms. Chong maintained 100% beneficial interests in China Spirit. Accordingly, Ms. Chong was deemed to have an interest of 2,592,514,140 ordinary shares of the Company.

3. Victor Beauty, a wholly-owned subsidiary of CMIC, owned 2,000,000,000 ordinary shares of the Company. CMIC was a wholly-owned subsidiary of 中民投國際資本 which in turn was a wholly-owned subsidiary of CMI held directly as to 22.6% interests and indirectly as to 77.4% interests through CMIF and CMIG. CMIF was a wholly-owned subsidiary of CMIG, which in turn was a wholly-owned subsidiary of CMI. Accordingly, CMIC, 中民投國際資本, CMIF, CMIG and CMI were deemed to have interests in 2,000,000,000 ordinary shares of the Company.

4. Greatime, a wholly-owned subsidiary of Excellent Top, owned 1,149,739,208 ordinary shares of the Company. Ms. Ding maintained 100% beneficial interests in Excellent Top. Accordingly, Ms. Ding was deemed to have an interest in 1,149,739,208 ordinary shares of the Company.

5. Fareast Global Limited, a wholly-owned subsidiary of Tian An, owned 1,857,529,625 ordinary shares of the Company and Tian An was owned as to approximately 50.83% by China Elite Holdings Limited which was in turn wholly-owned by Allied Group via its subsidiaries.

   Itso, a wholly-owned subsidiary of Shipshape, held 1,149,739,208 ordinary shares of the Company as holder of securities and Sun Hung Kai Structured Finance Limited, a wholly-owned subsidiary of Shipshape, held 135,200,000 ordinary shares of the Company as holder of securities. Shipshape was a wholly-owned subsidiary of SHK. SHK was owned as to approximately 73.08% by Allied Group via its subsidiaries.

   Mr. Lee Seng Hui together with Ms. Lee Su Hwei and Mr. Lee Seng Huang are the trustees of Lee and Lee Trust, being a discretionary trust. The Lee and Lee Trust controlled approximately 74.96% of the total number of issued shares of Allied Group (inclusive of Mr. Lee Seng Hui's personal interests) and was therefore deemed to have an interest in the shares in which Allied Group was interested.

Further Note:

Subsequent to the year-end date, on 1 April 2022, Ms. Chong has beneficial interests in 12,375,000 ordinary shares of the Company.

Save as disclosed above, as at 31 December 2021, there were no other parties who had interests or short positions in the shares or underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the Group had no major customers and suppliers due to the nature of principal activities of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors of the Company ("INEDs"), an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the INEDs are independent.

DIRECTORS' REPORT

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2021, the Group entered into transactions with related parties, details of which are set out in Note 41 to the consolidated financial statements. These related party transactions constitute a connected transaction or a continuing connected transaction of the Company as defined in and are fully exempt for the connected transaction requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTION

On 3 December 2021, Star Telecom Holding Limited, an indirect wholly-owned subsidiary of the Company, as the tenant entered into a new tenancy agreement (the "New Tenancy Agreement") with Jaffe Development Limited ("Jaffe Development") as the landlord in respect of the renewal of the tenancy for the whole of 47th Floor, China Online Centre, No.333 Lockhart Road, Wanchai, Hong Kong (the "Premises") for a term of two years commencing on 1 December 2021 and expiring on 30 November 2023, at a monthly rent of HK$216,116 (exclusive of rates, management fee and air-conditioning charges).

The Company, through its wholly-owned subsidiary, has been leasing the Premises from Jaffe Development since year 2000 for use by the Group as its head office and principal place of business in Hong Kong. The then existing tenancy agreement in respect of the Premises expired on 30 November 2021.

Jaffe Development is an indirect wholly-owned subsidiary of Allied Group Limited ("Allied Group"), which had become the holding company of the Company's substantial shareholder Tian An China Investments Company Limited ("Tian An") in October 2021, when Allied Group's deemed shareholding interests in Tian An was increased from approximately 48.86% to 50.83% as a result of Tian An making a series of repurchases of its shares. Accordingly, Jaffe Development is a connected person of the Company and the entering into of the New Tenancy Agreement is recognized as an acquisition of right-of-use assets in the consolidated statement of financial position of the Group. Such acquisition of right-of-use assets constitutes an one-off connected transaction for the Company under Chapter 14A of the Listing Rules. The value of the right-of-use asset recognized by the Company under the New Tenancy Agreement is HK$5,021,000.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the estimated value of the right-of-use asset to be recognized by the Company under the New Tenancy Agreement are more than 0.1% but less than 5%, the entering into of the New Tenancy Agreement is only subject to the announcement and annual reporting requirements under Rules 14A.35 and 14A.49 of the Listing Rules, respectively, and is exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Further details of the New Tenancy Agreement are set out in the announcement published by the Company on 3 December 2021.

EMOLUMENT POLICY

The emolument policy of the general staff of the Group is set up by the management of the Group on the basis of their merit, qualifications and competence.

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

DIRECTORS' REPORT

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-Laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company (the "Shareholders").

PERMITTED INDEMNITY

The Bye-Laws provides that Directors and other officers shall be indemnified and secured harmless out of the assets of the Company from and against all losses or liabilities which they shall or may incur or sustain in or about the execution of their duty or supposed duty in their respective offices or trusts. Such provision was in force during the Year. In addition, the Company has maintained appropriate directors' and officer' liability insurance in respect of relevant legal actions against the Directors and officers.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the Year.

DONATIONS

During the Year, the Group made donations amounting to HK$50,000.

AUDITOR

Messrs Deloitte Touche Tohmatsu resigned as auditor of the Company and RSM Hong Kong ("RSM") was appointed as the auditor of the Company to fill the casual vacancy, both with effect from 29 November 2021.

The consolidated financial statements of the Group for the year ended 31 December 2021 were audited by RSM. RSM will retire and a resolution for re-appointment of RSM as auditor of the Company will be proposed at the forthcoming AGM.

EVENTS AFTER THE REPORTING DATE

There were no significant events affecting the Company that have occurred since the end of the Year.

On behalf of the Board

Chong Sok Un
Deputy Chairman

Hong Kong, 29 March 2022

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the "Board") believes that corporate governance is essential to the success of the Company and the enhancement of Shareholders' value. Accordingly, the Company has adopted various measures to ensure that a high standard of corporate governance is maintained.

Throughout the year ended 31 December 2021 (the "Year"), the Company has applied the principles and complied with the code provisions set out in the Corporate Governance Code (the "CG Code") as listed out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules" and the "Stock Exchange" respectively). The current practices will be reviewed and continuously updated.

BOARD OF DIRECTORS

During the Year and up to the date of this report, the Board currently comprises nine directors of the Company (the "Directors") in total, with three executive directors, two non-executive directors and four independent non-executive directors. The composition of the Board is set out as follows:

Executive Directors:

Ms. Chong Sok Un *(Deputy Chairman)*
Mr. Kong Muk Yin *(ceased on 13 May 2021)*
Mr. Guo Meibao
Mr. Zhou Haiying

Non-Executive Directors:

Mr. Zhou Liye *(Chairman) (resigned on 15 April 2021)*
Dato' Wong Peng Chong *(ceased on 13 May 2021)*
Mr. Zheng Zhen
Mr. Lai Hin Wing Henry Stephen

Independent Non-Executive Directors:

Mr. Zhang Jian
Dr. Xia Xiaoning
Dr. Wong Wing Kuen, Albert
Ms. Yang Lai Sum Lisa

The Board members have no financial, business, family or other material/relevant relationships with one another. Such balanced Board composition is formed to ensure strong independence exists across the Board.

Throughout the Year, the Board has at least one-third in number of its members comprising independent non-executive directors of the Company ("INEDs") under Rule 3.10A of the Listing Rules and at least one of the INEDs possessing appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10 of the Listing Rules.

The Board has received from each INED an annual confirmation of his/her independence and considers that all the INEDs are independent under the guidelines set out in Rule 3.13 of the Listing Rules. The biographical details of the Directors are set out on pages 15 to 18 of this Annual Report.

CORPORATE GOVERNANCE REPORT

During the Year, 6 Board meetings were held and the attendance of each Director at the Board meetings is set out as follows:

Name of Directors	Number of Board meetings attended/held
Executive Directors	
Ms. Chong Sok Un *(Deputy Chairman)*	6/6
Mr. Kong Muk Yin *(ceased on 13 May 2021)*	1/1
Mr. Guo Meibao	6/6
Mr. Zhou Haiying	6/6
Non-Executive Directors	
Mr. Zhou Liye *(Chairman) (resigned on 15 April 2021)*	1/1
Dato' Wong Peng Chong *(ceased on 13 May 2021)*	1/1
Mr. Zheng Zhen	6/6
Mr. Lai Hin Wing Henry Stephen	6/6
Independent Non-Executive Directors	
Mr. Zhang Jian	6/6
Dr. Xia Xiaoning	6/6
Dr. Wong Wing Kuen, Albert	6/6
Ms. Yang Lai Sum, Lisa	6/6

The schedule of Board meetings for a year is planned in the preceding year. At least 14 days notice of all Board meetings is given to all Directors and they can include matters for discussion in the agenda if the need arises. The company secretary of the Company (the "Company Secretary") assists the deputy chairman of the Board (the "Deputy Chairman") in preparing the agenda for meetings and ensures that all applicable rules and regulations are complied with. The agenda and the accompanying Board papers are sent to all Directors at least 3 days before the date of every Board meeting so that the Directors have the time to review the documents.

Every Board member is entitled to have access to Board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required. The Company Secretary continuously updates all Directors on the latest development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices.

The Board is responsible for formulating overall strategy, monitoring and controlling the performance of the Group. In addition to its overall supervisory role, the Board also retains specific responsibilities such as approving specific senior appointments, approving financial accounts, recommending dividend payments, approving policies relating to the Board's compliance, etc. whilst managing the Group's business is the responsibility of the management of the Group (the "Management").

When the Board delegates aspects of its management and administration functions to the Management, it has given clear directions, to the powers of the Management, in particular, with respect to the circumstances where the Management shall report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

The Deputy Chairman has met with the INEDs without the presence of the executive directors and the non-executive directors of the Company (the "Executive Directors" and "NEDs" respectively) during the Year.

CORPORATE GOVERNANCE REPORT

Directors' Continuous Professional Development

Each newly appointed Director receives comprehensive, formal and tailored induction on appointment so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities under the Listing Rules, legal and other regulatory requirements.

During the Year, the Company has arranged trainings for Directors to provide regular updates relating to the roles, functions and duties, corporate governance and change in regulatory requirements so as to enable the Directors to properly discharge their duties under the code provision C.1.4 of the CG Code.

Directors participated the following continuous professional development activities during the Year:

Name of Directors	Reading regulatory updates and other materials relating to Directors' duties and responsibilities	Attending trainings/ briefings/seminars/ conferences relevant to Directors' duties
Executive Directors		
Ms. Chong Sok Un *(Deputy Chairman)*	✓	✓
Mr. Kong Muk Yin *(ceased on 13 May 2021)*	✓	✓
Mr. Guo Meibao	✓	✓
Mr. Zhou Haiying	✓	✓
Non-Executive Directors		
Mr. Zhou Liye *(Chairman) (resigned on 15 April 2021)*	✓	✓
Dato' Wong Peng Chong *(ceased on 13 May 2021)*	✓	✓
Mr. Zheng Zhen	✓	✓
Mr. Lai Hin Wing Henry Stephen	✓	✓
Independent Non-Executive Directors		
Mr. Zhang Jian	✓	✓
Dr. Xia Xiaoning	✓	✓
Dr. Wong Wing Kuen, Albert	✓	✓
Ms. Yang Lai Sum, Lisa	✓	✓

Directors' and Officers' Liabilities Insurance

The Company has arranged appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against the Directors and officers of the Company and its subsidiaries arising out of corporate activities of the Group under the code provision C.1.8 of the CG Code.

Roles of Chairman and Chief Executive

The code provision C.2.1 of the CG Code requires that the roles of the chairman and the chief executive are segregated and should not be performed by the same individual, to strike a balance of power and authority so that the job responsibilities are not concentrated on any one individual.

The Deputy Chairman is responsible for the leadership and effective running of the Board. The functions of the chief executive are performed by the Executive Director, Mr. Guo Meibao who is in charge of day-to-day operation of healthcare and eldercare business in PRC. The functions and responsibilities between the Deputy Chairman and the Executive Director performing the functions of the chief executive are clearly segregated.

The list of Directors and their roles and functions are available on the Stock Exchange's website and the Company's website (http://www.cmhg.com.hk).

CORPORATE GOVERNANCE REPORT

Appointment and Re-election of Directors

Each of the NEDs (including INEDs) has entered into a letter of appointment with the Company and is appointed for a specific term, subject to retirement by rotation and re-election at least once every three years at the annual general meeting of the Company (the "AGM") in accordance with the Bye-Laws. Any new Director appointed by the Board to fill a casual vacancy shall be subject to re-election by the shareholders of the Company (the "Shareholders") at the next following AGM after appointment in accordance with the Bye-Laws.

Board Diversity Policy

The Company has adopted a board diversity policy on 30 August 2013 which sets out the approach to achieve diversity of the Board in order to maintain a sustainable and balanced development of the Company and enhance the quality of performance of the Board.

The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, 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.

The Nomination Committee will review the board diversity policy, as appropriate, to ensure its effectiveness.

Corporate Governance Function

The Board has adopted the written terms of reference on corporate governance function on 27 February 2012 so as to assist the Board in supervising the management of the business and office of the Group. During the Year, the Board has performed the corporate governance duties in accordance with its terms of reference.

The duties of the Board in respect of corporate governance function are summarized as follows:

i) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

ii) to review and monitor the training and continuous professional development of Directors and senior management of the Group (the "Senior Management");

iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

v) to review the Company's compliance with the code provisions as set out in the CG Code and its disclosure requirements in the Corporate Governance Report.

BOARD COMMITTEES

The Board has established five committees, namely, the Executive Committee, Investment Committee, Remuneration Committee, Nomination Committee and Audit Committee to assist it in carrying out its responsibilities and to oversee particular aspects of the Group's affairs. Each of the committees has defined terms of reference setting out its duties, powers and functions. The committees report regularly to the Board and, where appropriate, make recommendations on matters discussed.

The list of the chairman and members of each Board committee is set out in the Corporate Information section of this Annual Report.

CORPORATE GOVERNANCE REPORT

Executive Committee

The Executive Committee was established on 23 May 1998 with its written terms of reference adopted on 21 July 2005. The committee is composed of two Executive Directors. The Executive Committee is responsible for approving and monitoring the daily operations of the Group. The Executive Committee held 40 meetings during the Year.

Investment Committee

The Investment Committee was established on 2 February 2000 with its written terms of reference adopted on 19 December 2005. The committee is composed of two Executive Directors and one NED. The Investment Committee is responsible for approving and monitoring the Group's investment related activities. One Investment Committee meeting was held during the Year.

Remuneration Committee

The Remuneration Committee was established on 15 April 2005 with its written terms of reference adopted on the same date. The terms of reference of the Remuneration Committee are available on the Stock Exchange's website and the Company's website (http://www.cmhg.com.hk).

The Remuneration Committee comprises one Executive Director, one NED and four INEDs. The composition of the Remuneration Committee has complied with the requirements as set out in Rule 3.25 of the Listing Rules that the Remuneration Committee should be chaired by an INED and a majority of its members should be INEDs.

The meeting of the Remuneration Committee shall be held at least once a year. One meeting was held during the Year and the attendance of each member is set out as follows:

Name of members	Number of meetings attended/held
Dr. Xia Xiaoning *(Chairman)*	1/1
Ms. Chong Sok Un *(appointed on 11 June 2021)*	–
Mr. Kong Muk Yin *(ceased on 13 May 2021)*	1/1
Dato' Wong Peng Chong *(ceased on 13 May 2021)*	1/1
Mr. Zheng Zhen	1/1
Mr. Zhang Jian	1/1
Dr. Wong Wing Kuen, Albert	1/1
Ms. Yang Lai Sum, Lisa	1/1

The remuneration policy of the Group is to ensure all its employees are remunerated in line with market terms and individual performance.

At the meeting held during the Year, the overall pay trend in Hong Kong of 2022 was reviewed and noted.

The major roles and functions of the Remuneration Committee are as follows:

i) to review annually and recommend to the Board on the overall remuneration policy and structure for the Directors and Senior Management;

ii) to review annually the performance of the Executive Directors and the Senior Management and recommend to the Board specific adjustments in remuneration and/or reward payments;

iii) to review and approve the compensation payable to the Executive Directors relating to any loss or termination of their office or appointment;

iv) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct; and

CORPORATE GOVERNANCE REPORT

v) to be responsible for establishing formal and transparent procedures for developing remuneration policy and structure to ensure no Director or any of his/her associates is involved in deciding his/her own remuneration.

The Remuneration Committee has adopted the model that it will review the proposals made by the Management on the remuneration of Executive Directors and the Senior Management, and makes recommendations to the Board. The Board will have final authority to approve the recommendations made by the Remuneration Committee.

Nomination Committee

The Nomination Committee was established on 27 February 2012 with its written terms of reference adopted on the same date. The terms of reference of the Nomination Committee are available on the Stock Exchange's website and the Company's website (http://www.cmhg.com.hk).

The Nomination Committee comprises one Executive Director and four INEDs. The meeting of the Nomination Committee shall be held at least once a year. One meeting was held during the Year and the attendance of each member is set out as follows:

Name of members	Number of meetings attended/held
Ms. Chong Sok Un *(Chairman)*	1/1
Dato' Wong Peng Chong *(ceased on 13 May 2021)*	1/1
Mr. Zhang Jian	1/1
Dr. Xia Xiaoning	1/1
Dr. Wong Wing Kuen, Albert	1/1
Ms. Yang Lai Sum, Lisa	1/1

The Nomination Committee is responsible for formulating nomination policy for the Board's consideration and implementing the Board's approved nomination policy and making recommendations to the Board on the appointment or re-appointment of the Directors, and Board succession.

The Company has adopted a nomination policy on 1 January 2019 for formalising the current nomination practice of the Company. The policy sets out the criteria and procedures for the selection, appointment and re-election of the Directors so as to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. The Nomination Committee will review the nomination policy, as appropriate, to ensure its effectiveness.

The Nomination Committee may identify potential candidates from any source as it may consider appropriate and review the curriculum vitae submitted by potential candidates to assess whether they are 'fit and proper' for the proposed appointment.

The Nomination Committee shall evaluate potential candidates by considering the relevant criteria as set out in the nomination policy including, without limitation, their business and financial experience, skills, expertise, varied backgrounds and qualifications and diversity to be brought to the Company through attendance and participation in the Board or committee meetings. The Nomination Committee shall also consider (i) the commitment of the potential candidates in devoting sufficient time and attention to the affairs of the Group; (ii) their potential contribution to Board diversity; (iii) any material conflict of interest or potential material conflict of interest with the Group; and (iv) their independence with reference to the independence guidelines set out in the Listing Rules if the potential candidates will be appointed as INEDs.

Upon recommendation by the Nomination Committee, the proposed appointment will be reviewed and, if thought fit, approved by the Board.

CORPORATE GOVERNANCE REPORT

The major roles and functions of the Nomination Committee are as follows:

i) to review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

ii) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

iii) to assess the independence of INEDs;

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

v) to review and monitor policy concerning diversity of Board members and make recommendations on any proposed changes to the Board.

Audit Committee

The Audit Committee was established on 29 January 1999 with its written terms of reference adopted on the same date. The terms of reference of the Audit Committee are available on the Stock Exchange's website and the Company's website (http://www.cmhg.com.hk).

The Audit Committee comprises one NED and four INEDs. The composition of the Audit Committee has complied with the requirements as set out in Rule 3.21 of the Listing Rules that a majority of the members of the Audit Committee should be INEDs.

The Audit Committee shall meet at least twice a year. 5 meetings were held during the Year. The minutes of the Audit Committee meetings were tabled to the Board for noting and for action by the Board where appropriate. The attendance of each member is set out as follows:

Name of members	Number of meetings attended/held
Dr. Wong Wing Kuen, Albert *(Chairman)*	5/5
Mr. Zheng Zhen	5/5
Mr. Zhang Jian	5/5
Dr. Xia Xiaoning	5/5
Ms. Yang Lai Sum, Lisa	5/5

During the Year and up to the date of this report, the Audit Committee had performed the following work:

i) reviewed the financial reports for the year ended 31 December 2020, for the six months ended 30 June 2021 and for the year ended 31 December 2021;

ii) reviewed, considered and made recommendations to the Board on the change of external auditor of the Group (the "External Auditor");

iii) reviewed the statutory audit plan and engagement letter of the External Auditor;

iv) reviewed the management letter from the External Auditor in relation to the audit of the Group for the year ended 31 December 2021;

v) reviewed and recommended for the Board's approval the audit scope and fees for the six months ended 30 June 2021 and for the year ended 31 December 2021; and

CORPORATE GOVERNANCE REPORT

vi) reviewed and recommend for the Board's annual review of the whistle blowing policy, procedures for the identification and monitoring of connected transaction and notifiable transaction, related party transaction policies and procedures, policy on the disclosure of inside information and policy on risk management, compliance and internal control procedures.

The major roles and functions of the Audit Committee are as follows:

i) to consider the appointment, re-appointment and removal of the External Auditor, the audit fees, and any questions of resignation or dismissal of the External Auditor;

ii) to discuss the nature and scope of the audit with the External Auditor;

iii) to review the interim and annual financial statements before submission to the Board;

iv) to discuss problems and reservations arising from the interim review and final audit, and any matters the External Auditor may wish to discuss;

v) to review the External Auditor's management letter and Management's response; and to ensure that the Board will provide a timely response to the issues raised in the External Auditor's management letter;

vi) to review the Group's financial controls, internal control and risk management systems to ensure that they are appropriate and functioning properly; and

vii) to consider any findings of major investigations of internal control and risk management matters and Management's response.

AUDITOR'S REMUNERATION

During the Year under review, the remuneration paid or payable to the External Auditor, RSM Hong Kong, is set out as follows:

Services rendered	**Fees paid/payable** HK$'000
Audit services	2,000
Non-audit services	Nil
	2,000

During the Year under review, the remuneration paid or payable to the previous auditor of the Group, Deloitte Touche Tohmatsu,is set out as follows:

Services rendered	**Fees paid/payable** HK$'000
Audit services	Nil
Non-audit services	412
	412

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL

The main features of the risk management and internal control systems are to provide a clear governance structure, policies and procedures, as well as reporting mechanism to facilitate the Group to manage its risks across business operations.

The Group has established a risk management framework, which consists of the Board, the Audit Committee and the risk management taskforce of the Group (the "Risk Management Taskforce"). The Board determines the nature and extent of risks that shall be taken in achieving the Group's strategic objectives, and has the overall responsibility for monitoring the design, implementation and the overall effectiveness of risk management and internal control systems.

The Group has formulated and adopted risk management policy in providing direction in identifying, evaluating and managing significant risks. At least on an annual basis, the Risk Management Taskforce identifies risks that would adversely affect the achievement of the Group's objectives, and assesses and prioritizes the identified risks according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks considered to be significant.

The internal control system of the Company comprises a well-established organizational structure and comprehensive polices and standards. The Board has clearly defined the authorities and key responsibilities of each business and operational unit to ensure adequate checks and balances.

The Management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and involving in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

In addition, the Group has established an internal audit function to assist the Board and the Audit Committee in ongoing monitoring of the risk management and internal control systems of the Group. Deficiencies in the design and implementation of internal controls are identified and recommendations are proposed for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board on a timely basis to ensure prompt remediation actions are taken.

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls include the following:

a) The Executive Committee was established to ensure the effectiveness of the Group's daily operations and that the Group's operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved.

b) The Audit Committee reviews internal control issues identified by internal control consultant, regulatory authorities and the Management, and evaluates the adequacy and effectiveness of the Group's risk management and internal control systems. To further enhance control awareness, the Group has also approved launching a whistleblowing policy for employees to raise any concerns about possible improprieties in any matter related to the Group.

c) The Investment Committee was established to monitor the Group's investment related activities and respective operating and financial policies.

d) The Remuneration Committee was established to ensure all the Directors and the Senior Management are remunerated in line with market terms and individual performance.

CORPORATE GOVERNANCE REPORT

e) The corporate reporting functions are delegated to the accounting department in terms of proper and regular reviews on the deployment of resources and financial reporting systems. The corporate governance practices and compliance with the Listing Rules, the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") and other applicable regulations are delegated to the company secretarial department. The Management reviews the system of internal controls and briefs the reporting systems with the Executive Directors regularly and the Audit Committee annually.

f) Every newly appointed Director is provided with a comprehensive handout detailing the responsibilities and duties of being a director. In particular highlighting the respective applicable rules and regulations, including the Listing Rules, which a Director should aware and be informed on the first occasion of his/her appointment with the Company.

g) The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct regarding Directors' and relevant employees' securities transactions. A copy of the Model Code was sent to each Director and the relevant employees of the Group who are required to be provided under the Model Code. Enquiries have been made with Directors and all the Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the Year. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company.

Risk management report and internal control report are submitted to the Audit Committee and the Board at least once a year.

The Board is of the view that the systems of risk management and internal control in place for the Year under review and up to the date of issuance of the Annual Report and financial statements are effective and sufficient to safeguard the interests of the Shareholders, employees, and the Group's assets.

The risk management and internal control 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.

Procedures and internal controls for the handling and dissemination of inside information

The Group has established policies and procedures on inside information and complies with requirements of SFO and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the accounts for the Year, the Directors have selected suitable accounting policies and have applied them consistently, adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards which are pertinent to its operations and relevant to the financial statements, made judgments and estimates that are prudent and reasonable, and have prepared the accounts on a going concern basis.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' COMMUNICATION

A shareholder's communication policy was established on 27 February 2012. The Company has maintained different communication channels with the Shareholders through the publication of annual and interim reports, circulars and announcements.

During the Year, an AGM was held and the attendance of each Director at the AGM is set out as follows:

Name of Directors	Number of AGM attended/held
Ms. Chong Sok Un *(Deputy Chairman)*	1/1
Mr. Kong Muk Yin *(ceased on 13 May 2021)*	–
Mr. Guo Meibao	1/1
Mr. Zhou Haiying	1/1
Mr. Zhou Liye *(Chairman) (resigned on 15 April 2021)*	–
Dato' Wong Peng Chong *(ceased on 13 May 2021)*	–
Mr. Zheng Zhen	1/1
Mr. Lai Hin Wing Henry Stephen	1/1
Mr. Zhang Jian	1/1
Dr. Xia Xiaoning	1/1
Dr. Wong Wing Kuen, Albert	1/1
Ms. Yang Lai Sum, Lisa	1/1

The AGM provides a useful forum for the Shareholders to exchange views with the Board. At the Company's last AGM, the Deputy Chairman as well as chairman of the Audit Committee and Nomination Committee and members of the Remuneration Committee were present to answer the Shareholders' questions.

Separate resolutions are proposed at the general meetings for each substantial issue, including the re-election of the retiring Directors.

The Company's last AGM was held on 10 June 2021 and the Securities Repurchase Circular was sent to the Shareholders at least 20 clear business days prior to the meeting, setting out details of each proposed resolution, voting procedures (including the procedures for conducting a poll) and other relevant information. The Deputy Chairman explained the procedures for conducting a poll again at the beginning of the meeting and revealed the level of proxies voted in respect of each resolution. All Shareholders are encouraged to attend the general meetings or to appoint proxies to attend and vote at the meetings on their behalf if they are unable to attend the meetings.

The next AGM will be held on 1 June 2022, the notice of which will be sent to the Shareholders at least 20 clear business days before the meeting. An explanation of the detailed procedures for conducting a poll will be provided to the Shareholders at the commencement of the meeting. The Chairman will answer any questions from the Shareholders regarding voting by way of a poll. The poll results will be published in accordance with the requirements of the Listing Rules.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Right to put enquiries to the Board

The Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. Other Shareholders' enquiries can be directed to the head office and principal place of business of the Company in Hong Kong as set out in the Corporate Information section of this Annual Report for the attention of the Company Secretary.

Right to convene special general meeting

Pursuant to Section 74(1) of the Bermuda Companies Act and Clause 62 of the Bye-Laws, the Shareholder(s) holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company may request the Board to convene a special general meeting of the Company.

The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda for the attention of the Company Secretary and may consist of several documents in like form each signed by one or more requisitionists.

If the Directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of 3 months from the said date.

Right to put forward proposals at general meetings

On the requisition in writing of either (i) any number of the Shareholders representing not less than one-twentieth of the total voting rights of all the Shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or (ii) not less than 100 Shareholders, the Company shall, at the expense of the requisitionists:

a) give to the Shareholders entitled to receive notice of the next AGM notice of any resolution which may properly be moved and is intended to be moved at that meeting; and

b) circulate to the Shareholders entitled to have notice of any general meeting sent to them any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition must be signed by the requisitionists and deposited at the head office of the Company in Hong Kong at 47th Floor, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong for the attention of the Company Secretary.

INVESTOR RELATIONS

The Company maintains a website at (http://www.cmhg.com.hk) where information and updates on the list of Directors and their roles and functions, constitutional documents, terms of reference of the Board committees, procedures for nomination of Directors for election, announcements, circulars and reports released to the Stock Exchange and other information are posted. Information on the Company's website will be updated from time to time.

There was no significant change in the Company's constitutional documents during the Year.

CORPORATE GOVERNANCE REPORT

DIVIDEND POLICY

The Board has adopted the dividend policy effective on 1 January 2019. The Company's dividend policy aims at providing reasonable and sustainable returns to the Shareholders whilst maintaining a position of financial stability which allows the Company to take advantage of any investment and expansion opportunities that may arise from time to time.

The Company in general meeting may from time to time declare dividends in any currency to be paid to the Shareholders but no dividend shall be declared in excess of the amount recommended by the Board. Dividends may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which the Directors determine is no longer needed.

Under the Bye-Laws, the Directors have the power to pay interim dividends but only if they are justified by the profits of the Company. Proposal or declaration of dividends by the Board is subject to consideration of the financial performance of the Group's operations; financial condition and position of the Group; capital expenditure and development requirement of the Group; and accumulated earnings of the Company, gearing level and liquidity position of the Group, general economic and investment conditions and outlook which may have an impact on the financial performance and position of the Group, and such other factors the Board may deem relevant.

COMPANY SECRETARY

All Directors have access to the advice and services of the Company Secretary. The Company Secretary reports to the Deputy Chairman on board governance matters, and is responsible for ensuring that Board procedures are followed and for facilitating communications among Directors as well as with the Shareholders and the Management.

On 20 March 2022, Ms. Fung Ching Man, Ada resigned as the Company Secretary and Ms. Leung Yuk Yi was appointed as the Company Secretary. Ms. Leung is a fellow member of each of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. During the Year, Ms. Leung undertook over 15 hours of relevant professional training to update her skills and knowledge.

On behalf of the Board
China Medical & HealthCare Group Limited

Chong Sok Un
Deputy Chairman

Hong Kong, 29 March 2022

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This Report is the Environmental, Social and Governance ("ESG") report of China Medical & HealthCare Group Limited (the "Company", together with its subsidiaries the "Group", "we", "us" or "our"). The content focuses on the Group's commitment, practice and performance in regards to ESG in 2021.

SCOPE OF REPORTING

This Report summarized the ESG-related policies, initiatives and performances of the Group's principal business segments of investment in and management and operations of healthcare hospital businesses, eldercare businesses, trading of medical equipment and related supplies and property investment and development in the People's Republic of China ("PRC"), for the period from 1 January 2021 to 31 December 2021 (the "Year").

REPORTING STANDARDS

This Report is prepared in accordance with the ESG Reporting Guide as set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

REPORTING PRINCIPLES

The Group prepared this Report in line with four principles of materiality, quantitative, balance and consistency according to the ESG Reporting Guide, and disclosed the risk and control measures adopted by the Group in ESG aspects.

Materiality

In determining the environmental, social and governance issues to be reported, we have taken into account on how they are being affected by or their impact to the operations of the Group.

Quantitative

We measured key performance indicators ("KPI") with reference to the ESG Reporting Guide as set out in Appendix 27 of the Listing Rules, including collecting environmental and social data from various departments, checking files, and calculating and disclosing data. For all standards, methods and assumptions adopted for calculating performance data (if applicable), please refer to the relevant sections in the Report.

Balance

The Group described and disclosed its relevant data and content in an objective and fair manner and without biasing the content of the Report due to any factors.

Consistency

We adopted the consistent data statistics and conversion methods as the previous year. The relevant data of the previous year have been disclosed in the Report, enabling stakeholders to clearly understand and compare the ESG performance of the Group.

STATEMENT OF THE BOARD

In 2021, China and other parts of the world were still undergoing with the challenge of COVID-19. At the same time, in accordance with the Group's development strategy, we have been transitioning into a leading investor and operator of integrated healthcare and eldercare services. This draws more responsibility and attention for us to contribute to society in both environmental and social development.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Adhering to the mission of "To be the regional leader in China and Asia providing fully-integrated healthcare and eldercare services that are safe, comfortable, convenient, and affordable", we have firmly fulfilled its corporate social responsibility, put social and public welfare at the first place, continued to improve its sustainable development strategy, and moved forward boldly in the dimensions of service quality, community contribution, caring for employees and caring for the environment. All these actions helped us step into a new milestone of sustainable development and fulfill the core values of:

SAFETY	for our customers, our community, and our colleagues
QUALITY	in our medical services, equipment, medications, and environment
RESPECT	for our customers, our colleagues, and our community
ETHICAL	standards with no tolerance for unethical behavior and corruption
SERVICE	for our customers, and also for our community and our colleagues
FINANCE	that achieves good financial results to continue to provide the above
STRATEGY	that is aligned with our company's vision and mission
GROWTH	that aims to provide the above to an ever-increasing customer base

We believe that talents are the core competitive edge of our business and services. We emphasize the training on our doctors and nurses in both healthcare and eldercare segments and regularly review the incentive and performance evaluation mechanism to strengthen a platform that encourages our staff to show their talents and strengthens the sense of belonging to the Group. The Group is committed to building a corruption-free culture while promoting a positive, professional and healthy work style.

The Group has also launched various public welfare projects to share the economic results with those in need. With the strong expertise in medical and healthcare, we carried out multiple public welfare health checks and community services to popularize basic medical and health knowledge. Realising that children with congenital heart disease, pneumoconiosis, or spine malformation were facing poverty problem, the Group resolutely launched public welfare assistance together with several foundations by proactively implementing free surgeries and fund raising.

We have faith that we will achieve sustainable and quality development with high quality and become a sustainable and lasting enterprise. We will continue to work on fighting against the epidemic with all staff, patients, customers, and citizens by encouraging each other to reach new heights and get involved in the cities and the world.

ESG GOVERNANCE

The Group has established a concrete governance structure for sustainable development, which consists of a tripartite combination of the board of directors of the Company (the "Board"), departmental management and the ESG working group. The Board, as the chief decision maker, sets the direction for sustainable development and take full responsibility for the Group's ESG matters. The Board gains knowledge about ESG-related risks and opportunities faced by the Group through annual risk assessment and internal control assessment. We take every challenge as an opportunity to review and improve our current management system. In addition to this, we regularly evaluate the effectiveness of our evaluation mechanism and review the sustainability of the Group's performance to ensure that the evaluation mechanism will be carried out effectively.

As a management role, the senior management formulates relevant ESG policies and procedures in line with the development direction, objectives and priorities set by the Board, and promotes and implements control measures. The ESG Report and related performance data have been reviewed by the senior management and approved by the Board.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We have engaged our management and employees across all functions to understand our stakeholders' concerns and identify relevant ESG issues for our businesses. Our management personnel have been closely in touch with different key stakeholders including regulators, patients, customers, suppliers, etc. in daily operations, so that we are well aware of our stakeholders' views and concerns. Based on the understanding from the communications, we have conducted internal assessments and concluded the material ESG issues of the Group to be covered in this Report, together with the aspects on the ESG Guide to which they relate, are summarized in the table below:

ESG aspects as set out in ESG Guide		*Material ESG issues for the Group*
A Environmental	A1. Emissions	• Sewage Treatment • Medical Wastes Treatment • General Wastes Management • Greenhouse Gas Emissions
	A2. Use of Resources	• Energy Consumption • Water Consumption
	A3. The Environment and Natural Resources	• Renovation Work Management
	A4. Climate Change	• Climate Change
B. Social	B1. Employment	• Employment Practices and Relations
	B2. Health and Safety	• Workplace Health and Safety • Workplace Health and Safety Implementation and Monitoring
	B3. Development and Training	• Professional Training
	B4. Labour Standards	• Anti-Child and Forced Labour
	B5. Supply Chain Management	• Supplier Identification, Evaluation and Selection • Supplier Monitoring and Improvement • Supplier Relationship Management
	B6. Product Responsibility	• Products Safety • Medical Device Management • Services Quality • Eldercare Services • Data Privacy
	B7. Anti-corruption	• Anti-Bribery and Corruption and Anti-Money Laundering • Anti-Corruption Training
	B8. Community Investment	• Corporate Responsibility

A. ENVIRONMENTAL

A1 Emissions

The Group adheres to minimizing the negative impact of our business operations on the natural environment. We recognize the importance of integrating green concepts into our daily business activities, aiming at conducting our businesses in an environmentally-friendly manner and helping the community to achieve sustainable development.

To facilitate a better environmental management, the Group continues to dedicate its best effort to comply with relevant environmental laws, regulations, and standards, including but not limited to the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes 《中華人民共和國固體廢物污染環境防治法》, Measures for Medical Wastes Management of Medical and Health Institutions 《醫療廢物管理條例》 and Administrative Measures for the Licensing of Discharge of Urban Sewage into the Drainage Network 《城鎮污水排入排水管網許可管理辦法》. The Group also supports newly launched environmental initiatives by local government, such as the Work Plan for Sorting and Collection of Household Waste 《生活垃圾強制分類實施工作方案》. The Group did not note any material non-compliance against environmental laws and regulations during the Year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Sewage Treatment

During the Year, medical sewage generated by the hospitals of the Group was about 252,559 m^3 (2020: 225,118 m^3).

Our hospitals follow three major principles in sewage treatment:

- Onsite treatment: Onsite treatment of sewage to prevent pollution during transportation process;
- Integration of compliance and risk management: Compliance with hospital sewage discharge standards, while enhancing risk management awareness through monitoring systems to improve crisis management ability; and
- Ecological safety: Effective filtering of harmful substances from sewage, reduction of hazardous substances from sterilization and control of residual chlorine to protect the environment.

Nanjing Hospital of the Healthcare Division ("NJH")

According to the above principles, our hospitals have been equipped with highly efficient sewage treatment systems. All of our medical sewage and patients' excrements have been properly treated according to the Level 3 Standard of the Integrated Wastewater Discharge Standard (GB8978-1996) of the PRC and discharged into designated municipal drainage systems, thereby reducing health risk in the community from sewage discharge.

In 2020, the hospital had upgraded the system by adding an additional biochemical treatment process in order to achieve an even higher environmental standard for sewage discharge and protect the surrounding ecological systems. Furthermore, a real-time monitoring equipment had been installed to oversee the operating effectiveness of the sewage system, and it is linked to the local environmental authorities in accordance with the regulatory requirement. Regular testing and maintenance works have been performed to ensure proper functioning of such systems. In addition, the sewage treatment equipment in the hospitals have been tested and accredited by relevant government authorities before deployment.

With the increase in the number of patients, the hospital sewage treatment station was expanded and reconstructed in 2021 to ensure that the increased sewage volume can meet the disinfection requirement by the Water Pollutant Discharge Standard for Medical Institutions (GB18466-2005).

Kunming Hospital of the Healthcare Division ("KMH")

The hospital strictly controls the whole process of sewage treatment. A professional sewage treatment company has been engaged to operate and maintain the sewage station. Specialized personnel are responsible for sewage treatment. For this purpose, a sewage treatment station is specially designed and built with a high-efficiency sewage disinfection and filtration treatment system to ensure that the medical sewage and domestic sewage is treated in accordance with regulatory standards, and then discharged to the urban drainage network to reduce the health risks caused by the sewage. Starting from 2021, the data of the sewage discharge and the PH value has been uploaded to the key pollution source monitoring center in Yunnan Province in real time. The sewage samples are sent to the sewage institution weekly and monthly to ensure the discharge is following the sewage discharge requirements. Transport and disposal is done properly by the qualified vendor.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Shanghai Tide Health Campus of the Eldercare Division

As for eldercare segment, a sewage treatment plant has been established in the elderly nursing hospital. In addition to primary sedimentation treatment, secondary biochemical sterilization on sewage has been performed for meeting the national standards, including the Discharge Standard of Water Pollutants for Medical Organization (GB18466-2005) and Water Quality Standards on Sewage Discharged into Urban Sewers. Furthermore, a monthly sewage inspection is performed by professional consultants in order to ensure the sewage meets the relevant standards.

Medical Wastes Treatment

The hospitals of the Group generate certain biological and chemical wastes which are regarded as hazardous and require special handling to reduce risks to the public health and the environment.

The total amount of medical wastes generated within 2021 is listed below:

	Unit	**2021 Amount**	**2021 Intensity (kg per patient[1,2])**	2020 Amount
Amount of medical wastes generated during the Year	Tonnes	**314.21**	0.19	241.18

The Group adopts a three-tier approach with designated staff to manage medical wastes. Firstly, staff who generate the wastes will perform simple treatment such as sterilization using disinfectant.

Secondly, professional staff categorize medical wastes in accordance with relevant laws and regulations and store the wastes at designed isolated locations with properly labelled packaging and containers. Lastly, we have engaged qualified contractors to collect the waste on a regular basis.

After the collection of medical wastes, cleaning and disinfection work are performed at the storage locations timely. Records are maintained to keep track of the whole process. In addition, the Group has provided trainings to relevant staff responsible to enhance the awareness and knowledge of hazardous waste management. Clear instructions and procedures regarding classification and collection of medical wastes have also been communicated through posters and written policies.

In January 2021, the hospital medical waste collection system was launched. According to the requirements of the health authorities, the system has achieved traceability of medical waste. The clinical wastes were placed in special packaging bags or containers that comply with relevant laws and regulations, and the packaging bags or containers of medical waste are standardized and tied as required. After the wastes have been collected, they are temporarily stored at designated locations with proper labelling, and then collected by qualified vendors for processing and recycling. In order to meet the requirements for temporary storage and classification of medical waste, a new temporary storage facility for medical waste was set up in 2021.

In 2021, no health accident caused by medical wastes was noted by the Group.

1 For intensity calculation of 2021, the Group recorded a total of 1,639,398 patient visits during the Year.

2 The unit used for intensity calculation has been changed from 2020's report's gross floor area ("GFA") to number of patient in 2021, to provide more meaningful presentation. Therefore, 2020's intensity data are not available.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

General Wastes Management

Besides medical waste, another major type of waste generated by the Group was paper. The amount of wasted paper generated and the intensity are listed in the table below:

Non-hazardous wastes generated	Unit	2021 Amount	2021 Intensity (kg per patient[2])	2020 Amount
Amount of wasted paper	Tonnes	**5.53**	0.003	5.17
Amount of other general wastes	Tonnes	**96.58**	0.06	N/A

The Group strives to minimise the usage of office consumables by leveraging information technology to reduce waste paper and encourage recycling in the daily operations. We have implemented electronic filing systems to replace traditional paper records as appropriate, and increased the use of e-communication channels to reduce paper correspondences.

Meanwhile, certain packaging materials were used to store and protect drugs. During the Year, the consumption amounts were as follows:

Type	Unit	2021 Amount	2020 Amount
Plastic bag	Tonnes	**9.62**	8.80
Plastic bottle	Tonnes	**19.27**	23.00
Paper box	Tonnes	**17.24**	13.18

Total packaging materials used was 46.13 tonnes during the Year (2020: 44.98 tonnes).

We promote waste classification to facilitate recycling, especially used papers and packaging boxes. About 3.87 tonnes of paper was recycled through qualified contractors during the Year (2020: 3.07 tonnes).

Greenhouse Gas Emissions

Owing to the business nature of the Group, no significant air emissions were identified during the Year besides carbon emissions generated from the consumption of electricity, petrol and natural gas.

The total energy-related carbon dioxide equivalent (CO_2e) generated as well as scope 1 and scope 2 emissions are listed in the table below[3]:

Type	Unit	2021 Amount	2021 Intensity (kg per patient[2])	2020 Amount
Total carbon dioxide equivalent (CO_2e) generated	Tonnes	**11,906**	7.26	N/A
Total CO_2e generated (scope 1)	Tonnes	**437**	0.27	N/A
Total CO_2e generated (scope 2)	Tonnes	**11,128**	6.79	N/A

3 The calculation method of greenhouse gas emissions is determined with reference to Reporting Guidance on Environmental KPIs released by HKEX, The 2021 UK Government Conversion Factors for greenhouse gas (GHG) reporting published by the Department of Business, Energy & Industrial Strategy, China Regional Power Grid Baseline Emission Factors by Ministry of Ecology and Environment of China and Guidelines to Account for and Reports on Greenhouse Gas Emissions for Public Building Enterprises (Trial) by the Department of Climate Change under the National Development and Reform Commission of China.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We have a series of initiatives in place to help reduce our carbon footprint. Please refer to the A2 Use of Resources section below.

A2 Use of Resources

The Group continues to improve efficiency of resource usage in our business operations by adopting different measures and technologies. In 2020, an advanced environmental management system had been introduced in order to reduce the use of energy and water. Regular evaluation has been performed to assess the effectiveness of the resources management mechanism and remedial actions have been performed timely as needed.

Energy Consumption

The following table summarized the major types of energy directly consumed and controlled by the Group during the Year:

Type of Energy	**Unit**	**2021 Amount**	**2021 Intensity (unit per patient[2])**	2020 Amount
Electricity	kWh	**19,497,488**	11.89	16,794,365
Petrol	Litre	**28,305**	0.02	74,450
Natural Gas	m^3	**152,749**	0.09	126,269
Diesel	Litre	**17,994**	0.01	N/A

The increase of electricity and natural gas used compared to 2020 was in reasonable range due to increase in business turnover, while the diesel consumption was caused by the newly implemented shuttle bus service provided to the employees in 2021. We have implemented the following measures during the Year to help reducing our energy consumption:

Healthcare and Eldercare Divisions

- Installation of energy efficient lighting systems which use LED lights and voice controlled switches
- Use of notices and signs to advocate energy saving and reduce idle consumption by unused electrical appliances
- Setting air-conditioners to 26 degree Celsius
- Green design to utilize natural light and facilitate air ventilation
- Turning off non-essential lights during lunch breaks
- Replacement of light bulbs with LED lights and utilize natural sunlight as feasible

Healthcare Division

- Replacement of old medical equipment with high energy efficiency ones
- Installation of solar powered water heater for hot water supply
- Deployment of smart water heating and air-conditioning systems which can adjust its output corresponding to the environment to reduce energy wastage

Eldercare Division

- Lighting, telecommunication, water and electricity systems are installed in public pipelines for repair and maintenance's convenience, which in turn reduce energy use
- Special design of grounding network which reduces electricity loss
- Use of heat insulating materials and designs on roof tops and walls to reduce energy usage for air-conditioning
- Use of smart lighting system at car park which can adjust lights operation based on car distribution
- Installation of light sensor switches for street lights which can adjust operating time and intensity automatically based on actual light intensity

Water Consumption

During the Year, 290,687 m^3 (2020: 296,326 m^3) of water was consumed for business operations in our healthcare and eldercare segments, with intensity of 0.18 m^3 per patient[2].

The Group has formulated various water conservation initiatives to reduce the use of water across our operations. These initiatives are summarized as follows:

Healthcare and Eldercare Divisions

- Regular check for leakage of water pipes
- Use of notices and signs to advocate water saving and reduce idle running by unused water faucets

Healthcare Division

- Use of electronic water valves to improve water efficiency
- Installation of electronic water taps to prevent excessive water use
- Reuse condensed water from steam

Eldercare Division

- Use of water efficient faucets
- Implementation of high-efficiency sprinkler irrigation
- Use of river water for irrigation and cleaning instead of municipal water

Based on all the achievements above mentioned, we are confident to move forward towards the goals of 2030. We target to maintain the intensity of sewage emission, hazardous and non-hazardous wastes generated, GHG emissions, energy and water usage within the range of increase or decrease by 10% at 2030 with the base year of 2021. We will actively use creative thinking and innovative measures to realize these targets:

Sewage Treatment:

- Strict control and separation of domestic wastewater and wastewater from the wards shall be carried out at the source of sewage emission
- Effectively remove toxic and harmful substances in sewage and reduce the generation of disinfection by-products in the treatment process

Wastes Treatment:

- Formulate strict usage quota of office supplies for employees and apply on demands
- Set recycling boxes in the office, promote employees to use paper on both sides, and encourage employees to put used paper in the recycling boxes for secondary utilization
- Recycle and apply harmless treatment to the waste drugs to avoid environmental pollution

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Energy Management:

- Patrol the office area and turn off unnecessary power equipment timely to reduce waste of electricity
- Convert all meeting rooms into video conference rooms to promote online meetings and reduce unnecessary travel
- Encourage low-carbon travel and provide shuttle bus services for employees

Water Management:

- Advocate water conservation and reduce waste of water through awareness publicity and slogan tips

A3 The Environment and Natural Resources

The Group takes an active role in managing the impact of its businesses on the environment and natural resources. Apart from the measures described above, we incorporate the concept of environmental protection into our daily operations to raise the awareness of our staff and encourage them to go green at work and in their daily lives. We also assess the potential impacts on the environment regularly and formulate corresponding mitigating measures promptly.

Renovation Work Management

We understand that the renovation work conducted by our residents in our retirement village project will create certain impacts on the neighbourhood, such as noise, odour and dust. As such, our property management department has set up the Renovation Management Policy to regulate renovation activities in the project. The policy stipulates the requirements and guidelines of conducting renovation work, which includes requiring contractors to use proper barriers to prevent dust from spreading, deploy adequate number of fire equipment on site, use of protective tools to prevent facilities in public area from damages, reduce the use of pesticides and fertilizers for greening to maintain clean environment and fresh air quality, etc..

A4 Climate Change

In order to carry out timely and efficiently emergency treatment measures in case of extreme weathers, such as heatwave, rainstorm, fire and heavy snow, and ensure the safety of patients and staff as well as normal medical treatment order within the hospitals, the Group has established an extreme weather emergency treatment leading team to be fully responsible for the organization and leadership of various emergency treatment work caused by extreme weather in the hospitals. The leading team consisted of three sub-teams, which are responsible for different aspects of emergency handling:

- Communication support team:
  After receiving the extreme weather emergency alert, the communication support team would immediately notify each sub-team leader to enter the extreme weather emergency plan procedure, as well as dispatch and coordinate each group at any time according to the site situations.

- Material supply team:
  Responsible for the procurement, storage and recycling of all materials used for emergencies. And immediately distribute the rescue materials to the rescue team.

- Rescue team:
  Immediately summon the cleaning company and logistics personnel to enter the extreme weather emergency plan procedure, clean up every primary area in the hospitals, and ensure the smoothness and safety of the main passages of the hospitals.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

While carrying out the emergency process, we also need to ensure that various safeguard measures are carried out:

- Personnel guarantee:
  All team members and employees should strengthen their vigilance in the disaster prone seasons. Once signs of extreme weather are noticed, every member should provide early alerts in time and make emergency preparations in advance.

- Material support:
  The drug and equipment procurement and supply department as well as the logistics service center should continuously ensure enough storage of emergency treatment materials for any short-time notices and needs.

- Policy guarantee:
  In case of any omission in the emergency preparation and dealing procedures, the leaders of the extreme weather emergency treatment team shall conduct regular inspections and correct any pitfalls immediately.

B. SOCIAL

B1 Employment

Employment Practices and Relations

The Group believes our employees play vital roles in our business growth and customer experience. We aim to offer competitive salary and other benefits in order to retain and motivate our talents. Our remuneration scheme is reviewed annually with reference to the market practices as well as experience and performance of our staff. The working hours, leaves and other statutory requirements such as social insurance are all in compliance with the applicable laws and regulations.

To facilitate a better working environment, the Group continues to dedicate its best effort to comply with relevant employment laws, regulations, and standards, including but not limited to The Labour Law of the People's Republic of China《中華人民共和國勞動法》, The Law of the People's Republic of China on the Protection of Women's Rights and Interests《中華人民共和國婦女權益保障法》, and The Trade Union Law of the People's Republic of China《中華人民共和國工會法》.

The Group did not note any material non-compliance cases against labour laws and regulations during the Year.

The Group is committed to providing a discrimination-free working environment to staff. Such principle covers all human resources aspects including recruitment, transfer, promotion, training, salary and welfare, to ensure all staff or job applicants are treated equally. The Group does not depend on race, class, nationality, origin, religion, age, disability, gender, marital status, pregnancy, sexual orientation, or community orientation in recruitment, subsidies, training, promotion, and termination of contract, retirement or other employment-related aspects.

When recruiting employees, the Human Resources Department only uses information related to work ability, such as the qualifications, work experience, and work skills, as the employment criteria. The Human Resources Department treats job descriptions carefully and avoids discriminatory content. When determining employee job promotion, salary, benefits, contract renewal and retirement, only work-related information such as work ability and performance, and the value created for the hospitals are used as determining factors, while other personal information of employees is not used as a reference.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group does not allow managers to violate the basic human rights and dignity of employees under any circumstances, and does not allow coercive, threatening, abusive or exploitative sexual assaults (such as sexual harassment), including gestures, language, and physical contact.

Moreover, the Group encourages open communication and value feedbacks from employees. We conduct employee surveys regularly and make improvement continuously based on the results and employees' suggestions. To maintain a harmonious culture, the Group also organizes various types of social activities, such as monthly birthday gatherings, health seminars, sports day, annual dinner, etc. We also support our staff in forming recreational clubs on various hobbies, in order to help them to achieve work-life balance.

Due to the epidemic, we did not participate in job fairs outside the province this year, but the quality of recruitment has been improved. The fresh-recruiters are undergraduates who have completed regular training, and professional postgraduates.

Employment Type and Amount in 2021

Type	Category	Employment Amount
Gender	Male	645
	Female	1,712
Type of employment	Full time	2,236
	Part time	121
Age	51 or above	211
	41-50	292
	31-40	879
	30 or below	975
Region	Local	1,211
	Non-local	1,146

Types of Turnover Rate[4] in 2021

Type	Category	Turnover Rate
Gender	Male	13.0%
	Female	13.5%
Age	51 or above	17.5%
	41-50	7.5%
	31-40	11.6%
	30 or below	15.8%
Region	Local	14.1%
	Non-local	12.6%

4 Employee turnover rate (percentage) = Number of employees departure of the category/Total employees of the category at the end of the current Reporting Period × 100%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B2 Health and Safety

Workplace Health and Safety

The Group considers health and safety to be of the utmost importance, especially for our frontline staff who serves our patients and residents. Thus, our management has performed regular occupational safety and health risk assessments for all departments to identify high risk areas, and developed operation manuals to provide guidelines for staff to follow to ensure our activities are conducted properly to reduce the risks. Notices, posters and memos have been displayed at our offices and our properties to remind staff of safety issues. Also, various safety measures have been implemented to protect our staff and patients. For example, nursing staff have been required to wear protective coat and non-penetrable doors have been installed at CT-scanning rooms and MRI scanning rooms. For a better monitoring purpose, safety audits are performed regularly at hospitals to assess whether frontline staff are working in compliance with the Group's requirements.

Safety policies have been established based on relevant laws and regulations for specific positions (such as radiotherapists), and we require all our frontline nursing staff to equip with sufficient knowledge and qualifications. On-boarding training and regular courses have been provided to raise their safety awareness. Through induction and annual training, we emphasize the significance of the safety of employees. New joiners are mandatory to work alongside with experienced employees. The Group covers the industrial injury insurance and purchases accidental injury insurance for the employees who signed the labour contract.

During the Year, the Group did not note any cases of material non-compliance against occupational safety and health related laws and regulations.

The number of work-related fatality for the last 3 years was all 0; and the number of day loss due to work-related injury was 28 for 2021.

Number of work-related fatality in the past 3 years:

2021 (people)	2020 (people)	2019 (people)
0	0	0

Workplace Health and Safety Implementation and Monitoring

The Group regularly organizes occupational health examinations for radiation workers (before, during, and when leaving the job) and radiation protection training, and do quarterly personal dose testing for radiation workers.

Healthcare Division

Occupational exposure of medical staff may occur at any time. The hospital is concerned about the occupational health of employees, and has emergency treatment measures after occupational exposure occurs:

- Local treatment measures:
  Immediately rinse the wound with soapy water and running water, squeeze gently from the side of the wound, squeeze out the blood from the injury as much as possible, and then rinse with soapy liquid and running water. Local squeezing of the wound is prohibited, and then disinfect the wound with iodine and alcohol.

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- Pharmacological prophylaxis at high risk exposures:
  - o If the staff is injured by sharps contaminated by blood and body fluids of HIV-positive patients, the staff needs to inject hepatitis B immune high-valent globulin in the shortest time (1 hour), and conduct blood hepatitis B marker tests at the same time, and those who are negative are injected subcutaneously with a full set of hepatitis B vaccine; and
  - o If the staff is exposed to HIV-contaminated when using needles, the hospitals have to report the exposure time to the infection control department in a timely manner, and immediately take preventive drugs and follow up after expert evaluation.
- KMH arranges the occupational health examination for all radiation workers every 2 years, collects and submits the personal radiation dose clips they wear every quarter, and reports the test results in time.

Eldercare Division

The Group requires new employees to provide health reports when they onboard. The Group also organizes health lectures and annual physical examinations every year. At the same time, a tea break area is set up for employees to rest, thus improve the physical and mental health of employees.

If adverse events occur, employees are required to follow the reporting process and requirements. For example, when personal injury or material damage occurs during work, employees are required to report it level by level and address it in a timely manner.

B3 Development and Training

Professional Training

The Group is committed to providing training and development opportunities for its employees in order to enhance our staff's competencies and help strengthen customer confidence.

Internally, the Group has established comprehensive training mechanisms with a designated department responsible for the development of medical and pharmaceutical staff. We have established Training Department which is designated to plan and organize various types of trainings, and to require all clinical and medical departments to carry out departmental trainings based at least once a month. Our Human Resources Department also organizes orientation programmes to assist our new hires to adapt to our culture and environment.

During the Year, trainings have been provided to staff covering areas such as medical, nursing, occupational safety, management effectiveness, crisis management, etc. Departmental workshops such as business intelligence (BI), standard operating procedure (SOP) and other knowledge learning courses have also been arranged.

For every internal training and workshop organized, the Group maintains training records properly and conducts evaluation for identifying improvement opportunities. Furthermore, we also support our staff to participate in external trainings, workshops or conferences by providing subsidies.

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Healthcare Division

Department	Events
Science and Education Department	**Actively organize and carry out continuing medical education projects at all levels and of various types** In 2021, under the leadership of the hospital management and the active cooperation of various departments, and with the joint efforts of the medical staff, the hospital, as the sponsor, has applied for a total of 16 continuing medical education projects at all levels and types. As of the end of December 2021, 14 continuing medical education project training courses and 1 surgical live broadcasted exchange event were successfully held, all of which were broadcast live online through Weiyihui （微醫匯）. Overall, we have received the positive feedbacks from experts and the society, and the remaining two continuing education projects have gone through the postponement procedures according to the notification requirements of the National Health Committee （衛生健康委員會）. **Academic activities and dissertation management at the academic level** • College-level training: o College-level theoretical training: In 2021, there were a total of 24 college-level academic activities. As of the end of December 2021, 24 academic lectures have been successfully held at the frequency of twice a month, with a 100% completion rate, and were carried out simultaneously online through the "Doctor Classroom"（掌醫課堂） platform. o College-level skills training: In 2021, a total of 4 skill trainings were organized. As of the end of December 2021, the completion rate was 100%. o Teacher training: In March 2021, the third "Classroom Teaching Competition for Young Teachers in Putonghua"（青年教師普通話課堂教學比賽） was organized, which served the purpose of promoting training, building, and reforming through competition. There were 4 special trainings and other teacher trainings on scientific research topic selection and dissertation writing. The completion rate was 100%.

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Department	Events
	• The Science and Education Department formulated and issued the 2021 "Three Basics and Three Stricts" (三基三嚴) training program and training schedule in March 2021 in accordance with the requirements of the National Health Committee, and organized the entire hospital for trainings according to the plan. At the departmental level, the daily training was included in the monthly assessment. The training was recorded and supervised with coverage rate of 100% and pass rate of 95%. • Paper publication: As of December 2021, a total of 21 papers have been published and recorded in the Ministry of Science and Education, including two Science Citation Index (SCI) papers with impact factor of 4.372 and 3.355 respectively. **Conferences and further education** • **Participation in conferences and advanced studies:** In 2021, applicants for outgoing participation in conferences or training were reported to the leaders of all levels of the hospital for approval after strict review and inspection in accordance with the regulations, so as to ensure that the review was well documented and the records were regulated. As of December 2021, a total of 107 people from KMH have participated in various academic conferences at all levels, and a total of 48 people have been selected for further studies. • **Foreign training:** In 2021, our hospital undertook rotation training tasks for a total of 8 doctors in the ultrasound department, emergency department, cardiology department, and pharmacy department.
Nursing Department	**The Nursing Department is responsible for the stratified training of nurses.** Pre-job training for newly recruited nurses and interns are held every year. Theory, knowledge and skills training assessments for nurses and core teams were carried out. The trainings and assessments broaden the vision of the nurses, and continuously improve the management skills of head nurses and the theoretical knowledge and skills of nurses.

Department	Events
	In 2021, KMH successfully held various of training sessions, including "Head Nurse and Core Team Training Course"(護士長和護理骨幹培訓班), "The Second In-Hospital Wound Ostomy Specialist Nurse Class"(第二屆院內傷口造口專科護士班), "The Second In-Hospital General Practice Nurse Training Class"(第二屆院內全科護士培訓班), "Interns Pre-job Training Class"(實習生崗前培訓班), the "Nursing Informational Management Training Course"(護理資訊化管理培訓班), etc.. There were 19 theoretical training sessions in the Year, with a total of 6,935 participants, of which the training rate was 96%, and the pass rate was 95%. The three-level skill assessment was organized 6 times throughout the Year, with a training rate of 100% and a pass rate of 95% or above. We also organized the first "Head Nurse Ward Rounds Competition"(首屆護士長查房比賽) and the evaluation of outstanding cases, and completed the grading of nurses in the whole hospital. In the end, 61 nurses were graded N1, 138 nurses were graded N2, 83 were promoted to N3, and 1 nurse was promoted to N4. At the same time, a hierarchical management system was formulated to realize hierarchical management and promote the development of hospital nursing work.
Medical Department	2021 was the first year of KMH's establishment of a Class III A integration hospital (三甲醫院). It mainly conducts the construction and publicity of various systems. A total of 18 core systems have been promulgated, and 5 hospital-wide policy speeches have been held. Arranging lectures in the medical class is a convenient way for all doctors in the hospital to learn and understand on a regular basis. In order to successfully implement the establishment of the Class III A integrated hospital, a quarterly training and work summary analysis meeting is held with the quality control physicians and the founding secretaries of the hospital, so that they can synchronize with the hospital, actively cooperate and improve the service quality. We receive feedbacks on medical quality in the weekly meeting of the hospital every month, and make quality control work briefings and distribute them to the whole hospital every quarter. All staff in the department can understand the quality of their own departments, compare it with other departments, find the gap, and continuously improve the quality in accordance with the standards of Class III A integrated hospital, managing quality and efficiency among different departments.

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Department	Events
	In October 2021, KMH started the construction of Venous thromboembolism (VTE) prevention and treatment center and organized training for the whole hospital. In the next year, we will continue to organize multiple training sessions to increase the proportion of VTE prevention and treatment in the hospital. Due to the continuous outbreak of the epidemic, KMH organized 2 online trainings on epidemic prevention and control knowledge for all staff in the hospital, totaling 84 participants. The Xinglin sensor control real-time detection system （杏林感控即時檢測系統） was launched, and all the relevant staff in the hospital were trained. There were 9 offline trainings with 2,690 people participated, and 655 people took the assessment with a pass rate of 95%. We have also conducted hand hygiene and occupational exposure knowledge training for new employees and interns.

Eldercare Division

The ability and quality of medical staff, health management consultants and managers are particularly important to our service quality. Therefore, we help organizations and individuals demonstrate their long-term advantages in training and development, and enhance customers' confidence in us by improving employees' professional knowledge and service skills.

The eldercare segment advocated a learning organization, established a complete training system, and formulated company-level and department-level training plans for various departments.

The company-level training plan is mainly for new employee trainings and various cross-departmental training projects, such as vocational qualification certificates, occupational health and safety, management improvement, emergency rescue drills and other important projects.

The department-level training plan is mainly for new employees' pre-job practice trainings, various service improvement internal trainings and other projects trainings.

We also strengthen process management and results filing for all trainings, requiring that all internal training and outbound training have filed information, and evaluate the effect of external training. Due to the impact of the epidemic this year, delivery training has not been implemented. Nevertheless, through surveys on engagement and satisfaction, the Group allows employees and the management to have a more objective understanding to their own weaknesses for further improvement and flourish to the whole company.

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Below are the details of trained employees and training hours in the Year:

Trained Employees in 2021

Type	Unit	Category	Trained Employee	Percentage of Employee Trained
Gender	person	Male	546	85%
	person	Female	1,504	88%
Manager Grade	person	Senior Management	15	94%
	person	Middle Management	183	80%
	person	Staff	1,852	88%

Training Hours in 2021

Type	Unit	Category	Average Training Hours per person
Gender	Hours/person	Male	53
	Hours/person	Female	66
Manager Grade	Hours/person	Senior Management	40
	Hours/person	Middle Management	54
	Hours/person	Staff	64

B4 Labour Standards

Anti-Child and Forced Labour

Employment of child labour is strictly prohibited by the Group in accordance with the national labour laws. Proper internal controls, such as reference check and background search, are in place to ensure that only legitimate employees who possess valid identity documents are employed. Labour contract must be signed by both employees and the Group to guarantee no forced labour are employed.

To facilitate a better labour practice, the Group continues to dedicate its best effort to comply with relevant labour laws, regulations, and standards, including but not limited to The Labour Law of the People's Republic of China《中華人民共和國勞動法》, The Provisions on Special Protection of Juvenile Workers 《未成年工特殊保護規定》and The Provisions on Prohibition of Child Labour《禁止使用童工規定》.

Employees are required to provide the original ID card during the interview to avoid the use of child labour. The Group also applies for approval of comprehensive working hours and irregular working hours other than standard working hours in accordance with government regulations, making an agreement in advance in the labour contract, and checking whether there is overtime in the daily work.

The Group strictly follows the procedures stipulated by laws and the government, and has internal punishment procedures and measures, including oral warning, written warning, demerit recording and dismissal, as well as written notice and public announcement in accordance with government regulations.

During the Year, the Group did not note any non-compliance cases against child and forced labour related laws and regulations.

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B5 Supply Chain Management

Supply chain management directly affects the reliability and smoothness of our operations as well as the quality of our products and services. A comprehensive procurement management policy has been established to govern the procurement processes and maintain long term partnering relationship with strategic suppliers, thus enhancing our competitive edges. In 2021, all the suppliers of the Group were from China with a total number of 257.

Supplier Identification, Evaluation and Selection

Pre-qualification processes, including questionnaire, site visit and products or services verification, are in place as first screening for new suppliers before they can be added to the authorized supplier list. For substantial procurement, a separate procurement team or committee is set up to handle the procurement, tendering and selection processes. In compliance with medical industry-related laws and regulations, the hospitals have conducted strict review on the qualifications, such as good manufacturing practices and good storage practice (GMP/GSP) certification, of the suppliers and specifications of medical equipment and drugs.

The Group upholds the principles of fairness, equality and quality-first in its supplier selection and procurement activities. Factors to be considered in procurement decisions include price, quality, location (logistic and storage costs), delivery reliability, supplier's reputation and capabilities, anticorruption, etc. with defined selection standards. These processes help to identify the most suitable supplier and maximize the economic benefit.

Supplier Monitoring and Improvement

Annual supplier evaluation has been performed to assess the performance of the authorized suppliers. For strategic suppliers, a detailed performance evaluation has been conducted to assess its price, quality of work, project management, personnel qualification and environmental performance. Suppliers which are unable to pass the evaluation will be removed from the authorized supplier list. Meanwhile, in case of significant quality incidents in relation to products and services, cooperation relationship with the concerned suppliers will be terminated immediately and the suppliers will be removed from the authorized supplier list as well. An incident classification mechanism has been established so as to ensure prompt reaction to mitigate the crisis.

Healthcare Division

Suppliers should have written sales authorization from the manufacturer of the hospital-designated products and all of our suppliers are subject to this practice. Procurement contract must be in place to confirm the qualification and compliance of manufacturers, products, distributors, authorizations, etc. Manufacturers should have valid production licenses and all products should have valid registration and quality evaluation. Distributors should also have valid business licenses and complete authorization chains and important materials should have supply guarantee agreements.

Several criteria on compliance during supplier selection are as below:

1. The scale and level of suppliers are comparable to those of hospitals, with stable structure, good internal organization and management, and corresponding qualifications.

2. The suppliers should establish strategic cooperation with key up-stream suppliers.

3. Suppliers are expected to have high market share and affordable prices.

4. The supplier's delivery time, quality, price, service, etc., should be continuously evaluated and those who fail to pass will be eliminated.

5. There should be no more than 3 brands for the same type of consumables.

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Several criteria on risk management during supplier selection are as below:

1. The hospital should select multiple suppliers to reduce risks, and have certain reserve supplier resources.

2. The hospital and suppliers should sign supply contracts to ensure legal protection, clarify rights, medical treatment and liability for breach of contract.

3. The hospital should negotiate with the suppliers to formulate an emergency plan, and the supplier has a certain inventory dedicated to the hospital.

4. The hospital should reserve a certain inventory of important materials.

5. The hospital should negotiate with the demand departments to formulate emergency alternative product plans.

6. The hospital should conduct real-time supervision of each department under the overall arrangement of hospital emergency management.

Reusable materials are preferred for the suppliers if the hospital conditions permit. The hospitals' supervision departments periodically review the expiration date and the recycling of single-use materials. Several criteria on environmental protection during supplier selection are as below:

1. The suppliers' products must have corresponding qualifications, and the standards meet the relevant regulations of the country and region for the products.

2. The suppliers should provide product inspection report or certificate of conformity.

3. The suppliers should provide environmental monitoring reports for related products.

4. The hospital should choose products with a larger market share.

5. The hospitals' supervision departments should conduct real-time monitor and adjustments according to the situation timely.

Eldercare Division

There are currently 9 suppliers of medicines and consumables for nursing homes. They have all signed the contracts according to the "Sunshine Platform"(陽光平臺)and have been strictly following the requirements to purchase medicines with trackable quantity. The purchase quantity, price and use of more than 300 kinds of medicines and consumables are monitored in real time by the "Sunshine Platform" and Shanghai Medical Insurance Bureau(上海市醫療保障局).

Supplier Relationship Management

To establish stable and reliable supplies of products and services, the Group cooperates with multiple suppliers to avoid over reliance on a single source. Regarding strategic contractors, the Group adopts a long term cooperation approach such that procurement agreement can be automatically renewed annually if the result of the contractor evaluation is satisfactory. With such renewal mechanism in place, contractors would consider us as their long term partner and it provides incentive for better services and products.

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In addition, in order to ensure the stability and safety of the supply of medicines, according to the regulations of the Shanghai Health Commission （上海市衛生健康委）, the procurement of western medicines, traditional Chinese medicines, medical equipment must be uniformly conducted through the "Sunshine Platform" designated by the Shanghai Government, and strictly follow the policy to purchase medicines with trackable quantity. Otherwise the medicine procurement cannot be incorporated into the Shanghai medical insurance system. At the current stage, the eldercare segment has signed a medical insurance supplier contract with Shanghai Sunshine Platform and has been successfully incorporated into the Shanghai medical insurance system for compliant medicine procurement.

On top of that, the Group gradually carries out the integration of consumable brands and suppliers, and strives to reduce the cost of consumables. Similar to the supply of medicines, the Group also increases the supply varieties of the group medical device company and optimize and integrates resources. Also, the Group has established a quality management system for medical devices in hospitals and departments, and standardizes the management.

B6 Product Responsibility

Products Safety

The Shanghai Medical Insurance Bureau monitors the use of drugs on-site through the internet information platform. The quantity purchased and the quantity used must be the same. And the purchased medicines and consumables must be used up within the specified time. If the medicines and consumables are not used up within the specified time, they cannot be sold and used even within the warranty period, and patients cannot be charged through the medical insurance system.

The Group has a well-established quality control system to identify, assess and manage the quality issues of the medical products we use. We only procure medical products which are in compliance with the related regulations and standards, such as the Drug Administration Law of the PRC 《藥品管理法》, Regulations for the Implementation of the Drug Administration Law of the PRC 《藥品管理法實施管理條例》, Standards for Quality Control of Pharmaceutical Production (GMP 2010)《藥品生產和質量管理規範》(GMP 2010版） and Pharmacopoeia of the PRC (2015) 《中國藥典》(2015版） to ensure the quality of medical products. In order to ensure traceability, we have assigned staff to keep track of daily inventory flows as well as maintained all relevant documents to be able to identify the products and patients involved in case of any medical incident. The Group has also designated staff with pharmaceutical knowledge to perform quality checks upon receiving medical products, manage storage condition and report to government authorities in accordance with laws and regulations.

Medical Device Management

The Group has established a medical device management committee to regularly supervise the quality and safety of various medical devices and equipment in the hospitals. The KMH Medical Device Management Measures《昆明同仁醫院醫療器械管理辦法》 has been formulated to implement the relevant laws, regulations and rules on the management of medical devices, review and formulate the rules and regulations for the management of medical devices in the institution, and supervise the implementation. The committee is responsible for the supply planning, procurement management, equipment maintenance, and system establishment and improvement of medical equipment and medical consumables in the hospital, ensuring the smooth progress of medical treatment, teaching, and scientific research, and providing clinical service guarantees. The Critical Value Reporting Policy《危急值報告制度》was revised and the process was optimized to ensure the safety of patients.

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Services Quality

The Group offers medical services in accordance with the National Medical and Health Industry Policy 《國家醫療衛生行業政策》, International Standards issued by Joint Commission on Accreditation of Healthcare Organizations 《國際醫療認證聯合委員會國際標準》 and other local medical laws and regulations. We have established a monitoring and reporting mechanism to facilitate our frontline staff to report timely any cases of adverse reaction of patients and provide prompt response. Meanwhile, regular quality checks have been performed to proactively prevent incidents from occurring. A comprehensive complaint management mechanism is in place with designated staff to record and follow-up the reported cases, who will also conduct timely inspection and analysis to resolve the issues. In addition, our hospitals have conducted periodic customer satisfaction surveys to identify potential improvement areas based on customers' feedbacks. All of our selling and advertising materials have been prepared in accordance with the Advertising Law of the PRC 《中華人民共和國廣告法》 and Measures for the Administration of Medical Advertisements 《醫療廣告管理辦法》, no misleading advertising statements are tolerated.

In 2021, the Group received 384 complaints while had zero case noted that the products sold or shipped are returned due to safety and health reasons. To deal with these complaints:

- **NJH** improved the closed loop management of complaints, revised the complaint management system and procedures, made a thorough investigation and follow-up of complaints, paid attention to the causes of complaints, analyzed on typical cases, and supervised the rectification of clinical departments. It also organized a service improvement seminar to collect the suggestions and opinions of the directors of various departments on hospital service problems, which was conducive to the optimization of the work of the customer service department.

- **KMH** organized trainings on communication skills and complaint handling norms, included the effective complaints dealing in the KPI assessment, formulated daily supervision form and strengthened daily behavior supervision, and organized multi-department coordination meetings to analyze the root cause of management complaints.

- **Shanghai Tide Health Campus'** member center would classify the complaints and transmit them to the corresponding business offices within 24 hours once received the reported complaints. Telephone calls or face-to-face visit would be conducted depending on the level of severity and emergency.

Eldercare Services

To demonstrate our respect for the unique characteristics and lifestyle of our residents, we provide tailor-made services to fulfil their needs and expectations. We organize regular social activities as well as encourage them to develop hobbies and maintain social contact within the community for their psychological well-being.

The retirement village project has deployed latest technologies in its operations. For example, emergency alarms have been installed in each apartment. We have also set up GPS and CCTVs in our elderly residential area so if any emergency happens, our medical team are able to locate the residents in need in a timely manner. Also, our elderly residential properties have been equipped with smart living systems which enable the residents to control most of the electronic appliances through a single user-friendly panel.

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In an effort to uphold high service standards, a detailed set of Operational Management Manual 《營運管理手冊》 has been established to convey the management's expectation and standardize the services procedures. We value customer feedbacks for our continuous improvement. Detailed procedures regarding customer services and relationship management have been documented in the Customer Management and Follow-up Mechanism 《客戶管理及跟蹤機制》. Moreover, customer relation management system has been implemented to collect comments and complaints from customers and facilitate follow-up actions. A customer satisfaction survey has also been conducted in searching for improvement opportunities.

Data Privacy

Protecting data privacy of customers is one of the Group's priorities. We strictly comply with applicable standards, laws and regulations as well as internal policies relating to data privacy.

Our hospitals have implemented a number of measures in regards to data privacy. Firstly, each consultation room only allows one patient a time in order to protect the patient's privacy. Secondly, a designated area has been set up exclusively for female patients. Thirdly, signs reminding patients and staff not to discuss private health conditions publicly have been displayed at corridors and in elevators. As for the retirement village project, the Membership Information Confidentiality Policy 《會員中心信息保密制度》 has been established to govern the management of membership data. No disclosure or transfer of customers' personal information is allowed without consent or authorization by the information owner. The Shanghai Municipal Medical Insurance Bureau also requires nursing homes to sign information security agreements with internet companies that provide Hospital Information System (HIS) support services to protect personal privacy.

During the Year, the Group did not note any material non-compliance against products, services, advertising and data-privacy related laws and regulations.

B7 Anti-corruption

Anti-Bribery and Corruption and Anti-Money Laundering

The Group upholds the culture of openness, accountability and integrity and requires all staff to strictly comply with personal and professional code of conduct. The Group has required suppliers and their staff to sign-off anti-corruption agreement and strictly prohibits acceptance of bribes and rebates. Furthermore, anti-bribery and corruption policies have been included in the staff handbook to stipulate our ethical expectations. We have established internal and external whistleblowing channels and performed regular review on internal management effectiveness. Also, we have established comprehensive authorization structure, approval process and management system.

Terms regarding anti-bribery and corruption and anti-money laundering have been added to the employment contract and relevant policies.

In regards to property development project, the Group advocates third party monitoring and consulting, such as engaging independent project monitoring contractors and independent project settlement consultants. Meanwhile, we have offered anti-corruption training to staff and encouraged staff to report any fraudulent activities, thereby raising their awareness of anticorruption and anti-money laundering.

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Anti-Corruption Training

NJH strictly follows the organizational ethics practice development headed by the president and the secretary of the party committee to implement the ethics practice in the hospital properly. To achieve the consciousness of anti-corruption, NJH:

- Held the leading group meeting for the development of practice ethics and medical ethics to ensure the effective implementation of the work of ethics; At the same time, we planned the "medical ethics annual construction tasks"（醫德醫風建設鞏固年工作任務）, and conducted joint supervision.

- Carried out a series of activities to celebrate the 100th anniversary of the founding of the Communist Party of China, and created a good learning atmosphere in the whole hospital.

- Carried out activities by demonstrating typical cases to strengthen anti-corruption education with warning education and culture construction as the main target. Case-study was issued every month for education, requiring each department to study in combination with the department's business study every month, and actively guided the medical staff to learn from the case. As of 31 December 2021, 29 issues of typical cases had been released, and the department had organized 8 studies.

- Strengthened legal practice training. In 2021, a total of 6 legal practice trainings had been carried out, covering middle and senior management personnel, general medical personnel, new employees and other personnel at all levels.

    - On 9 March 2021, the Civil Code of the People's Republic of China《中國人民共和國民法典》medical damage training was carried out;

    - On 13 April 2021, the comprehensive online training of the "comprehensive management system of NJH to practice according to law and civilized practice"（依法執業、文明行醫-南京同仁醫院綜合管理系統） was carried out;

    - On 6 September 2021, training was carried out for new employees when onboarding, and provided training in legal practice and honest medical practice;

    - On 10 September 2021, professional lawyers were invited to conduct training on laws and regulations for new employees;

    - On 17 September 2021, "How to be a good department director"（怎麼樣做好科主任） was launched to analyze the role of the director of each department from the perspective of legal relationship between medical institutions and medical workers; and

    - on 16 December 2021, the training of "Nine Principles of Honest Practice for Medical Institution Staff"（醫療機構工作人員廉潔從業九項準則） was carried out for the supervisors of conduct in the hospital, which makes standardization of medical practice becoming the conscious behavior of every medical staff.

- Carried out the "Three-level Incorrupt Government Meeting"（三級廉政談話工作）, and conducted the routine "Collective Incorrupt Government Meeting"（集体廉政廉潔談話) with the leadership team, key positions, etc.. The secretary of the party committee and the director of the behavior office were responsible for the talk, mainly for the implementation of the party style and behavior; the situation of the hospital's internal risk prevention and control management; put forward clear requirements for strengthening responsibility and clean government construction, and a total of 37 people were interviewed in 2021.

- Launched the "Medical Ethics Electronic System"（醫德醫風電子系統）. The system could quantify the specific scoring content of 63 items in 5 major sections, including personal praise registration, honorary recognition, social medical treatment, medical science and education, and complaints of violations, which is convenient for year-end assessment. At the same time, the hospital conducted systematic training on medical ethics and medical style for all hospital staff, reiterated the content of the assessment, and strengthened the assessment of medical ethics and medical style.

In 2021, KMH formulated the "Kunming Tongren Hospital Medical Ethics Evaluation Plan", which is assessed at the end of each year. The plan is to ensure the integrity and self-discipline of the entire hospital and the construction of a "clean" hospital.

During the Year, there was no concluded legal case or non-compliance with applicable laws and regulations noted within our Group.

B8 Community Investment

Corporate Responsibility

The Group is committed to giving back to the community while expanding its businesses. On one hand, we help develop the healthcare industry by cultivating more medical professionals for the succession of invaluable medical knowledge, skills and experience. On the other hand, we support charitable activities and engage in a wide range of social events such as caring for the disabled or elderly, providing medical supports to the underserved, and organizing health talks and blood donations to fulfil our corporate social responsibility.

Healthcare Division

In 2021, KMH regularly carried out community free clinics, nursing home rounds, construction site physical examinations, and consultation with experts from the prefecture-level medical alliance. All departments of the hospital actively participated in health education such as hospital ward rounds and free clinics. A total of 82 medical staff from gynecology, ultrasound, stomatology, cardiovascular medicine, cardiovascular surgery, spinal cord, emergency department, and urology, Chinese medicine, oncology and other more than 20 departments were involved in these activities.

The public welfare projects that KMH organized and participated in during the Year are listed below:

- **Love without boundary, Welfare for the public**
  In 2021, with the great support from Yunnan Government, KMH carried out screening and free treatment projects for children with congenital heart disease in poor families across the province. The hospital's congenital heart disease screening team has covered 12 cities, 29 counties, 141 townships. Up to 2021, the total number of school-age and pre-school children screened was more than 870,000, and 4,887 children with congenital heart disease have been diagnosed. Children with congenital heart disease in the family were given free surgery. By 31 December 2021, the total amount of relief has reached RMB20.8 million. At the same time, we continued to promote "the Great Love Dust Cleaning Public Welfare Project"（大愛清塵公益項目）, and carried out medical assistance, distribution of oxygen generators, and grants for children with pneumoconiosis in Yunnan. Up to 31 December 2021, 358 people have been treated for pneumoconiosis, and the amount of relief has reached RMB2.88 million.

  In 2021, the hospital was in cooperation with the Zhishan Public Welfare Foundation （智善公益基金會） to jointly carry out the Chinese Dream and Backbone Project to rescue patients with spinal deformities in Yunnan and help them straighten their spines.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- **Implement Medical Responsibility, and provide convenient healthcare service**
  In 2021, with caring for the elderly as the core, we effectively promoted the combination of medical and elderly care services, and fully devoted to the social responsibility and humanistic care of the hospital. Experts mainly from the Department of Internal Medicine regularly visited 13 eldercare institutions such as Hongqi （紅旗）, Shulin （書林）, and Urban Xinjia （都市新家） for 131 times and conducted health guidance every week, providing health services for nearly 1,000 elderly people.

  At the same time, the Group has strengthened linkages with communities, construction sites, and enterprises, and implemented free health clinics, public health examinations, and health education around the hospital. In terms of public health examinations, nearly 5,000 community residents have undergone ultrasound examinations and health guidance, and more than 5,000 hospital brochures and popular science manuals have been distributed. Experts from stomatology, cardiovascular medicine, neurology, emergency, respiratory medicine and other departments actively participated in providing free medical examination services, health consultation, and popular science knowledge for the vast number of residents, and provided health diagnosis and treatment to nearly 3,000 people surrounding communities and construction sites services to enhance the reputation and influence of the hospital.

  In addition, the hospital actively cooperated with the atrial fibrillation center, stroke center, and heart failure center in the hospital, and invited 5 community network hospitals, including Fuhai, Qianwei Community, and Jinhe Community, to participate in the training and inspection of the hospital and to build a bridge of communication for strengthening regional treatment and promoting the construction of hospital centers.

- **Strengthen cross region linkage, and promote hospital branding**
  In terms of regional medical alliances, we continue to carry out expert consultations and strengthen close cooperation with regional cooperative hospitals. The hospital is regularly visiting Maitreya First Hospital （彌勒第一醫院）, Yiliang Second People's Hospital （宜良縣第二人民醫院）, Shizong Modern Hospital （師宗現代醫院）, Luoping Yikang Hospital （羅平宜康醫院） and other prefecture-level medical associations for expert consultation especially in the field of gynecology, urology, cardiovascular medicine, and orthopaedics.

  The hospital also provided technical assistance to local hospitals, and effectively promoted the brand of Tongren Hospital and its popularity. At the same time, under the opportunity of spinal deformity and congenital heart disease, the screening was jointly carried out with Shilin County Disabled Persons' Federation （石林縣殘聯）, Shilin County Maternal and Child Health Hospital （石林縣婦幼保健院）, and the Second People's Hospital of Honghe Prefecture （紅河州第二人民醫院）, in order to promote the public welfare projects of spinal deformity relief and congenital heart disease relief. The hospital actively searched for the source of the disease, benefited more patients with spinal deformities and congenital heart disease in Yunnan, and expanded the influence of the hospital in prefectures.

  NJH also encourages medical staff to use their spare time to join the community and enterprises as hospital volunteers to carry out public welfare activities. Among them, the Cochlear Implant Charity Relief Project is funded by district-level charities, and the hospital is equipped with superior technology to carry out diagnosis and treatment activities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

To popularize basic health knowledge, improve the health awareness and medical treatment awareness of surrounding citizens, NJH carried out the following special public welfare projects, including Cochlear Implant Charity Relief Project, Scoliosis screening in children, Adolescent Vision Prevention and Control, etc..

NJH focuses on creating a market public welfare brand activity for the community, and actively implements the value concept of being patient-centered and exist for the protection of life, as well as establishes the public welfare image of the hospital. Up to December 2021, the hospital had hosted 31 sessions, 16 health knowledge lectures, and 6 health first aid training sessions.

Eldercare Division

During the Year, we focused on participation in senior care industry forums and trainings to strengthen the establishment of senior care culture with more than 10 visits organized, ranging from 2 to 4 hours each time.

At the beginning of 2020, Tide Health Campus community （天地健康城社區） applied to join the Yangtze River Delta Remote Elderly Community Alliance （長三角異地養老共同體聯盟） to exchange information with various pension institutions in the Yangtze River Delta to better promote its own brand, and also provided visits and data support for relevant national pension scientific research units and pension policy research units. In 2021, we continued to play the role of presenting suggestions at conferences in the alliance, and welcomed more than 10 visits by the government and enterprises.

We also take advantage of our medical advantages and convenience, adhere to the principle of sharing and dedication, and actively serve the society. As an employment internship base, we actively cooperate with the government to provide enterprise training opportunities for teachers and students, and make due contributions to the employment of college students. We also provide community party members with venues and services for Party members' homes, and carry out social public welfare services through Party branches.

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF CHINA MEDICAL & HEALTHCARE GROUP LIMITED
中國醫療網絡有限公司
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of China Medical & HealthCare Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 71 to 157, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Group incurred a net loss of approximately HK$127,270,000 during the year ended 31 December 2021 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$356,380,000. As stated in Note 2, these conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Subsequent to the reporting period, the Group was able to obtain the consent of certain banks to refinance the bank borrowings of approximately HK$106,500,000 currently included in current liabilities as at 31 December 2021. In addition, the Group was also able to increase the credit limit of an undrawn medium term standby loan facility of HK$300,000,000 to HK$415,000,000 from a financial institution. The management considered that such medium term standby loan facility gives the Group more flexibility in refinancing its current liabilities with non-current borrowings. The management also considered that given the gearing of the Group is relatively low, it can raise additional finance if necessary. The management further

INDEPENDENT AUDITOR'S REPORT

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN *(continued)*

considered that the net loss for the year then ended comprised mainly various non-cash items such as impairment loss recognised on loan receivable and goodwill, hence the impact of the net loss on the cash flows would be much smaller. In view of the above, we are of the opinion that the going concern assumption is appropriate and our opinion is not modified in respect of the matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current 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. In addition to the matter described in the Material Uncertainty Related to Going Concern, the key audit matters we identified are:

1. Valuation of investment properties
2. Valuation of leasehold land and buildings

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
Refer to Note 16 to the consolidated financial statements. The Group's investment property portfolio comprises industrial, commercial and residential properties located in Hong Kong and the People's Republic of China, except Hong Kong (the "PRC") and was stated at fair value of approximately HK$806,445,000 as at 31 December 2021 with a fair value gain of approximately HK$2,290,000 recognised in the profit or loss for the year ended 31 December 2021. The fair values of the Group's investment properties were measured using an investment approach, or wherever appropriate, direct comparison approach based on valuations carried out by an independent qualified professional valuer (the "Valuer"). The valuations are dependent on certain key assumptions and inputs, including prevailing monthly market rents, market unit rates and capitalisation rates, that require significant judgement and estimation by the Valuer.	Our procedures in relation to the valuation of investment properties included: • Evaluating the competence, capabilities, independence and objectivity of the Valuer and obtaining an understanding of the Valuer's scope of work and their terms of engagement; • Evaluating the appropriateness and consistency of the Valuer's valuation approaches to assess if they meet the requirements of HKFRSs and industry norms with the assistance of our valuation specialists; • Challenging the reasonableness of the key estimates and assumptions adopted based on available market data and our knowledge of the property industry in Hong Kong and the PRC with the assistance of our valuation specialists; and • Obtaining the detailed work of the Valuer on investment properties to evaluate the accuracy and relevance of key data inputs underpinning the valuations on a sample basis, including rental income, term of existing leases by comparing them to the existing leases summary of the Group or reversionary income potential by comparing fair market rents estimated by the Valuer against recent lease renewals and evaluating whether capitalisation rates adopted are comparable to the market.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation of leasehold land and buildings	
Refer to Note 17 to the consolidated financial statements. The Group's leasehold land and buildings (including leasehold land and buildings in Hong Kong, hospital buildings and other buildings in the PRC) as included in property, plant and equipment amounting to approximately HK$1,193,509,000 were carried at fair value as at 31 December 2021 with a revaluation increase of approximately HK$20,811,000 recognised in the other comprehensive income for the year ended 31 December 2021. The fair values of the Group's leasehold land and buildings were measured using a depreciated replacement cost approach, or wherever appropriate, direct comparison approach based on valuations carried out by the Valuer. The valuations are dependent on certain key assumptions and inputs, including market unit rates and depreciated replacement cost per square meter, that require significant judgement and estimation by the Valuer.	Our procedures in relation to the valuation of leasehold land and buildings included: • Evaluating the competence, capabilities, independence and objectivity of the Valuer and obtaining an understanding of the Valuer's scope of work and their terms of engagement; • Evaluating the appropriateness and consistency of the Valuer's valuation approaches to assess if they meet the requirements of HKFRSs and industry norms with the assistance of our valuation specialists; • Challenging the reasonableness of the key estimates and assumptions adopted based on available market data and our knowledge of the property industry in Hong Kong and the PRC with the assistance of our valuation specialists; and • Obtaining the detailed work of the Valuer on leasehold land and buildings to evaluate the accuracy and relevance of key data inputs underpinning the valuations on a sample basis, including depreciated replacement cost schedules and gross floor area information and the year of completion.

OTHER INFORMATION

The directors are responsible for the Other Information. The Other Information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS 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 Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, 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 judgement and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

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.

INDEPENDENT AUDITOR'S REPORT

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

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 period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Tak Man, Stephen.

Certified Public Accountants

29 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	6	**1,463,495**	1,194,148
Gross proceeds from sales of investments held for trading		**2,184**	3,248
Total		**1,465,679**	1,197,396
Revenue	6		
Goods and services from contracts with customers		**1,457,285**	1,186,660
Rental		**6,195**	7,460
Others		**15**	28
		1,463,495	1,194,148
Cost of goods and services		**(1,196,037)**	(973,416)
Gross profit		**267,458**	220,732
Other gains and losses, and other income	8	**(60,204)**	(39,289)
Selling and distribution costs		**(2,667)**	(3,352)
Administrative expenses		**(222,764)**	(224,731)
Impairment loss of goodwill	22	**(34,043)**	–
Loss from operations		**(52,220)**	(46,640)
Finance costs	9	**(58,248)**	(49,922)
Loss before taxation		**(110,468)**	(96,562)
Income tax expense	12	**(16,802)**	(8,577)
Loss for the year	13	**(127,270)**	(105,139)
Attributable to:	15		
Owners of the Company		**(137,296)**	(111,928)
Non-controlling interests		**10,026**	6,789
		(127,270)	(105,139)
Loss per share	15		
		HK	HK
Basic		**(0.948) cents**	(0.773) cents
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 HK$'000	2020 HK$'000
Loss for the year	**(127,270)**	(105,139)
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Net change on debt instruments at fair value through other comprehensive income	**80**	166
Exchange differences on translating foreign operations	**28,041**	70,720
	28,121	70,886
Items that will not be reclassified to profit or loss:		
Gain on revaluation of leasehold land and buildings included in property, plant and equipment	**20,811**	32,568
Deferred tax arising from revaluation of leasehold land and buildings included in property, plant and equipment	**(5,040)**	(8,142)
	15,771	24,426
Other comprehensive income for the year, net of tax	**43,892**	95,312
Total comprehensive income for the year	**(83,378)**	(9,827)
Attributable to:		
Owners of the Company	**(84,477)**	(19,552)
Non-controlling interests	**1,099**	9,725
	(83,378)	(9,827)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current assets			
Investment properties	16	**806,445**	783,576
Property, plant and equipment	17	**1,541,800**	1,433,064
Right-of-use assets	18	**152,309**	102,166
Loan receivable	27	**–**	68,846
Interests in associates	19	**–**	–
Financial assets at fair value through profit or loss	20	**802**	802
Goodwill	22	**–**	32,931
Deposits for acquisition of property, plant and equipment		**6,087**	8,996
		2,507,443	2,430,381
Current assets			
Inventories	23	**26,675**	21,142
Properties under development for sale	24	**6,488**	6,324
Properties held for sale	24	**114,207**	142,294
Debt instruments at fair value through other comprehensive income	21	**4,682**	4,602
Investments held for trading	25	**14,791**	21,759
Debtors, deposits and prepayments	26	**178,090**	149,059
Pledged bank deposits	28	**46,678**	12,670
Restricted bank deposits	28	**13,994**	20,469
Bank balances and cash	28	**576,490**	616,474
		982,095	994,793
Current liabilities			
Creditors, deposits, receipts in advance and accrued charges	29	**562,145**	424,841
Deposits received on sales of properties		**1,910**	6,021
Other contract liabilities	31	**40,777**	34,602
Amount due to an associate	32	**6,726**	6,555
Borrowings	33	**603,533**	538,845
Lease liabilities	30	**2,780**	2,534
Current tax liabilities		**120,604**	114,326
		1,338,475	1,127,724
Net current liabilities		**(356,380)**	(132,931)
Total assets less current liabilities		**2,151,063**	2,297,450

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	**2021** **HK$'000**	2020 HK$'000
Non-current liabilities			
Other contract liabilities	31	**14,375**	18,482
Borrowings	33	**316,407**	432,534
Lease liabilities	30	**49,236**	–
Deferred tax liabilities	34	**53,789**	45,800
		433,807	496,816
Net assets		**1,717,256**	1,800,634
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	35	**7,240**	7,240
Reserves	36	**1,693,357**	1,777,834
		1,700,597	1,785,074
Non-controlling interests	37	**16,659**	15,560
Total equity		**1,717,256**	1,800,634

The consolidated financial statements on pages 71 to 157 were approved and authorised for issue by the Board of Directors on 29 March 2022 and are signed on its behalf by:

Ms. Chong Sok Un
Director

Mr. Guo Meibao
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Properties revaluation reserve HK$'000 (Note 36(b)(i))	Investment revaluation reserve HK$'000 (Note 36(b)(ii))	Capital redemption reserve HK$'000 (Note 36(b)(iii))	Other reserve HK$'000 (Note 36(b)(iv))	Translation reserve HK$'000 (Note 36(b)(v))	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000 (Note 37)	Total equity HK$'000
As at 1 January 2020	7,240	2,621,374	55,281	854	2,496	(796,531)	(17,626)	(68,462)	1,804,626	5,835	1,810,461
(Loss)/profit for the year	–	–	–	–	–	–	–	(111,928)	(111,928)	6,789	(105,139)
Other comprehensive income for the year	–	–	24,426	166	–	–	67,784	–	92,376	2,936	95,312
Total comprehensive income for the year	–	–	24,426	166	–	–	67,784	(111,928)	(19,552)	9,725	(9,827)
As at 31 December 2020 and 1 January 2021	7,240	2,621,374	79,707	1,020	2,496	(796,531)	50,158	(180,390)	1,785,074	15,560	1,800,634
(Loss)/profit for the year	–	–	–	–	–	–	–	(137,296)	(137,296)	10,026	(127,270)
Other comprehensive income for the year	–	–	25,091	80	–	–	27,648	–	52,819	(8,927)	43,892
Total comprehensive income for the year	–	–	25,091	80	–	–	27,648	(137,296)	(84,477)	1,099	(83,378)
As at 31 December 2021	7,240	2,621,374	104,798	1,100	2,496	(796,531)	77,806	(317,686)	1,700,597	16,659	1,717,256

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	**(110,468)**	(96,562)
Adjustments for:		
Interest income	**(1,423)**	(4,076)
Depreciation of property, plant and equipment	**98,422**	108,455
Depreciation of right-of-use assets	**6,107**	7,976
Impairment loss under expected credit loss model	**68,905**	26,206
Impairment loss of goodwill	**34,043**	–
Provision for properties held for sale	**7,228**	–
Gain on disposal of property, plant and equipment	**(19)**	(15)
Finance costs	**58,248**	49,922
Net unrealised loss on fair value of investments held for trading	**5,681**	11,837
Fair value changes on investment properties	**(2,290)**	34,722
Operating profit before working capital changes	**164,434**	138,465
(Increase)/decrease in inventories	**(4,917)**	1,333
Decrease in properties under development for sale and properties held for sale	**22,850**	29,862
Decrease in investments held for trading	**1,287**	2,856
Decrease in derivative financial instruments	**–**	81
Increase in debtors, deposits and prepayments	**(16,269)**	(48,718)
Increase/(decrease) in creditors, bills payable and accrued charges	**143,371**	(110,373)
Decrease in deposits received on sales of properties	**(4,211)**	(6,444)
(Decrease)/increase in customers' deposits and receipts in advance	**(18,701)**	39,550
Increase/(decrease) in other contract liabilities	**678**	(6,105)
Cash generated from operations	**288,522**	40,507
Interest paid	**(57,877)**	(49,405)
Interest on lease liabilities	**(371)**	(517)
Income taxes paid, net	**(10,855)**	(6,344)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	**219,419**	(15,759)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial assets at fair value through profit or loss	**–**	17
Placement of pledged bank deposits/restricted bank deposits	**(129,504)**	(33,139)
Withdrawal of pledged bank deposits/restricted bank deposits	**103,186**	16,682
Interest received	**1,423**	4,076
Additions of investment properties	**(6,714)**	(12,382)
Additions of property, plant and equipment	**(148,462)**	(91,972)
Deposits paid for acquisition of property, plant and equipment	**(6,006)**	(8,495)
Proceeds from disposal of property, plant and equipment	**1,012**	1,985
NET CASH USED IN INVESTING ACTIVITIES	**(185,065)**	(123,228)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
New borrowings raised	**475,182**	586,606
Repayment of borrowings	**(550,130)**	(468,671)
Principal element of lease payments	**(4,201)**	(8,449)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	**(79,149)**	109,486
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(44,795)**	(29,501)
Effect of foreign exchange rate changes	**4,811**	2,798
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	**616,474**	643,177
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	**576,490**	616,474
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**576,490**	616,474

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1. GENERAL INFORMATION

China Medical & HealthCare Group Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed on page 2 of the annual report.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

The Company is an investment holding company. The activities of its principal subsidiaries are set out in Note 46 to the consolidated financial statements.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Company and its subsidiaries (collectively referred to as the "Group") are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 to the consolidated financial statements provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

The Group incurred a net loss of HK$127,270,000 during the year ended 31 December 2021 and, as of 31 December 2021, the Group's current liabilities exceeded its current assets by HK$356,380,000. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The directors have reviewed the Group's cash flow projections in which the level of the demand of the Group's services and products and the potential implications of COVID-19 have been considered. The projection covers a period of 12 months from 31 December 2021. Taking into account that (i) there exists the ongoing availability of finance to the Group, including the cash flows generated from its principal operations, the existing banking facilities, successful refinancing of certain bank borrowings of HK$106,500,000 and the utilisation of the medium term standby loan facility ("Medium Term Standby Loan Facility") of HK$300,000,000, of which the credit limit was increased to HK$415,000,000 subsequent to the reporting period, from a financial institution if necessary; (ii) the Medium Term Standby Loan Facility gives the Group more flexibility in refinancing the Group's current liabilities with non-current borrowings; (iii) given the Group's relatively low gearing level, it can raise additional finance, if necessary; and (iv) the net loss for the year then ended comprised mainly various non-cash items such as impairment loss recognised on loan receivable and goodwill, hence the impact of the net loss on the cash flows would be much smaller, the directors are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next 12 months from the end of the reporting period. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

2. BASIS OF PREPARATION *(continued)*

Notwithstanding the above, significant uncertainties exist. The current economic conditions and ongoing COVID-19 pandemic continue to create uncertainty particularly over the level of demand for the Group's services and products and the availability of finance from banks and the financial institution for the foreseeable future.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HKFRSs

(a) Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

Except as described below, the application of the amendments to HKFRSs in the current year 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.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates ("IBOR reform").

The amendments do not have an impact on these consolidated financial statements as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

3. ADOPTION OF NEW AND REVISED HKFRSs *(continued)*

(b) New and revised HKFRSs in issue but not yet effective

The Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 January 2021. These revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3 Business Combination – Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 Property Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to HKFRSs 2018 – 2020 Cycle	1 January 2022
Amendments to HKAS 1 Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 Presentation of Financial Statements and HKFRS Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023

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

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. investment properties, leasehold land and buildings and certain financial instruments that are measured at fair value).

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

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

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less accumulated impairment loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units or groups of cash-generating units that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the cash-generating units containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investments in associates are accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill which is included in 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 acquisition is recognised in consolidated profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Associates *(continued)*

The Group assesses whether there is an objective evidence that the interest in an associate 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 Impairment of Assets ("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.

The Group's share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's entire carrying amount of that associate (including goodwill) and any related accumulated translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Foreign currency translation

(i) Transactions and balances in each entity's financial statements

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the entity initially recognises such non-monetary assets or liabilities. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Foreign currency translation *(continued)*

(ii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in other comprehensive income and accumulated in the translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Property, plant and equipment

Property, plant and equipment are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below). 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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Property, plant and equipment *(continued)*

Leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation of revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to accumulated losses.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold land and buildings	Over the shorter of the lease terms, and 30 – 50 years
Computer, medical and electronic equipment	10% – 20%
Furniture and fixtures	20%
Office equipment	20%
Motor vehicles	20% – 50%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress represents buildings under construction and plant and equipment pending installation, and is stated at cost less accumulated impairment losses. Depreciation begins when the relevant assets are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(f) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rentals and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Investment properties *(continued)*

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

An investment property is derecognised upon disposal or when the investment property is withdrawn from use. Any gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss. Rental income from investment properties is accounted for as described in Note 4(s) to the consolidated financial statements.

(g) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, 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. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) The Group as a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Leases *(continued)*

(i) The Group as a lessee (continued)

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment/the carrying amount of the relevant right-of-use asset is transferred to property, plant and equipment.

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("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.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

(ii) The Group as a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

(iii) Sale and leaseback transactions

The Group applies the requirements of HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") to assess whether sale and leaseback transaction constitutes a sale by the Group.

For a transfer that does not satisfy the requirement as a sale, the Group as a seller-lessee accounts for the transfer proceeds as borrowings within the scope of HKFRS 9.

(h) Inventories

Inventories, which comprise medicines, other medical and general consumable for hospital operations, are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Properties under development for sale and held for sale

Properties under development for sale and held for sale are stated at the lower of cost and net realisable value. Costs include the acquisition cost of interest in leasehold land, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

On completion, the properties under development for sale are reclassified to properties held for sale at the then carrying amount.

(j) Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

(k) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and 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.

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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt instruments

Debt instruments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the instrument is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the instrument is calculated using the effective interest method. Typically trade receivables, other receivables, bank and cash balances are classified in this category.

– Fair value through other comprehensive income ("FVTOCI") – recycling, if the contractual cash flows of the instrument comprise solely payments of principal and interest and the instrument is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses ("ECL"), interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the instrument is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss. Typically debt instruments at FVTOCI is classified in this category.

– FVTPL if the instrument does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the instrument (including interest) are recognised in profit or loss.

Equity instruments

An instrument in equity securities is classified as FVTPL unless the equity instrument is not held for trading purposes and on initial recognition of the instrument the Group makes an election to designate the instrument at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the instrument meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the instrument is disposed of. At the time of disposal, the amount accumulated in the investment revaluation reserve (non-recycling) is transferred to accumulated losses. It is not recycled through profit or loss. Dividends from an instrument in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income.

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL.

(o) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(q) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Equity instruments

An equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(s) Revenue and other income

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue is recognised over time when the Group transfers control of the services over time, based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously.

For revenue from healthcare services, except for the revenue from the provision of beds for in-patient admissions, the revenue of healthcare services is recognised at a point in time, i.e. when the services are provided. For the revenue from the provision of beds for in-patient admissions, for which the control of the services is transferred when the Group had provided the related services over the time, revenue is recognised when the patients simultaneously received benefits provided by services over time.

For revenue from certain eldercare related services, for which the control of the services is transferred when the Group had provided the related services over the time, revenue is recognised when the customers simultaneously received and consumed the eldercare related services over time. For revenue from remaining eldercare related services is recognised at a point in time, i.e. when the services are provided.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Revenue and other income *(continued)*

Revenue from sales of pharmaceutical and nutritions is recognised at the point when the control of the products has transferred, being at the point the customer receives the pharmaceutical and nutritions. Payment of the transaction price is due immediately at the point the customer receives the pharmaceutical and nutritions.

Revenue from sales of completed properties is recognised at a point in time when the underlying property is transferred to the customer. Deposits and instalments received on properties sold prior to the date of revenue recognition are contract liabilities and included in the consolidated statement of financial position as "Deposits received on sales of properties".

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVTOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

Dividend income is recognised when the shareholders' rights to receive payment are established.

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(t) Employee benefits

(i) Retirement benefits scheme

The Group operates a number of defined contribution retirement schemes in Hong Kong. Contributions are made based on certain percentages of the employee's basic salaries.

The employees of the Group's subsidiaries established in the People's Republic of China, except Hong Kong (the "PRC") are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(ii) Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of reporting period.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Borrowing costs

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 capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. 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.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. 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.

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

(v) Government subsidies

A government subsidy is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government subsidies that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(w) Taxation

Income tax represents the sum of the current tax and deferred tax.

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

Deferred tax is recognised on 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 and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such 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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Taxation *(continued)*

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities 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 investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

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

(x) PRC land appreciation tax ("LAT")

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land costs, borrowing costs, business taxes and all property development expenditures. LAT is recognised as an income tax expense. LAT paid is a deductible expense for the PRC corporate income tax ("CIT") purposes.

(y) Impairment of non-financial assets

Intangible assets that have an indefinite useful life or that are not yet available for use are reviewed for impairment annually and whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

The carrying amounts of other non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(y) Impairment of non-financial assets *(continued)*

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(z) Impairment of financial assets

The Group recognises a loss allowance for ECL on investments in debt instruments that are measured at amortised cost or at FVTOCI, debtors, deposits, loan receivable, pledged/restricted bank deposits and bank balances. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated by applying simplified approach using a provision matrix 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 as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represent the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument 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. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(z) Impairment of financial assets *(continued)*

Significant increase in credit risk (continued)

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 the financial instrument's external (if available) or internal credit rating;

– significant deterioration in external market indicators of credit risk for a particular financial instrument;

– 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;

– significant increases in credit risk on other financial instruments of the same debtor; and

– 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 on a financial asset 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.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) The financial instrument has a low risk of default,

(ii) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(iii) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "low risk". Low risk means that the counterparty has a low risk of default and does not have any past due amounts.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(z) Impairment of financial assets *(continued)*

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

– when there is a breach of financial covenants by the counterparty; or

– 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 analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

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:

– significant financial difficulty of the issuer or the counterparty;

– a breach of contract, such as a default or past due event;

– the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;

– it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or

– the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

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 as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL are estimated as 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 original effective interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(z) Impairment of financial assets *(continued)*

Measurement and recognition of ECL (continued)

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

(aa) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(ab) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

(a) Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the ongoing availability of finance to the Group as detailed in Note 2 to the consolidated financial statements.

(b) Deferred tax for investment properties

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in the opinion of directors, all of the Group's investment properties which are depreciable are held within this business model. Accordingly, deferred taxation in relation to the Group's investment properties has been measured based on the tax consequences of recovering the carrying amounts entirely through use.

(c) Significant increase in credit risk

As explained in Note 4(z) to the consolidated financial statements, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

Key sources of estimation uncertainty

The Group has considered the impact arising from the COVID-19 pandemic when preparing the consolidated financial statements. Assumptions and estimates are based on circumstances and conditions available when the consolidated financial statements were prepared and, in particular, the Group has assessed that the current market condition as a result of the COVID-19 pandemic is not a long-term norm. Given the severity, duration and economic consequences of the COVID-19 pandemic are uncertain, actual impact may differ significantly from the Group's estimates. The Group will remain alert and cautious on the ongoing development of the COVID-19 pandemic that may cause further volatility and uncertainty in the global financial market, economy and business environment, and will take necessary measures to address the impact arising therefrom.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(continued)*

Key sources of estimation uncertainty *(continued)*

(a) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year, HK$16,802,000 (2020: HK$8,577,000) of income tax was charged to profit or loss based on the estimated profit from operations.

(b) Fair values of investment properties and leasehold land and buildings

The Group appointed an independent qualified professional valuer to assess the fair values of the investment properties and leasehold land and buildings (including leasehold land and buildings in Hong Kong, hospital buildings and other buildings in the PRC). In determining the fair values, the independent qualified professional valuer has utilised valuation approaches which involve certain estimates. The management of the Group has exercised its judgement and is satisfied that the valuation approaches and inputs used are reflective of the current market conditions.

Whilst the Group considers valuations of the Group's investment properties and leasehold land and buildings are the best estimates, the ongoing COVID-19 pandemic has resulted in greater market volatility depending on how the COVID-19 pandemic may progress and evolve, which have led to high degree of uncertainties in respect of the valuations in the current year.

As at 31 December 2021, the carrying amounts of investment properties and leasehold land and buildings were HK$806,445,000 (2020: HK$783,576,000) and HK$1,193,509,000 (2020: HK$968,993,000) respectively.

Notes 16 and 17 to the consolidated financial statements provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair values of the investment properties and leasehold land and buildings respectively.

(c) Impairment assessment of loan receivable

The Group performs impairment assessment under ECL model on the loan receivable. The Group has a policy for assessing the impairment on loan receivable on an individual basis. The assessment includes evaluation of collectability and aging analysis of the loan receivable and on management's judgement on creditworthiness, collaterals, and past collection history of each borrower. In determining the recoverability of the loan receivable, the Group will consider the change in the credit quality of the loan receivable, if any, from the date the loan was initially granted up to the reporting date. This includes assessing the credit history of the borrower, such as past experience of financial difficulties or default in payments, and current market conditions. The provision of ECL is sensitive to changes in estimates, the management of the Group has exercised judgement and made such estimation and is satisfied that the estimations are reflective of the current market and the loan receivable's specific conditions.

As at 31 December 2021, the carrying amount of loan receivable was HK$Nil (net of allowance for loan receivable of HK$95,215,000) (2020: HK$68,846,000 (net of allowance for loan receivable of HK$26,369,000)). Details of the Group's loan receivable and its provision of ECL are disclosed in Notes 27 and 43(c) to the consolidated financial statements respectively.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(continued)*

Key sources of estimation uncertainty *(continued)*

(d) Impairment assessment 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: (i) whether an event has occurred or any indicators that may affect the asset value; (ii) 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 (iii) 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. 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 2021, the carrying amounts of property, plant and equipment and right-of-use assets were HK$1,541,800,000 (2020: HK$1,433,064,000) and HK$152,309,000 (2020: HK$102,166,000) respectively.

(e) Impairment assessment of trade receivables

The management of the Group estimates the amount of impairment loss for ECL on trade receivables based on the credit risk of trade receivables. The amount of the impairment loss based on ECL model is measured as 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. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 December 2021, the carrying amount of trade receivables is HK$148,403,000 (net of allowance for credit losses of HK$2,519,000) (2020: HK$127,524,000, (net of allowance for credit losses of HK$10,368,000)).

(f) Impairment assessment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than the 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.

Furthermore, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainties in the current year due to uncertainty on how the COVID-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions of the Group's operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(continued)*

Key sources of estimation uncertainty *(continued)*

(f) Impairment assessment of goodwill (continued)

As at 31 December 2021, the carrying amount of goodwill was HK$Nil (2020: HK$32,931,000) after an impairment loss of HK$34,043,000 (2020: HK$Nil) was recognised during the year. Details of the impairment loss calculation are provided in Note 22 to the consolidated financial statements.

(g) Provision for properties held for sale

The Group performs regular reviews on the estimated net realisable values of the properties held for sale in order to assess if, when the estimated net realisable values declining below the corresponding carrying amounts, any provision for properties held for sale is required. The management of the Group has taken into account of the prevailing market conditions and internally available information and exercised considerable judgements in making these estimates.

A provision for properties held for sale of HK$7,228,000 was made for the year ended 31 December 2021 (2020: HK$Nil).

6. REVENUE

	2021 **HK$'000**	2020 HK$'000
Revenue from contracts with customers		
Hospital fees and charges	**1,372,032**	1,093,752
Eldercare related services and sales of nutritions	**39,011**	37,345
Sale of properties	**46,242**	55,563
	1,457,285	1,186,660
Revenue from other sources		
Rental income	**6,195**	7,460
Dividend income from listed investments	**15**	28
	6,210	7,488
	1,463,495	1,194,148

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

6. REVENUE *(continued)*

(a) Disaggregation of revenue from contracts with customers

For the year ended 31 December 2021

Segments	Healthcare HK$'000	Eldercare HK$'000	Property development HK$'000	Total HK$'000
Types of goods or services				
Hospital fees and charges				
– Inpatient health services	**517,019**	**–**	**–**	**517,019**
– Outpatient healthcare services	**411,262**	**–**	**–**	**411,262**
– Other healthcare services	**12,483**	**–**	**–**	**12,483**
– Physical examination services	**112,071**	**–**	**–**	**112,071**
– Sales of pharmaceutical	**319,197**	**–**	**–**	**319,197**
Eldercare related services	**–**	**31,801**	**–**	**31,801**
Sales of nutritions	**–**	**7,210**	**–**	**7,210**
Sales of properties	**–**	**39,439**	**6,803**	**46,242**
Total	**1,372,032**	**78,450**	**6,803**	**1,457,285**
Timing of revenue recognition				
At a point in time	**1,340,994**	**59,081**	**6,803**	**1,406,878**
Over time	**31,038**	**19,369**	**–**	**50,407**
Total	**1,372,032**	**78,450**	**6,803**	**1,457,285**

For the year ended 31 December 2020

Segments	Healthcare HK$'000	Eldercare HK$'000	Property development HK$'000	Total HK$'000
Types of goods or services				
Hospital fees and charges				
– Inpatient health services	433,505	–	–	433,505
– Outpatient healthcare services	276,689	–	–	276,689
– Other healthcare services	1,418	–	–	1,418
– Physical examination services	173,867	–	–	173,867
– Sales of pharmaceutical	208,273	–	–	208,273
Eldercare related services	–	36,055	–	36,055
Sales of nutritions	–	1,290	–	1,290
Sales of properties	–	43,712	11,851	55,563
Total	1,093,752	81,057	11,851	1,186,660
Timing of revenue recognition				
At a point in time	1,066,099	59,343	11,851	1,137,293
Over time	27,653	21,714	–	49,367
Total	1,093,752	81,057	11,851	1,186,660

All the revenue from contracts with customers are derived from the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

6. REVENUE *(continued)*

(a) Disaggregation of revenue from contracts with customers *(continued)*

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

For the year ended 31 December 2021

	Healthcare HK$'000	**Eldercare HK$'000**	**Property development HK$'000**
Revenue disclosed in segment information	**1,372,032**	**79,889**	**6,803**
Less: Rental income	**–**	**(1,439)**	**–**
Revenue from contracts with customers	**1,372,032**	**78,450**	**6,803**

For the year ended 31 December 2020

	Healthcare HK$'000	Eldercare HK$'000	Property development HK$'000
Revenue disclosed in segment information	1,093,752	82,392	11,851
Less: Rental income	–	(1,335)	–
Revenue from contracts with customers	1,093,752	81,057	11,851

(b) Transaction price allocated to the remaining performance obligation for contracts with customers

All the Group's contracts with customers in relation to healthcare services, eldercare related services, sales of pharmaceutical and nutritions and property development had an original expected duration of one year or less. The Group has applied the practical expedient in paragraph 121 of HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

7. SEGMENT INFORMATION

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

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

During the year ended 31 December 2021, the CODM has identified the following six operating and reportable segments under HKFRS 8 Operating Segments. No operating segments have been aggregated to form the following reportable segments.

7. SEGMENT INFORMATION *(continued)*

Healthcare – operations of hospitals in the PRC.

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

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

Property investment – leasing of residential and office properties.

Financial services – provision of loan financial services.

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

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in Note 4 to the consolidated financial statements.

Segment revenue and results

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

For the year ended 31 December 2021

	Healthcare HK$'000	Eldercare HK$'000	Property development HK$'000	Property investment HK$'000	Financial services HK$'000	Securities trading and investments HK$'000	Consolidated HK$'000
Gross proceeds from sales of investments held for trading	–	–	–	–	–	2,184	2,184
Revenue	1,372,032	79,889	6,803	4,756	–	15	1,463,495
Segment profit/(loss)	59,573	(72,135)	439	6,296	(75,000)	(4,506)	(85,333)
Unallocated:							
Other gains and losses, and other income							8,693
Net foreign exchange loss							(8,030)
Central corporate expenses							(25,745)
Finance costs							(53)
Loss before taxation							(110,468)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

7. SEGMENT INFORMATION *(continued)*

Segment revenues and results *(continued)*

For the year ended 31 December 2020

	Healthcare HK$'000	Eldercare HK$'000	Property development HK$'000	Property investment HK$'000	Financial services HK$'000	Securities trading and investments HK$'000	Consolidated HK$'000
Gross proceeds from sales of investments held for trading	–	–	–	–	–	3,248	3,248
Revenue	1,093,752	82,392	11,851	6,125	–	28	1,194,148
Segment profit/(loss)	31,728	(34,845)	(1,638)	(2,986)	(22,434)	(11,568)	(41,743)
Unallocated:							
Other gains and losses, and other income							(12,093)
Net foreign exchange gain							11,485
Central corporate expenses							(54,086)
Finance costs							(125)
Loss before taxation							(96,562)

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

7. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities

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

As at 31 December 2021

	Healthcare HK$'000	Eldercare HK$'000	Property development HK$'000	Property investment HK$'000	Financial services HK$'000	Securities trading and investments HK$'000	Consolidated HK$'000
Segment assets	**1,787,288**	**938,257**	**32,798**	**280,758**	**–**	**19,994**	**3,059,095**
Corporate assets							**430,443**
Consolidated assets							**3,489,538**
Segment liabilities	**1,162,168**	**546,003**	**45,590**	**6,563**	**–**	**–**	**1,760,324**
Corporate liabilities							**11,958**
Consolidated liabilities							**1,772,282**

As at 31 December 2020

	Healthcare HK$'000	Eldercare HK$'000	Property development HK$'000	Property investment HK$'000	Financial services HK$'000	Securities trading and investments HK$'000	Consolidated HK$'000
Segment assets	1,475,555	898,609	21,718	253,233	68,846	28,597	2,746,558
Corporate assets							678,616
Consolidated assets							3,425,174
Segment liabilities	833,324	389,162	51,522	336	–	–	1,274,344
Corporate liabilities							350,196
Consolidated liabilities							1,624,540

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

7. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities *(continued)*

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating and reportable segments other than certain property, plant and equipment, certain right-of-use assets, financial assets at FVTPL, certain debtors, deposits and prepayments and certain bank balances and cash.
- all liabilities are allocated to operating and reportable segments other than certain creditors, deposits, receipts in advance and accrued charges and certain lease liabilities.

Other segment information

For the year ended 31 December 2021

	Healthcare HK$'000	Eldercare HK$'000	Property development HK$'000	Property investment HK$'000	Financial services HK$'000	Securities trading and investments HK$'000	Unallocated HK$'000	Total HK$'000
Amounts (credited)/charged included in the measure of segment results or segment assets								
Interest income	(763)	(112)	–	–	–	(217)	(331)	(1,423)
Finance costs	42,476	15,715	–	4	–	–	53	58,248
Income tax expense/(credit)	12,451	4,736	–	(385)	–	–	–	16,802
Depreciation of property, plant and equipment	90,117	7,534	–	671	–	–	100	98,422
Depreciation of right-of-use assets	3,403	–	–	–	–	–	2,704	6,107
Additions to deposits for acquisition of property, plant and equipment	6,006	–	–	–	–	–	–	6,006
Additions to property, plant and equipment	141,681	6,781	–	–	–	–	–	148,462
Additions to investment properties	–	6,714	–	–	–	–	–	6,714
Fair value changes on investment properties	–	1,404	–	(3,694)	–	–	–	(2,290)
Loss on fair value of investments held for trading	–	–	–	–	–	4,784	–	4,784
Impairment loss under ECL model	(9,182)	(313)	–	–	75,000	–	3,400	68,905
Impairment loss of goodwill	–	34,043	–	–	–	–	–	34,043
Provision for properties held for sale	–	7,228	–	–	–	–	–	7,228
Net foreign exchange loss	–	–	–	–	–	(2,020)	8,030	6,010
Net gain on disposal of property, plant and equipment	(19)	–	–	–	–	–	–	(19)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

7. SEGMENT INFORMATION *(continued)*

Other segment information *(continued)*

For the year ended 31 December 2020

	Healthcare HK$'000	Eldercare HK$'000	Property development HK$'000	Property investment HK$'000	Financial services HK$'000	Securities trading and investments HK$'000	Unallocated HK$'000	Total HK$'000
Amounts (credited)/charged included in the measure of segment results or segment assets								
Interest income	–	–	–	–	–	(216)	(3,860)	(4,076)
Finance costs	37,101	12,696	–	–	–	–	125	49,922
Income tax expense	7,491	1,086	–	–	–	–	–	8,577
Depreciation of property, plant and equipment	99,989	7,343	–	31	–	–	1,092	108,455
Depreciation of right-of-use assets	5,255	–	–	–	–	–	2,721	7,976
Additions to deposits for acquisition of property, plant and equipment	8,495	–	–	–	–	–	–	8,495
Additions to property, plant and equipment	103,178	553	–	–	–	–	–	103,731
Additions to investment properties	–	12,382	–	–	–	–	–	12,382
Fair value changes on investment properties	–	27,382	–	7,340	–	–	–	34,722
Loss on fair value of investments held for trading	–	–	–	–	–	11,445	–	11,445
Impairment loss under ECL model	3,619	119	–	–	22,468	–	–	26,206
Net foreign exchange gain	–	–	–	–	(4,897)	–	(11,485)	(16,382)
Net gain on disposal of property, plant and equipment	(15)	–	–	–	–	–	–	(15)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

7. SEGMENT INFORMATION *(continued)*

Information about major customers

None of the customers contributed over 10% of total revenue of the Group for the years ended 31 December 2021 and 2020.

Geographical information

The Group's securities trading and investments and financial services are mainly carried out in Hong Kong. The Group's operation in property investment is carried out in Hong Kong and the PRC. The Group's operations in property development, healthcare and eldercare are located in the PRC.

The Group's revenue from external customers and information about non-current assets by geographical location of the customers and assets (where the investment properties, property, plant and equipment, right-of-use assets, goodwill and deposits for acquisition for property, plant and equipment are located) respectively are detailed below:

	Revenue from external customers For the year ended		Non-current assets (Note) As at 31 December	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
Hong Kong	**4,773**	5,265	**239,899**	233,243
The PRC	**1,458,722**	1,188,883	**2,266,742**	2,127,490
	1,463,495	1,194,148	**2,506,641**	2,360,733

Note: Non-current assets excluded financial instruments.

Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	2021 HK$'000	2020 HK$'000
Revenue from medical and consultation services (Note)	**1,259,961**	989,904
Revenue from health screening services	**112,071**	103,848
Revenue from eldercare related services	**39,011**	37,345
Revenue from rental services from property investment segment	**4,756**	6,125
Revenue from rental services from eldercare segment	**1,439**	1,335
Sales of properties related to property development segment	**6,803**	11,851
Sales of properties related to eldercare segment	**39,439**	43,712
Dividend income from listed investments from securities trading and investments segment	**15**	28
	1,463,495	1,194,148

Note: Revenue from medical and consultation services includes sales of medicine and in-patient, outpatient and consultation services income from hospital operation. In the opinion of the directors, it is time consuming and involves excessive costs to provide further analysis in respect of sales of medicines and different kind of service income of the hospital operation. Accordingly, no such information is included in the segment information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

8. OTHER GAINS AND LOSSES, AND OTHER INCOME

	2021 HK$'000	2020 HK$'000
Loss on fair value of investments held for trading	**(4,784)**	(11,445)
Fair value changes on investment properties	**2,290**	(34,722)
Net foreign exchange (loss)/gain	**(6,010)**	16,382
Impairment loss under ECL model	**(68,905)**	(26,206)
Net gain on disposal of property, plant and equipment	**19**	15
Provision for properties held for sale	**(7,228)**	–
Government subsidies (Note)	**575**	1,016
Interest income from:		
– Debt instruments at FVTPL	**217**	216
– Bank deposits	**1,206**	3,860
Sale of vision-aid products	**2,747**	2,409
Clinical training services	**3,544**	2,698
Subcontracting income from car parking spaces and canteen	**820**	481
Rental income from shopping and other areas of the hospitals	**657**	982
Forfeiture of customers' deposits and claims from suppliers	**7,698**	436
Other sundry income	**6,950**	4,589
	(60,204)	(39,289)

Note: The government subsidies mainly represent the government grants in respect of COVID-19 related subsidies for the operation of Hong Kong office and subsidies on costs incurred for operation of hospitals with no special and unfulfilled conditions attached.

9. FINANCE COSTS

The finance costs represent interest as follows:

	2021 HK$'000	2020 HK$'000
Interest on:		
Bank and other borrowings	**57,877**	49,405
Lease liabilities	**371**	321
Obligations under finance leases	**–**	196
	58,248	49,922

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

10. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The emoluments paid to or received by each of the directors and the chief executive whether of the Company or its subsidiary undertaking are as follows:

	For the year ended 31 December 2021			
Name of directors	Directors' fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Executive directors (Note (a))				
Ms. Chong Sok Un	–	455	18	473
Mr. Kong Muk Yin (Note (d))	–	1,038	7	1,045
Mr. Guo Meibao	–	1,553	132	1,685
Mr. Zhou Haiying (Note (j))	–	–	–	–
Non-executive directors (Note (b))				
Mr. Zhou Liye (Note (e) & (j))	–	–	–	–
Dato' Wong Peng Chong (Note (f))	55	–	–	55
Mr. Zheng Zhen (Note (g))	150	–	–	150
Mr. Lai Hin Wing Henry Stephen (Note (h))	150	–	–	150
Independent non-executive directors (Note (c))				
Mr. Zhang Jian	150	–	–	150
Dr. Xia Xiaoning	150	–	–	150
Dr. Wong Wing Kuen, Albert	180	–	–	180
Ms. Yang Lai Sum, Lisa	150	–	–	150
	985	3,046	157	4,188

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

10. BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

(a) Directors' emoluments *(continued)*

	For the year ended 31 December 2020			
Name of directors	Directors' fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Executive directors (Note (a))				
Ms. Chong Sok Un	–	455	18	473
Mr. Kong Muk Yin (Note (d))	–	1,950	18	1,968
Mr. Guo Meibao	–	1,484	76	1,560
Mr. Zhou Haiying (Note (j))	–	–	–	–
Non-executive directors (Note (b))				
Mr. Zhou Liye (Note (e) & (j))	–	–	–	–
Dato' Wong Peng Chong (Note (f))	150	–	–	150
Mr. Ma Jianting (Note (i))	–	–	–	–
Mr. Zheng Zhen (Note (g))	83	–	–	83
Mr. Lai Hin Wing Henry Stephen (Note (h))	21	–	–	21
Independent non-executive directors (Note (c))				
Mr. Zhang Jian	150	–	–	150
Dr. Xia Xiaoning	150	–	–	150
Dr. Wong Wing Kuen, Albert	180	–	–	180
Ms. Yang Lai Sum, Lisa	150	–	–	150
	884	3,889	112	4,885

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

10. BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

(a) Directors' emoluments *(continued)*

Notes:

(a) The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

(b) The non-executive directors' emolument shown above was mainly for the service as directors of the Company.

(c) The independent non-executive directors' emoluments shown above were mainly for their service as directors of the Company.

(d) Mr. Kong Muk Yin has ceased as executive director on 13 May 2021.

(e) Mr. Zhou Liye resigned as non-executive director and ceased as Chairman of the Company on 15 April 2021.

(f) Dato' Wong Peng Chong has ceased as non-executive director on 13 May 2021.

(g) Mr. Zheng Zhen has been appointed as non-executive director on 12 June 2020.

(h) Mr. Lai Hin Wing Henry Stephen has been appointed as non-executive director on 11 November 2020.

(i) Mr. Ma Jianting resigned as non-executive director on 12 June 2020.

(j) Under the service agreements for Mr. Zhou Haiying and Mr. Zhou Liye, they will not receive the director's remuneration.

Ms. Chong Sok Un and Mr. Guo Meibao are, and Mr. Kong Muk Yin was also the chief executive of the Company and their emoluments disclosed above include those for services rendered by them as the chief executive during the years/period.

Neither the chief executive nor any of the directors waived any emoluments during the years ended 31 December 2021 and 2020.

(b) Directors' material interests in transactions, arrangements or contracts

Except as disclosed in Note 41 to the consolidated financial statements, no other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

11. FIVE HIGHEST PAID INDIVIDUALS

During the year, the five highest paid individuals in the Group included one director (2020: two directors) of the Company, details of whose emoluments are set out in Note 10 to the consolidated financial statements. The emoluments for the remaining four (2020: three) highest paid individuals are as follows:

	2021 **HK$'000**	2020 HK$'000
Salaries and other benefits	**5,389**	4,069
Retirement benefits scheme contributions	**505**	194
	5,894	4,263

11. FIVE HIGHEST PAID INDIVIDUALS *(continued)*

The emoluments fell within the following bands:

	Number of individuals	
	2021	2020
HK$1,000,001 to HK$1,500,000	**2**	1
HK$1,500,001 to HK$2,000,000	**2**	2

12. INCOME TAX EXPENSE

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

	2021 **HK$'000**	2020 HK$'000
Current tax		
CIT in the PRC	**9,064**	7,491
LAT in the PRC	**4,401**	5,609
Under-provision in prior years	**1,159**	–
	14,624	13,100
Deferred tax		
Origination and reversal of temporary differences	**2,178**	(4,523)
	16,802	8,577

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

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

The tax charge in respect of the current year represents CIT in the PRC which is calculated at the prevailing tax rate on the taxable income of the subsidiaries in the PRC.

The Company's subsidiaries in the PRC are subject to CIT rate at 25%.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

12. INCOME TAX EXPENSE *(continued)*

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

The taxation for the year can be reconciled to the loss before taxation per the consolidated statement of profit or loss as follows:

	2021 **HK$'000**	2020 HK$'000
Loss before taxation	**(110,468)**	(96,562)
Tax at the domestic income tax rate of 16.5%	**(18,227)**	(15,933)
Tax effect of expenses that are not deductible	**28,442**	21,715
Tax effect of income that is not taxable	**(10,474)**	(6,781)
Tax effect of utilisation of tax losses not previously recognised	**(3,372)**	(10,586)
Tax effect of tax losses not recognised	**19,042**	18,925
LAT	**4,401**	5,609
Tax effect of LAT	**(1,100)**	(1,402)
Under-provision in prior years	**1,159**	–
Effect of different tax rates of subsidiaries	**(3,069)**	(2,970)
Income tax expense	**16,802**	8,577

13. LOSS FOR THE YEAR

Loss for the year is stated after charging the following:

	2021 **HK$'000**	2020 HK$'000
Auditor's remuneration		
Current	**2,544**	2,946
Over-provision in prior years	**(788)**	–
	1,756	2,946
Depreciation of property, plant and equipment	**98,422**	108,455
Depreciation of right-of-use assets	**6,107**	7,976
Employee benefits expense, inclusive of directors' emoluments	**502,302**	350,364
Direct operating expenses of investment properties that generated rental income	**502**	523
Direct operating expenses of investment properties that did not generate rental income	**545**	16
Cost of inventories sold and properties held for sale recognised as an expense (included in cost of goods and services)	**591,037**	478,202

14. DIVIDENDS

The Board of Directors of the Company does not recommend any dividend in respect of the years ended 31 December 2021 and 2020.

15. LOSS PER SHARE

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

	2021 **HK$'000**	2020 HK$'000
Loss		
Loss for the purpose of calculating basic loss per share for the year attributable to owners of the Company	**(137,296)**	(111,928)

	2021	2020
Number of shares		
Weighted average number of ordinary shares for the purposes of calculating basic loss per share	**14,480,072,773**	14,480,072,773

No diluted loss per share has been presented as there were no potential dilutive shares outstanding for the years ended 31 December 2021 and 2020.

16. INVESTMENT PROPERTIES

	Completed investment properties HK$'000	**Investment properties under construction** HK$'000	**Total** HK$'000
Fair value			
As at 1 January 2020	506,520	266,000	772,520
Additions	–	12,382	12,382
Transfer	123,096	(123,096)	–
Decrease in fair value recognised in profit or loss	(12,526)	(22,196)	(34,722)
Exchange differences	27,034	6,362	33,396
As at 31 December 2020 and 1 January 2021	644,124	139,452	783,576
Additions	–	6,714	6,714
(Decrease)/increase in fair value recognised in profit or loss	(4,270)	6,560	2,290
Exchange differences	10,060	3,805	13,865
As at 31 December 2021	**649,914**	**156,531**	**806,445**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

16. INVESTMENT PROPERTIES *(continued)*

Details of pledged investment properties are set out in Note 38 to the consolidated financial statements.

Valuation processes

The Group measures its investment properties at fair value as at 31 December 2021 and 2020. The investment properties were revalued by Norton Appraisals Holdings Limited ("Norton Appraisals"), being an independent qualified professional valuer not related to the Group.

The Group's management is responsible for the review of the valuations performed by Norton Appraisals for financial reporting purposes and reports directly to the board of directors of the Company. Discussions of valuation processes and results are held between the management and Norton Appraisals at least once a year, in line with the Group's annual reporting date.

At each financial year end the Group's management:

- Verifies all major inputs to the independent valuation report
- Assesses property valuation movements when compared to the prior year valuation report
- Holds discussions with Norton Appraisals

Valuation techniques

The fair values of investment properties were derived from:

(i) investment approach, where the market rentals are assessed by considering the income derived from existing tenancies with due provision for any reversionary income potential of the properties and discounted at the market yield;

(ii) direct comparison approach for completed properties, assuming sale of each of these properties in existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market and adjusted for differences in the nature and location; or

(iii) direct comparison approach for property under construction, assuming sale of each of these properties in existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market and also taken into account of the outstanding construction cost for the portion which is under construction as at the date of valuation.

All of the fair value measurements of the Group's investment properties were categorised into Level 3 of the fair value hierarchy.

There were no transfers into or out of Level 3 during the two years.

There were no changes in the valuation techniques used during the two years.

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FOR THE YEAR ENDED 31 DECEMBER 2021

16. INVESTMENT PROPERTIES *(continued)*

Valuation techniques *(continued)*

Information about recurring fair value measurements using significant unobservable inputs (Level 3)

The following table shows the valuation techniques used in the determination of fair values for investment properties and key unobservable inputs used in the valuation models:

	Fair value HK$'000	Valuation techniques	Unobservable inputs	Range/weighted average of significant inputs	Effect on fair value for increase of inputs
As at 31 December 2021					
Industrial property units located in Hong Kong	**199,400**	Investment approach	(i) Capitalisation rate	2.50% –3.15%	Decrease
			(ii) Monthly market rent per square feet	HK$14 – HK$17 per square feet	Increase
Land in Hong Kong	**13,500**	Direct comparison approach for completed properties	Market unit rate	HK$220 – HK$280 per square feet	Increase
Commercial property units located in the PRC	**38,888**	Investment approach	(i) Capitalisation rate	6.25%	Decrease
			(ii) Monthly market rent per square metre	Renminbi ("RMB") 140 per square meter	Increase
Residential property units located in the PRC	**5,087**	Direct comparison approach for completed properties	Market unit rate	RMB4,200 – RMB6,500 per square meter	Increase
Commercial and residential property units located in the PRC	**393,039**	Investment approach	(i) Capitalisation rate	4.00% – 4.50%	Decrease
			(ii) Monthly market rent per square meter	RMB21 to RMB55 per square meter	Increase
Commercial and residential properties under construction located in the PRC	**156,531**	Direct comparison approach for property under construction	Market unit rate	RMB14,700 per square meter	Increase
	806,445				

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FOR THE YEAR ENDED 31 DECEMBER 2021

16. INVESTMENT PROPERTIES *(continued)*

Valuation techniques *(continued)*

Information about recurring fair value measurements using significant unobservable inputs (Level 3) (continued)

	Fair value HK$'000	Valuation techniques	Unobservable inputs	Range/weighted average of significant inputs	Effect on fair value for increase of inputs
As at 31 December 2020					
Industrial property units located in Hong Kong	196,200	Investment approach	(i) Capitalisation rate	3.15%	Decrease
			(ii) Monthly market rent per square feet	HK$14 – HK$17 per square feet	Increase
Land in Hong Kong	13,500	Direct comparison approach for completed properties	Market unit rate	HK$220 – HK$280 per square feet	Increase
Commercial property units located in the PRC	38,260	Investment approach	(i) Capitalisation rate	6.5%	Decrease
			(ii) Monthly market rent per square metre	RMB145 per square meter	Increase
Residential property units located in the PRC	5,221	Direct comparison approach for completed properties	Market unit rate	RMB4,300 – RMB7,000 per square meter	Increase
Commercial and residential property units located in the PRC	390,943	Investment approach	(i) Capitalisation rate	2.5% – 4.5%	Decrease
			(ii) Monthly market rent per square meter	RMB17 to RMB33 per square meter	Increase
Commercial and residential properties under construction located in the PRC	139,452	Direct comparison approach for property under construction	Market unit rate	RMB13,437 per square meter	Increase
	783,576				

	2021 HK$'000	2020 HK$'000
Total gains/(losses) recognised in profit or loss for assets held at end of the reporting period (included in other gains and losses, and other income)	**2,290**	(34,722)
Total gains recognised in other comprehensive income (included in exchange differences on translating foreign operations)	**13,865**	33,396

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings in Hong Kong HK$'000	Leasehold improvement HK$'000	Hospital buildings in the PRC HK$'000	Other buildings in the PRC HK$'000	Construction in progress HK$'000	Computer, medical and electronic equipment HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST OR VALUATION										
As at 1 January 2020	21,760	448	690,330	229,865	235,085	237,844	25,715	18,094	2,591	1,461,732
Additions	–	–	–	–	42,007	56,634	634	4,369	87	103,731
Transfer	–	–	9,202	–	(9,202)	–	–	–	–	–
Transfer from right-of-use assets (Note)	–	–	–	–	–	46,279	–	–	–	46,279
Disposals	–	–	–	–	–	(13,788)	(27)	(1,383)	(234)	(15,432)
Revaluation decrease	(850)	–	(33,268)	(7,785)	–	–	–	–	–	(41,903)
Exchange differences	–	–	44,806	14,933	17,250	30,290	896	1,413	84	109,672
As at 31 December 2020 and 1 January 2021	20,910	448	711,070	237,013	285,140	357,259	27,218	22,493	2,528	1,664,079
Additions	–	–	–	6,695	60,379	77,232	1,686	823	1,647	148,462
Transfer	–	–	230,616	1,153	(236,428)	4,659	–	–	–	–
Transfer from properties held for sale (Note 24)	–	–	–	1,232	–	–	–	–	–	1,232
Disposals	–	–	–	–	–	(9,577)	(1,455)	(573)	–	(11,605)
Written-off	–	–	–	–	–	–	(49)	–	–	(49)
Revaluation (decrease)/increase	1,270	–	(121,329)	77,592	–	–	–	–	–	(42,467)
Exchange differences	–	–	19,960	7,327	5,038	10,226	614	588	88	43,841
As at 31 December 2021	**22,180**	**448**	**840,317**	**331,012**	**114,129**	**439,799**	**28,014**	**23,331**	**4,263**	**1,803,493**
Comprising:										
At cost – 2021	**–**	**448**	**–**	**–**	**114,129**	**439,799**	**28,014**	**23,331**	**4,263**	**609,984**
At valuation – 2021	**22,180**	**–**	**840,317**	**331,012**	**–**	**–**	**–**	**–**	**–**	**1,193,509**
	22,180	**448**	**840,317**	**331,012**	**114,129**	**439,799**	**28,014**	**23,331**	**4,263**	**1,803,493**
Comprising:										
At cost – 2020	–	448	–	–	285,140	357,259	27,218	22,493	2,528	695,086
At valuation – 2020	20,910	–	711,070	237,013	–	–	–	–	–	968,993
	20,910	448	711,070	237,013	285,140	357,259	27,218	22,493	2,528	1,664,079

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

	Leasehold land and buildings in Hong Kong HK$'000	Leasehold improvement HK$'000	Hospital buildings in the PRC HK$'000	Other buildings in the PRC HK$'000	Construction in progress HK$'000	Computer, medical and electronic equipment HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
ACCUMULATED DEPRECIATION										
As at 1 January 2020	–	448	–	–	–	142,222	15,019	7,950	1,783	167,422
Provided for the year	675	–	67,544	6,252	–	28,029	1,407	4,208	340	108,455
Transfer from right-of-use assets (Note)	–	–	–	–	–	24,866	–	–	–	24,866
Eliminated on revaluation	(675)	–	(67,544)	(6,252)	–	–	–	–	–	(74,471)
Eliminated on disposal	–	–	–	–	–	(11,941)	(27)	(1,270)	(224)	(13,462)
Exchange differences	–	–	–	–	–	16,310	783	483	629	18,205
As at 31 December 2020 and 1 January 2021	–	448	–	–	–	199,486	17,182	11,371	2,528	231,015
Provided for the year	649	–	52,520	10,109	–	31,034	2,525	1,333	252	98,422
Eliminated on revaluation	(649)	–	(52,520)	(10,109)	–	–	–	–	–	(63,278)
Eliminated on disposal	–	–	–	–	–	(8,762)	(1,334)	(516)	–	(10,612)
Written-off	–	–	–	–	–	–	(49)	–	–	(49)
Exchange differences	–	–	–	–	–	5,452	367	307	69	6,195
As at 31 December 2021	**–**	**448**	**–**	**–**	**–**	**227,210**	**18,691**	**12,495**	**2,849**	**261,693**
CARRYING AMOUNTS										
As at 31 December 2021	**22,180**	**–**	**840,317**	**331,012**	**114,129**	**212,589**	**9,323**	**10,836**	**1,414**	**1,541,800**
As at 31 December 2020	20,910	–	711,070	237,013	285,140	157,773	10,036	11,122	–	1,433,064

Note: Upon expiry of finance lease and exercising purchase options, the relevant assets recognised as right-of-use assets in accordance with HKFRS 16 were transferred back to property, plant and equipment.

The construction in progress represents hospital buildings and elderly nursing home under construction which are situated in the PRC.

A revaluation surplus on leasehold land and buildings of HK$20,811,000 (2020: HK$32,568,000) is recognised in other comprehensive income and has been credited to the properties revaluation reserve.

If the leasehold land and buildings in Hong Kong and in the PRC had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation of HK$473,000 (2020: HK$496,000) and HK$782,409,000 (2020: HK$611,159,000) respectively as at 31 December 2021.

Details of pledged property, plant and equipment are set out in Note 38 to the consolidated financial statements.

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

Valuation processes

The Group measures its leasehold land and buildings in Hong Kong and hospital buildings and other buildings in the PRC at fair value as at 31 December 2021 and 2020, which were revalued by Norton Appraisals.

The Group's management is responsible for the review of the valuations performed by Norton Appraisals for financial reporting purposes and reports directly to the board of directors of the Company. Discussions of valuation processes and results are held between the management and Norton Appraisals at least once a year, in line with the Group's annual reporting date.

At each financial year end the Group's management:

- Verifies all major inputs to the independent valuation report
- Assesses property valuation movements when compared to the prior year valuation report
- Holds discussions with Norton Appraisals

Valuation techniques

The fair values of leasehold land and buildings were derived from direct comparison approach for completed properties as described in Note 16 to the consolidated financial statements, or wherever appropriate, depreciated replacement cost approach by reference to the construction costs required to rebuild the buildings and deducting for physical deterioration and all relevant forms of obsolescence and optimisations.

All of the fair value measurements of the Group's leasehold land and buildings were categorised into Level 3 of the fair value hierarchy.

There were no transfers into or out of Level 3 during the two years.

There were no changes in the valuation techniques used during the two years.

Information about recurring fair value measurements using significant unobservable inputs (Level 3)

The following table shows the valuation techniques used in the determination of fair values for buildings and unobservable inputs used in the valuation models:

	Fair value HK$'000	Valuation techniques	Unobservable inputs	Range of significant inputs	Effect on fair value for increase of inputs
As at 31 December 2021					
Industrial property units located in Hong Kong	**22,180**	Direct comparison approach for completed properties	Market unit rate	HK$2,570 – HK$4,762 per square feet	Increase
Hospital buildings located in the PRC	**840,317**	Depreciated replacement cost approach	Depreciated replacement cost per square meter	RMB6,748 – RMB10,015 per square meter	Increase
Other buildings located in the PRC	**331,012**	Depreciated replacement cost approach	Depreciated replacement cost per square meter	RMB4,422 – RMB13,230 per square meter	Increase
	1,193,509				

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

Valuation techniques *(continued)*

Information about recurring fair value measurements using significant unobservable inputs (Level 3) (continued)

	Fair value HK$'000	Valuation techniques	Unobservable inputs	Range of significant inputs	Effect on fair value for increase of inputs
As at 31 December 2020					
Industrial property units located in Hong Kong	20,910	Direct comparison approach for completed properties	Market unit rate	HK$2,300 – HK$4,571 per square feet	Increase
Hospital buildings located in the PRC	711,070	Depreciated replacement cost approach	Depreciated replacement cost per square meter	RMB7,185 – RMB9,147 per square meter	Increase
Other buildings located in the PRC	237,013	Depreciated replacement cost approach	Depreciated replacement cost per square meter	RMB4,154 – RMB12,344 per square meter	Increase
	968,993				

	2021 HK$'000	2020 HK$'000
Total losses recognised in profit or loss (included in cost of goods and services and administrative expenses)	**(63,278)**	(74,471)
Total gains recognised in other comprehensive income (included in exchange differences on translating foreign operations and gain on revaluation of leasehold land and buildings included in property, plant and equipment)	**48,098**	92,307

Sale and leaseback transactions – seller-lessee

To better manage the Group's capital structure and financing needs, the Group enters into sale and leaseback arrangements in relation to medical equipment leases. These legal transfers do not satisfy the requirements of HKFRS 15 to be accounted for as a sale of the machinery. As at 31 December 2021, the Group has other borrowings of HK$74,895,000 (2020: HK$106,417,000) in respect of such sale and leaseback arrangements.

Details of the lease maturity analysis of the other borrowings are set out in Note 33 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

18. RIGHT-OF-USE ASSETS

	Computer medical and electronic equipment HK$'000	Leasehold land HK$'000	Leased property HK$'000	Total HK$'000
As at 1 January 2020	23,721	96,164	5,216	125,101
Transfer to property, plant and equipment	(21,413)	–	–	(21,413)
Depreciation	(2,487)	(2,768)	(2,721)	(7,976)
Exchange differences	179	6,275	–	6,454
As at 31 December 2020 and 1 January 2021	–	99,671	2,495	102,166
Additions	–	–	53,059	53,059
Depreciation	–	(2,968)	(3,139)	(6,107)
Exchange differences	–	2,553	638	3,191
As at 31 December 2021	**–**	**99,256**	**53,053**	**152,309**

	2021 HK$'000	2020 HK$'000
Depreciation expenses on right-of-use assets	**6,107**	7,976
Interest expense on lease liabilities (included in finance costs)	**371**	517
Expenses relating to short-term lease (included in cost of goods and services and administrative expenses)	**2,722**	17,303

Details of total cash outflow for leases is set out in Note 45(b) to the consolidated financial statements.

For both years, the Group leases various offices and a commercial premise for its operations. Lease contracts are entered into for fixed term ranged from 2 years to 10 years (2020: 3 years). 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.

In addition, the Group owns several office, hospital and commercial buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

Restrictions or covenants on leases

In addition, lease liabilities of HK$52,016,000 (2020: HK$2,534,000) are recognised with related right-of-use assets of HK$53,053,000 (2020: HK$2,495,000) as at 31 December 2021. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

19. INTERESTS IN ASSOCIATES

	2021 HK$'000	2020 HK$'000
Unlisted investments:		
Shares of net assets	–	–

At the end of the reporting period, the Group had interests in the following associates:

Name of entity	Form of business structure	Country/ place of incorporation/ registration	Principal place of operation	Class of share held	Number of shares/ paid-up capital held by the Group as at 31 December 2021	Proportion of nominal value of issued capital held by the Group 2021 %	2020 %	Proportion of voting power held 2021 %	2020 %	Principal activities
Printronics Electronics Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	2 (2020: 2)	**40**	40	**40**	40	Inactive
Jiaozuo Tongren Medical Industry Company Limited (焦作同仁醫療實業有限公司)	Incorporated	PRC	PRC	Registered	RMB13,000,000 (2020: RMB13,000,000)	**21.67**	21.67	**21.67**	21.67	Ceased business (2020: Operation of a hospital in Jiaozuo)

None of the associates is material to the Group. The following table shows, in aggregate, the Group's share of the amounts of all individually immaterial associates that are accounted for using the equity method.

	2021 HK$'000	2020 HK$'000
As at 31 December:		
Carrying amounts of interests	–	–
Year ended 31 December:		
Loss, other comprehensive income and total comprehensive income	–	–

The Group has not recognised loss for the year amounting to HK$Nil (2020: HK$2,417,000) for all associates. The accumulated losses not recognised were HK$38,773,000 (2020: HK$38,773,000).

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 HK$'000	2020 HK$'000
Financial assets designated at FVTPL:		
Club debentures	**802**	802
Analysed as:		
Current assets	–	–
Non-current assets	**802**	802
	802	802

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

21. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021	2020
	HK$'000	HK$'000
Listed debt securities	**4,682**	4,602
Analysed as:		
Current assets	**4,682**	4,602
Non-current assets	**–**	–
	4,682	4,602

The Group's debt instruments at FVTOCI represent debt securities that are issued by financial institutions and are listed in the United States of America, and carry fixed interest at 4.65% (2020: 4.65%) per annum, payable semi-annually, and will mature in September 2022 (2020: September 2022). None of these assets has been impaired at the end of the reporting period.

All listed debt securities are denominated in United States dollars ("USD").

The fair values of the listed debt securities are based on current bid prices.

Details of impairment assessment are set out in Note 43(c) to the consolidated financial statements.

22. GOODWILL

	2021	2020
	HK$'000	HK$'000
Cost		
As at 1 January	**32,931**	30,821
Exchange differences	**1,569**	2,110
As at 31 December	**34,500**	32,931
Accumulated impairment loss		
As at 1 January	**–**	–
Impairment loss recognised for the year	**34,043**	–
Exchange differences	**457**	–
As at 31 December	**34,500**	–
Carrying amount		
As at 31 December	**–**	32,931

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating unit of the Group's business of the provision of elderly care and health services on the retirement community ("CGU"), that is expected to benefit from that business combination.

In addition to goodwill, property, plant and equipment that generate cash flows together with the related goodwill are also included in the CGU for the purpose of impairment assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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22. GOODWILL *(continued)*

The recoverable amount of the CGU is determined on the basis of the value in use using discounted cash flow method as assessed by Norton Appraisals and approved by the directors. The key assumptions for the discounted cash flow method are those regarding the discount rate, growth rate and budgeted gross margin. The discount rate used is pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the CGU. Management determined the budgeted gross margin based on past performance and expectations on market development of the business model of the CGU undertakes.

The cash flow forecasts are derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 3.0% (2020: 2.7%) which is based on long-term average economic growth rate of the geographical area in which the business of the CGU operates.

The rate used to discount the forecast cash flows from the business of the provision of elderly care and health services on the retirement community is 12.92% (2020: 11.63%).

Given the unsatisfactory financial performance of the CGU for the year ended 31 December 2021, the cash flow forecasts under the valuation of CGU as at 31 December 2020, in particular, for the operation of the nursing hospital (Shanghai Deyi Hospital ("SDH")) were not achieved; anticipating that SDH requires additional time to operate at its full capacity for phase one of SDH; and due to a delay in the development of phase two of SDH, accordingly the Group has revised its cash flow forecasts for the CGU as at 31 December 2021.

The recoverable amount of the CGU is HK$103,050,000 as at 31 December 2021, which is lower than the carrying amount of the CGU. The CGU has been reduced to its recoverable amount and an impairment loss of goodwill of HK$34,043,000 (2020: HK$Nil) was recognised in the current year. As the CGU has been reduced to its recoverable amount, any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses of property, plant and equipment given full impairment of the goodwill.

23. INVENTORIES

	2021 **HK$'000**	2020 HK$'000
Medical consumables	**5,152**	6,225
Medicines	**21,523**	14,917
	26,675	21,142

24. PROPERTIES UNDER DEVELOPMENT FOR SALE AND PROPERTIES HELD FOR SALE

Properties under development for sale

	2021 **HK$'000**	2020 HK$'000
Cost		
As at 1 January	**6,324**	5,927
Exchange differences	**164**	397
As at 31 December	**6,488**	6,324
Properties under development for sales of which:		
– expected to be realised over 12 months	**6,488**	6,324

The properties under development for sale of the Group are situated in the PRC.

Properties held for sale

The Group's properties held for sale are situated in the PRC. All the properties held for sale are stated at lower of cost and net realisable values. In the opinion of the directors of the Company, properties held for sales are expected to be realised within 12 months.

During the year ended 31 December 2021, properties held for sale with a carrying amount of HK$1,232,000 were transferred to property, plant and equipment upon the change in intended use (2020: HK$Nil).

A provision for properties held for sale of HK$7,228,000 was made for the year ended 31 December 2021 (2020: HK$Nil).

Details of pledged properties held for sale are set out in Note 38 to the consolidated financial statements.

25. INVESTMENTS HELD FOR TRADING

Investments held for trading include:

	2021 **HK$'000**	2020 HK$'000
Equity securities, at fair value:		
– Listed in Australia	**1,658**	1,592
– Listed in Hong Kong	**12,065**	18,682
– Listed in Philippines	**1,068**	1,485
	14,791	21,759

The carrying amounts of the above financial assets are mandatorily measured at FVTPL in accordance with HKFRS 9.

The investments included above represent investments in listed equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate.

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25. INVESTMENTS HELD FOR TRADING *(continued)*

The carrying amounts of the Group's investments held for trading are denominated in the following currencies:

	2021 HK$'000	2020 HK$'000
Australian dollars ("AUD")	**1,658**	1,592
HK$	**12,065**	18,682
Philippine Peso	**1,068**	1,485
	14,791	21,759

The fair values of listed securities are based on current bid prices.

Details of pledged investments held for trading are set out in Note 38 to the consolidated financial statements.

26. DEBTORS, DEPOSITS AND PREPAYMENTS

	2021 HK$'000	2020 HK$'000
Trade receivables		
Debtors from securities trading	**65**	67
Debtors from financial services	**876**	876
Debtors from leasing of property	**646**	648
Trade receivables arising from hospital operation and eldercare related services operation	**149,335**	136,301
	150,922	137,892
Less: Allowance for credit losses	**(2,519)**	(10,368)
	148,403	127,524
Deposits with and receivables from the financial institutions	**418**	491
Prepayments, other debtors and deposits	**29,269**	21,044
	178,090	149,059

As at 31 December 2021 and 2020, trade receivables from contracts with customers amounted to HK$149,335,000 and HK$136,301,000 respectively.

The settlement terms of debtors from securities trading are 2-3 days after trade date and they are aged within 2-3 days as at 31 December 2021 and 2020.

The settlement terms of debtors from leasing of property are before the 16th of each month (2020: 10th of each month) and they are aged more than 365 days (2020: between 91-365 days).

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

26. DEBTORS, DEPOSITS AND PREPAYMENTS *(continued)*

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

	2021 **HK$'000**	2020 HK$'000
0 – 30 days	**113,230**	99,790
31 – 60 days	**15,251**	31,561
61 – 90 days	**4,289**	1,555
91 – 365 days	**16,370**	2,551
More than 365 days	**195**	844
	149,335	136,301

As at 31 December 2021, included in the Group's trade receivables balance are receivables with aggregate carrying amount of HK$20,854,000 (2020: HK$4,950,000) which are past due as at the reporting date. Out of the past due balances, HK$16,565,000 (2020: HK$3,395,000) has been past due 90 days or more and is not considered as in default because the receivables were related to a number of independent customers that have good repayment records with the Group.

Details of impairment assessment of debtors are set out in Note 43(c) to the consolidated financial statements.

27. LOAN RECEIVABLE

	2021 **HK$'000**	2020 HK$'000
Fixed-rate loan	**95,215**	95,215
Less: Allowance for credit losses	**(95,215)**	(26,369)
	–	68,846

The balance represents secured loan from a subsidiary of the Company (the "Subsidiary") as lender, to an independent third party corporate borrower, the shares of which are listed on the Stock Exchange (the "Borrower"). The loan is secured by (i) a debenture created by the chargor, a wholly owned subsidiary of the Borrower (the "Chargor") in favour of the Subsidiary by way of a first fixed and floating charge over all the undertaking, property and assets of the Chargor; (ii) a share mortgage in favour of the Subsidiary by way of a first fixed mortgage of the 75% of the entire issued share capital of the Chargor; (iii) an additional deed of assignment of shareholder's loan owed by another non-wholly-owned subsidiary of the Borrower and held by the Borrower; and (iv) a deed of assignment of shareholder's loan owed by Chargor and held by the Borrower. The loan receivable is interest-bearing at a range of 16% to 22.41% per annum and repayable by 11 September 2020.

Details of impairment assessment are set out in Note 43(c) to the consolidated financial statements.

As at 31 December 2021, based on the assessment of the directors of the Company, the loan receivable is not expected to be settled within the next 12 months and therefore classified as non-current asset.

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28. PLEDGED BANK DEPOSITS, RESTRICTED BANK DEPOSITS AND BANK BALANCES AND CASH

	2021 **HK$'000**	2020 HK$'000
Pledged bank deposits	**46,678**	12,670
Restricted bank deposits	**13,994**	20,469
Bank balances and cash	**576,490**	616,474
	637,162	649,613

Pledged bank deposits, restricted bank deposits, and bank balances of the Group carry interest at market rates per annum at the end of the reporting period are as follows:

	2021	2020
Pledged bank deposits	**1.3% – 1.5%**	1.5%
Restricted bank deposits	**0.30%**	0.35%
Bank balances	**0.001% – 0.25%**	0.001% – 0.15%

The carrying amounts of the Group's pledged bank deposits, restricted bank deposits, and bank balances and cash are denominated in the following currencies:

	2021 **HK$'000**	2020 HK$'000
HK$	**251,636**	276,407
USD	**21,152**	22,365
AUD	**147,634**	155,518
RMB	**216,740**	195,323
	637,162	649,613

The Group's pledged bank deposits represent deposits pledged to secure certain bills payable and borrowings of the Group as set out in Note 38 to the consolidated financial statements.

The Group's restricted bank deposits represent deposits placed in a designated bank account which could only be used in the designated property development project.

Bank balances and cash comprise cash at bank earns interest at floating rates based on daily bank deposits rates. Short-term bank deposits are placed with banks with original maturity of three months or less.

As at 31 December 2021, pledged bank deposits, restricted bank deposits and bank balances and cash of the Group in the PRC denominated in RMB amounted to HK$216,698,000 (2020: HK$195,280,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

Details of impairment assessment are set out in Note 43(c) to the consolidated financial statements.

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FOR THE YEAR ENDED 31 DECEMBER 2021

29. CREDITORS, DEPOSITS, RECEIPTS IN ADVANCE AND ACCRUED CHARGES

	2021 HK$'000	2020 HK$'000
Trade payables of hospital operation, of eldercare related services operation and to construction contractors	**169,344**	148,635
Bills payable	**61,145**	–
Accrued compensation for late delivery of properties held for sale	**6,339**	6,178
Accrued construction cost for properties under development for sale	**34,402**	33,698
Construction cost payable for hospital buildings classified as property, plant and equipment	**6,354**	6,183
Deposits and receipts in advance	**100,084**	116,208
Other payables and accrued charges	**184,477**	113,939
	562,145	424,841

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

Deposits and receipts in advance mainly represent refundable deposits from eldercare related services.

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

	2021 HK$'000	2020 HK$'000
0 – 30 days	**68,456**	53,026
31 – 60 days	**46,310**	44,587
61 – 90 days	**27,378**	18,494
91 – 365 days	**21,545**	23,643
More than one year but not exceeding two years	**2,440**	3,489
More than two years but not exceeding five years	**3,215**	5,396
	169,344	148,635

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29. CREDITORS, DEPOSITS, RECEIPTS IN ADVANCE AND ACCRUED CHARGES *(continued)*

The following is an aging analysis of bills payable denominated in RMB and presented based on the invoice date:

	2021 **HK$'000**	2020 HK$'000
91 – 365 days	**51,725**	–
More than 365 days	**9,420**	–
	61,145	–

30. LEASE LIABILITIES

	Minimum lease payments		**Present value of minimum lease payments**	
	2021 **HK$'000**	2020 HK$'000	**2021** **HK$'000**	2020 HK$'000
Within one year	**6,686**	2,573	**2,780**	2,534
More than one year but not exceeding two years	**9,985**	–	**6,301**	–
More than two years but not exceeding five years	**21,887**	–	**12,851**	–
More than five years	**36,549**	–	**30,084**	–
	75,107	2,573	**52,016**	2,534
Less: Future finance charges	**(23,091)**	(39)	**N/A**	N/A
Present value of lease obligations	**52,016**	2,534	**52,016**	2,534
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(2,780)**	(2,534)
Amount due for settlement after 12 months			**49,236**	–

The Group's weighted average incremental borrowing rates applied to lease liabilities range from 3% to 8% (2020: 3%).

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31. OTHER CONTRACT LIABILITIES

	2021 HK$'000	2020 HK$'000
Billings in advance of performance obligation – Healthcare and eldercare services	**55,152**	53,084
Analysed as:		
Current liabilities	**40,777**	34,602
Non-current liabilities	**14,375**	18,482
	55,152	53,084

Other contract liabilities relating to healthcare and eldercare services are balances of advance payment from customers before the service commences, this will give rise to contract liabilities at the start of the relevant services, until the revenue recognised and the services rendered. The Group typically receives the advance payment based on the estimated fee quote on admission of customers.

Movements in contract liabilities:

	2021 HK$'000	2020 HK$'000
As at 1 January	**53,084**	55,812
Decrease in contract liabilities as a result of recognising revenue during the year was included in the contract liabilities at the beginning of the year	**(35,032)**	(50,753)
Increase in contract liabilities as a result of receiving advance payment from customers	**35,710**	44,648
Exchange differences	**1,390**	3,377
As at 31 December	**55,152**	53,084

32. AMOUNT DUE TO AN ASSOCIATE

The amount due is unsecured, interest-free and repayable on demand.

33. BORROWINGS

The following table provides an analysis of the borrowings:

	2021 HK$'000	2020 HK$'000
Bank borrowings, secured	**210,140**	204,828
Bank borrowings, unsecured	**367,701**	445,592
Other borrowings, secured	**74,895**	106,417
Term loans, unsecured	**267,204**	214,542
	919,940	971,379

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33. BORROWINGS *(continued)*

The carrying amounts of the Group's bank and other borrowings are repayable as follows:

	2021 **HK$'000**	2020 HK$'000
Within one year	**603,533**	538,845
More than one year but not exceeding two years	**267,358**	261,207
More than two years but not exceeding five years	**49,049**	171,327
	919,940	971,379
Portion of borrowings that are due for repayment after one year but contain a repayment on demand clause (shown under current liabilities)	**–**	–
	919,940	971,379
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(603,533)**	(538,845)
Amount due for settlement after 12 months	**316,407**	432,534

As at 31 December 2021, the Group's bank and other borrowings are secured by certain assets of the Group and corporate guarantee given by the Company and certain subsidiaries of the Group. Details of pledged assets are set out in Note 38 to the consolidated financial statements.

There have been no breaches in the financial covenants of any interest-bearing borrowings for the years ended 31 December 2021 and 2020.

All borrowings are denominated in RMB.

The ranges of the interest rates per annum at the end of the reporting period are as follows:

	2021	2020
Fixed interest rate:		
– Bank borrowings	**3.85% – 5.4%**	4.35% – 5.27%
– Term loans	**7% – 8.5%**	5.65% – 8%
– Other borrowings	**10.40% – 11.36%**	10.40% – 11.36%
Variable interest rate:		
– Bank borrowings	**5.94%**	4.79% – 5.94%

Bank borrowings, other borrowings and term loans of HK$404,373,000 (2020: HK$276,521,000), HK$74,895,000 (2020: HK$106,417,000) and HK$267,204,000 (2020: HK$214,542,000) respectively are arranged at fixed interest rates and expose the Group to fair value interest rate risk. The remaining borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

The directors estimate that the carrying amounts of the Group's borrowings are not materially different from their fair value as at 31 December 2021 and 2020.

34. DEFERRED TAX LIABILITIES

The following are the deferred tax liabilities recognised and movements thereon during the current and prior years:

	Revaluation of leasehold land and buildings HK$'000	Withholding tax in respect of undistributed earnings of PRC subsidiaries HK$'000	Fair value adjustment on business combination HK$'000	Total HK$'000
As at 1 January 2020	9,136	5,600	26,414	41,150
Credit to profit or loss	–	(2,976)	(1,547)	(4,523)
Charge to properties revaluation reserve	8,142	–	–	8,142
Exchange differences	–	59	972	1,031
As at 31 December 2020 and 1 January 2021	17,278	2,683	25,839	45,800
(Credit)/charge to profit or loss	–	(1,472)	3,650	2,178
Charge to properties revaluation reserve	5,040	–	–	5,040
Exchange differences	–	50	721	771
As at 31 December 2021	**22,318**	**1,261**	**30,210**	**53,789**

As at 31 December 2021, the Group had estimated unused tax losses of HK$2,120 million (2020: HK$2,560 million) available for offset against future profits. No deferred tax asset has been recognised in respect of estimated tax losses due to the unpredictability of future profit streams. The estimated unused tax losses of HK$1,759 million (2020: HK$1,913 million) may be carried forward indefinitely. Other unused tax losses of HK$361 million (2020: HK$647 million) will expire after 5 years from the year of assessment they related to.

35. SHARE CAPITAL

	Number of shares	Carrying value HK$'000
Ordinary shares of HK$0.0005 each		
Authorised:		
As at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	600,000,000,000	300,000
Issued and fully paid:		
As at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	14,480,072,773	7,240

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35. SHARE CAPITAL *(continued)*

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes borrowings, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure by considering the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements, except for the financial covenant requirement of loan agreements with external parties.

36. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Properties revaluation reserve

	2021 **HK$'000**	2020 HK$'000
Items that will not be reclassified to profit or loss:		
As at 1 January	**79,707**	55,281
Gain on revaluation of leasehold land and buildings	**33,238**	32,568
Deferred tax liability arising on revaluation of leasehold land and buildings	**(8,147)**	(8,142)
As at 31 December	**104,798**	79,707

The properties revaluation reserve comprises the cumulative net change in the fair value of leasehold land and buildings held at the end of the reporting period and is dealt with in accordance with the accounting policy in Note 4(e) to the consolidated financial statements.

As at 31 December 2021, the balance of properties revaluation reserve included surplus of HK$5,456,000 (2020: HK$5,456,000), arising from revaluation of leasehold land and buildings on transfer of leasehold land and buildings to investment properties carried at fair value in prior years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

36. RESERVES *(continued)*

(b) Nature and purpose of reserves *(continued)*

(ii) Investment revaluation reserve

	2021 **HK$'000**	2020 HK$'000
Items that may be reclassified subsequently to profit or loss:		
As at 1 January	**1,020**	854
Net change on debt instruments at FVTOCI	**80**	166
As at 31 December	**1,100**	1,020

The investment revaluation reserve comprises the cumulative net change in the fair value of debt instruments at FVTOCI held at the end of the reporting period and is dealt with in accordance with the accounting policy in Note 4(l) to the consolidated financial statements.

(iii) Capital redemption reserve

The capital redemption reserve represents the nominal amount of share capital repurchased through the Stock Exchange and cancelled by the Company. The issued share capital was reduced by the nominal value thereof and transfer to the capital redemption reserve is made upon cancellation of the repurchased shares.

(iv) Other reserve

The other reserve represents the effect of changes in the Group's ownership interests in existing subsidiaries without losing control and is dealt with in accordance with the accounting policy in Note 4(a) to the consolidated financial statements.

(v) Translation reserve

	2021 **HK$'000**	2020 HK$'000
Items that may be reclassified subsequently to profit or loss:		
As at 1 January	**50,158**	(17,626)
Exchange gain arising from translation of foreign operations	**27,648**	67,784
As at 31 December	**77,806**	50,158

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations and is dealt with in accordance with the accounting policy set out in Note 4(d)(ii) to the consolidated financial statements.

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37. NON-CONTROLLING INTERESTS

	Share of net assets of subsidiaries HK$'000
As at 1 January 2020	5,835
Share of profit for the year	6,789
Share of other comprehensive expense for the year	2,936
Share of total comprehensive income for the year	9,725
As at 31 December 2020 and 1 January 2021	15,560
Share of profit for the year	10,026
Share of other comprehensive expense for the year	(8,927)
Share of total comprehensive income for the year	1,099
As at 31 December 2021	**16,659**

38. PLEDGE OF ASSETS

At the end of the reporting period, the following assets of the Group were pledged to banks, financial institution, securities brokers houses and finance lease provider to secure credit facilities granted to the Group:

	2021 **HK$'000**	2020 HK$'000
Investments held for trading	**14,791**	21,759
Buildings (included in property, plant and equipment)	**220,352**	175,209
Investment properties	**520,825**	502,792
Properties held for sale	**4,435**	37,545
Pledged bank deposits	**46,678**	12,670
Medical equipment	**75,214**	91,022
	882,295	840,997

39. OPERATING LEASING ARRANGEMENTS AND CAPITAL COMMITMENTS

Operating leasing arrangements

The Group as lessee

The Group regularly entered into short-term leases for medical equipment, business premises, carparks and motor vehicles. As at 31 December 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in Note 18 to the consolidated financial statements.

39. OPERATING LEASING ARRANGEMENTS AND CAPITAL COMMITMENTS *(continued)*

Operating leasing arrangements *(continued)*

The Group as lessor

Property rental income earned during the year was HK$6,195,000 (2020: HK$7,460,000). The properties held have committed tenants for a lease term ranging from one to ten years (2020: one to three years). The lessee does not have an option to purchase the property at the expiry of the lease period.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments receivable under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2021 HK$'000	2020 HK$'000
Within one year	**5,449**	7,853
In the second year	**2,770**	8,821
In the third year	**1,988**	–
In the fourth year	**1,912**	–
In the fifth year	**1,176**	–
After five years	**2,365**	–
	15,660	16,674

Capital commitments

	2021 HK$'000	2020 HK$'000
Capital expenditure contracted for at the end of reporting period but not yet incurred:		
– Property, plant and equipment	**30,692**	28,720
– Investment properties	**2,853**	25,387
	33,545	54,107

40. RETIREMENT BENEFITS SCHEMES

Hong Kong

The Group participates in defined contribution schemes which are registered under the Occupational Retirement Schemes Ordinance (the "ORSO Scheme") in 1995 and under the Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance (the "MPFSO") in December 2000. The assets of the scheme are held, separately from those of the Group, in funds under the control of independent trustees.

ORSO Scheme

The Group and employees contribute 10% (2020: 10%) and 5% (2020: 5%) of relevant payroll costs respectively to the ORSO Scheme. The maximum monthly amount of contributions is limited to HK$1,500 (2020: HK$1,500) per employee. The Group's contributions may be reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions.

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40. RETIREMENT BENEFITS SCHEMES *(continued)*

Hong Kong *(continued)*

MPF Scheme

The Group contributes 5% (2020: 5%) of relevant payroll costs to the MPF Scheme, which contributions are matched by the employees. The maximum monthly amount of contributions is limited to HK$1,500 (2020: HK$1,500) per employee. The Group has participated in a master trust MPF Scheme since December 2000 and made contributions to the MPF Scheme in accordance with the statutory requirements of the MPFSO.

PRC

Pursuant to the relevant laws and regulations in the PRC, the Company's subsidiaries in the PRC have joined defined contribution retirement schemes for the employees arranged by local municipal government labour and security authorities (the "PRC Retirement Schemes"). The subsidiaries in the PRC make contributions to the PRC Retirement Schemes at the applicable rates of 16% (2020: 16%) based on the amounts stipulated by the local municipal government organisations. Upon retirement, the local municipal government labour and security authorities are responsible for the payment of the retirement benefits to the retired employees.

During the years ended 31 December 2021 and 2020, the Group had no forfeited contributions under the ORSO Scheme, MPF Scheme and PRC Retirement Scheme and which may be used by the Group to reduce the existing level of contributions. There were also no forfeited contributions available as at 31 December 2021 and 2020 under the ORSO Scheme, MPF Scheme and PRC Retirement Scheme which may be used by the Group to reduce the contribution payable in future years.

During the year, the retirement benefits scheme contributions charged to consolidated statement of profit or loss were HK$30,464,000 (2020: HK$18,880,000).

41. RELATED PARTY TRANSACTIONS

The Group had following transactions and balance with its related parties:

(a) Transactions with related parties

	2021 **HK$'000**	2020 HK$'000
Legal and professional services fee paid to a related company (Note)	**57**	–

Note: The related company (the "Related Company") is a partnership of which a non-executive director of the Company is a partner and is considered as a related party of the Group.

(b) Balances with related parties

	2021 **HK$'000**	2020 HK$'000
Included in other payables:		
Amount due to the Related Company	**52**	512

41. RELATED PARTY TRANSACTIONS *(continued)*

(c) Compensation of key management personnel

The remuneration of directors of the Company, who are also the key management of the Group during the year are as follows:

	2021 **HK$'000**	2020 HK$'000
Salaries and other short-term employee benefits	**4,031**	4,773
Retirement benefits costs	**157**	112
	4,188	4,885

The remuneration of directors of the Company is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

As at 31 December 2021, included in accrued charges was an accrued remuneration of HK$1,098,000 (2020: HK$902,000) in relation to key management personnel which is unsecured, interest-free and settled in cash.

42. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations and to recruit and retain high calibre eligible persons and attract human resources that are valuable to the Group. Eligible participants include the full-time and part-time employees, executives, non-executive and independent non-executive director, supplier, technical supporter, adviser or consultants of the Company and the Company's subsidiaries. The Scheme became effective on 18 February 2019 and will remain in force for 10 years from that date and in the absence of determination, the period commencing from the date of acceptance and ending in accordance with the terms of Scheme or on the day immediately preceding the tenth anniversary of the offer date, whichever is earlier. The remaining life of the Scheme is 7.1 years. The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee.

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42. SHARE OPTION SCHEME *(continued)*

The exercise price of the share options is determined by the board of the Company, but may not be less than the highest of (a) the closing price of the shares of the Company (the "Shares") as stated in the Stock Exchange's daily quotation sheet on the date of grant, (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant, and (c) the nominal value of the Share when applicable.

The maximum number of shares to be granted under the Scheme shall not exceed 10% of the total number of Shares in issue on the adoption date, unless the Company seeks the approval of the shareholders of the Company for refreshing the 10% limit under the Scheme.

Besides, the maximum number of shares which may be issued upon exercise of all outstanding option must not exceed 30% of the total number of Shares from time to time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the Shares in issue at any time. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the Shares in issue at any time or with an aggregate value (based on the price of the Shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

Share options do not confer rights on the holder to dividends or to vote at shareholder's meeting.

No share options were granted by the Company nor exercised by any eligible participants during the years ended 2021 and 2020. There are no share options outstanding as at 31 December 2021 and 2020.

43. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Categories of financial instruments at 31 December

	2021	2020
	HK$'000	HK$'000
Financial assets		
Financial assets at amortised cost	**794,848**	862,966
Financial assets at FVTPL		
– Designated at FVTPL	**802**	802
– Mandatorily measured at FVTPL	**14,791**	21,759
Debt instruments at FVTOCI	**4,682**	4,602
Financial liabilities		
Financial liabilities at amortised cost	**1,448,937**	1,353,785

43. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Market risk

(i) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities in HK$ and RMB. Accordingly, the Group is not exposed to significant foreign currency risk, except for the bank deposits denominated in USD and AUD, term loans denominated in RMB and inter-company balances of certain Group entities denominated in RMB. The Group currently does not have a foreign currency hedging policy. However, the management closely monitors its foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

As HK$ is pegged to USD, the Group does not expect any significant movements in the USD/HK$ exchange rates.

As at 31 December 2021, if HK$ had weakened/strengthened by 10% against the AUD with all other variables held constant, the Group's consolidated loss after tax for the year would have been HK$14,779,000 (2020: HK$15,552,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of bank deposits denominated in AUD.

As at 31 December 2021, if HK$ had weakened/strengthened by 10% against the RMB with all other variables held constant, the Group's consolidated loss after tax for the year would have been HK$13,199,000 (2020: HK$12,834,000) higher/lower, mainly as a result of foreign exchange losses/gains on translation of term loans denominated in RMB.

(ii) Price risk

The Group is exposed to equity price risk through its investments held for trading. The Group's investments held for trading have significant concentration of price risk in Hong Kong, Philippines and Australian stock markets. Management manages the exposure by maintaining a portfolio of equity investments of the Group with different risk and return profiles.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period. For sensitivity analysis purpose, the sensitivity rate remains at 30% in the current period.

If the prices of the respective equity instruments had been 30% (2020: 30%) higher/lower and all other variables were held constant, the Group's consolidated loss after tax for the year would decrease/increase by HK$4,437,000 (2020: HK$5,652,000) as a result of the changes in fair value of held for trading investments.

(iii) Interest rate risk

The Group is exposed to fair value interest rate risk relates primarily to pledged bank deposits, restricted bank deposits, loan receivable and certain of its borrowings which bear interests at fixed interest rates.

The Group's exposure to cash flow interest rate risk relates to its bank deposits and certain of its borrowings which bear interests of variable rates that varied with the then prevailing market conditions.

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43. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Market risk *(continued)*

(iii) Interest rate risk (continued)

The Group currently does not have an interest rate hedging policy. However, the management closely monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of prime rate arising from the Group's variable interest rate instruments.

Management considers that the Group's exposure to future cash flow risk on variable-rate bank deposits as a result of the change of market interest rate is insignificant and thus variable-rate bank deposits are not included in the sensitivity analysis.

A 100 basis point change is used which represents management's assessment of the reasonably possible change in interest rates. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year.

If the interest rate of variable-rate borrowings had been 100 basis point higher/lower and all other variables were held constant, the Group's consolidated loss after tax for the year would increase/decrease by HK$1,301,000 (2020: HK$2,804,000).

(c) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group's credit risk exposures are primarily attributable to trade receivables arising from contracts with customers, other receivables and deposits, pledged/restricted bank deposits, bank balances, loan receivable and debt instruments at FVTOCI. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except for the loan receivable which is secured by the collaterals as set out in Note 27 to the consolidated financial statements.

The table below details the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amounts	
					2021	2020
			(Note (iv))		**HK$'000**	HK$'000
Debt instruments at FVTOCI						
Investments in listed bonds (Note (iii))	21	2021: Ba1-Ba2 (2020: A1)	N/A	12-month ECL	**4,682**	4,602

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

43. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Credit risk *(continued)*

The table below details the credit risk exposures of the Group's financial assets which are subject to ECL assessment: *(continued)*

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amounts 2021 HK$'000	2020 HK$'000
			(Note (iv))			
Financial assets at amortised cost						
Debtors from securities trading	26	N/A	Low risk	Lifetime ECL – not credit-impaired	**65**	67
Debtors from financial services	26	N/A	Loss (Note (i))	Lifetime ECL – credit-impaired	**876**	876
Debtors from leasing of property	26	N/A	Loss (Note (i))	Lifetime ECL – credit-impaired	**646**	648
Debtors arising from contracts with customers	26	N/A	Note (ii)	Lifetime ECL	**149,335**	136,301
Loan receivable	27	N/A	Loss (Note (i))	Lifetime ECL – credit-impaired	**95,215**	95,215
Other receivables and deposits	26	N/A	Low risk	12-month ECL	**9,283**	16,983
			Loss (Note (i))	Lifetime ECL – credit-impaired	**8,678**	–
Pledged bank deposits	28	2021: Baa2 (2020: Ba2 – Baa1)	N/A	12-month ECL	**46,678**	12,670
Restricted bank deposits	28	2021: Baa2 (2020: Ba2 – A1)	N/A	12-month ECL	**13,994**	20,469
Bank balances	28	2021: Ba1 – Aa3 (2020: Ba2 – A1)	N/A	12-month ECL	**576,490**	616,474

Notes:

(i) For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

43. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Credit risk *(continued)*

Notes: *(continued)*

(ii) For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance on lifetime ECL basis.

(iii) For the purpose of ECL assessment, the Group considers the gross principal amount and the related contractual interests of the debt instruments. As at 31 December 2021 and 2020, the gross principal amount of these debt instruments amounted to HK$4,680,000.

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

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

(i) Trade receivables arising from contracts with customers

The Group, being a provider of healthcare services to patients, has a highly diversified customer base, without any single customer contributing material revenue. However, the Group has concentrated debtor's portfolio, as majority patients will claim their medical expenses from local governments' social insurance schemes. The reimbursement from the local social insurance bureau or similar government departments normally take three months. The Group has policy in place to ensure the treatments and medicines prescribed and provided to such insured patients are in line with the respective policies and within reimbursement limits, provided fulfilling all ethics and moral responsibilities as healthcare provider. The Group also has controls to closely monitor the patients' billings and claim status to minimize the credit risk. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. The Group performs impairment assessment on trade receivables by applying simplified approach using provision matrix based on the factors as described in Note 4(z) to the consolidated financial statements.

Other than concentration of credit risk on trade receivables from top 4 customers of HK$119,515,000, 79% (2020: top 4 customers of HK$113,991,000, 83%) located in the PRC, the Group does not have any other significant concentration of credit risk on trade receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

43. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Credit risk *(continued)*

(i) Trade receivables arising from contracts with customers (continued)

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its hospital and eldercare operation. The following table provides information about the exposure to credit risk for trade receivables arising from hospital and eldercare related services operation:

	2021 HK$'000	2020 HK$'000
0 – 90 days	**132,770**	132,906
More than 90 days	**16,565**	3,395
	149,335	136,301

The estimated loss rate is 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 undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

Movement of the loss allowances for trade receivables arising from hospital and eldercare related services operation is as follows:

	2021 HK$'000	2020 HK$'000
As at 1 January	**10,368**	6,630
Net (reversals)/impairment loss recognised for the year	**(9,495)**	3,738
Exchange differences	**770**	–
As at 31 December	**1,643**	10,368

(ii) Trade receivables arising from other sources and other receivables and deposits

The management of the Group makes periodic collective assessment or individual assessment for debtors with significant balances on the recoverability of trade receivables arising from other sources and other receivables and deposits based on historical settlement records, past experience, quantitative and qualitative information that is reasonable and supportive and forward-looking information that is available without undue cost or effect.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

43. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Credit risk *(continued)*

(ii) Trade receivables arising from other sources and other receivables and deposits (continued)

The following table shows the reconciliation of loss allowances that has been recognised for trade receivables arising from other sources and other receivables and deposits:

	2021 **HK$'000**	2020 HK$'000
As at 1 January	**–**	–
Impairment loss recognised for the year	**9,554**	–
As at 31 December	**9,554**	–

(iii) Debt instruments at FVTOCI

The Group only invests in debt securities with low credit risk. The Group's debt instruments at FVTOCI mainly comprise listed bonds that are graded in the top investment grade as per globally understood definitions and therefore are considered to have low credit risk. During the year, ECL on debt instruments at FVTOCI is insignificant.

(iv) Loan receivable

The Group has a policy for assessing the impairment on loan receivable on an individual basis. The assessment includes evaluation of collectability and aging analysis of the loan receivable and on management's judgement on creditworthiness, collaterals and past collection history of each borrower.

In determining the recoverability of the loan receivable, the Group will consider the change in the credit quality of the loan receivable, if any, from the date the loan was initially granted up to the reporting date. This includes assessing the credit history of the borrower, such as past experience of financial difficulties or default in payments, and current market conditions.

The Group had concentration of credit risk on loan receivable as 100% (2020: 100%) of the loan receivable as at 31 December 2021 was due from one (2020: one) borrower.

In 2020, the Borrower did not settle the interest receivable due on 11 March 2020 amounting to HK$3,800,000. The Group has issued demand letter and final notice to the Borrower, appointed receivers for enforcement of securities of the loan, and has been in discussion with the Borrower and its joint provisional liquidators for the settlement of the total outstanding amount. The Borrower and its joint provisional liquidators had represented that they were in the process of executing certain plans for asset realisation and/or financing to settle the loan. As at 31 December 2020, based on the assessment of the directors of the Company, the loan receivable was expected to be settled after 1.5 years and therefore classified as non-current asset. Impairment allowance on outstanding loan receivable was determined by an evaluation of financial background, as well as financial condition of the Borrower, value of collaterals and the anticipated receipts of shareholder's loan. The loan receivable was discounted at an effective interest rate of 24.1% per annum and the difference between the carrying amount and the present value of estimated cash flow of HK$22,468,000 was charged to profit or loss during the year ended 31 December 2020.

43. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Credit risk *(continued)*

(iv) Loan receivable (continued)

In 2021, the directors of the Company considered that the estimated cash flow of the loan receivable and/or the realisation of the relevant collaterals is expected to be zero due to the adverse development of value of collaterals (inclusive of the anticipated receipts of the shareholder's loan held by the Borrower that are assigned to the Group). The carrying amount of the loan receivable brought forward from 2020 was fully impaired and impairment loss of HK$68,846,000 was charged to profit or loss during the year.

The following table shows the reconciliation of loss allowances that has been recognised for loan receivable:

	2021	2020
	HK$'000	HK$'000
As at 1 January	**26,369**	3,901
Impairment loss recognised for the year	**68,846**	22,468
As at 31 December	**95,215**	26,369

(v) Pledged bank deposits, restricted bank deposits and bank balances

The credit risks on pledged bank deposits, restricted banks deposits and bank balances are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. No loss allowance provision for pledged bank deposits, restricted banks deposits and bank balances was recognised as the amount is insignificant. The Group has limited exposure to any single financial institution.

(d) Liquidity risk

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity and going concern of the Group in light of the fact that the Group's current liabilities exceeded its current assets by HK$356,380,000 as at 31 December 2021 and the Group incurred a net loss of HK$127,270,000 for the year ended 31 December 2021. Taking into account the ongoing availability of finance to the Group, including the cash flows generated from its principal operations, the existing banking facilities, successful refinancing of certain bank borrowings of HK$106,500,000 and the utilisation of the Medium Term Standby Loan Facility of HK$300,000,000, of which the credit limit was increased to HK$415,000,000 subsequent to the reporting period, from a financial institution if necessary, the directors of the Company are of the opinion that the Group has sufficient working capital to meet its financial obligations as and when they fall due within the next 12 months from the end of the reporting period. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

43. FINANCIAL RISK MANAGEMENT *(continued)*

(d) Liquidity risk *(continued)*

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the Group is required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted Average interest rate	Repayable on demand	Less than 3 months	Between 3 months and one year	Between one and five years	More than five years	Total undiscounted cash flows	Carrying amount at the end of the reporting period
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2021								
Non-derivative financial liabilities								
Creditors and accrued charges	–	–	522,271	–	–	–	522,271	522,271
Amount due to an associate	–	6,726	–	–	–	–	6,726	6,726
Borrowings								
– variable rates	5.94	–	2,540	180,380	–	–	182,920	173,468
– fixed rates	3.85 – 11.36	–	71,590	357,783	375,480	–	804,853	746,472
Lease liabilities	3 – 8	–	793	5,893	31,872	36,549	75,107	52,016
		6,726	597,194	544,056	407,352	36,549	1,591,877	1,500,953
As at 31 December 2020								
Non-derivative financial liabilities								
Creditors and accrued charges	–	–	375,851	–	–	–	375,851	375,851
Amount due to an associate	–	6,555	–	–	–	–	6,555	6,555
Borrowings								
– variable rates	4.79 – 5.94	–	54,491	233,724	107,623	–	395,838	373,899
– fixed rates	4.35 – 11.36	–	92,805	173,568	410,555	–	676,928	597,480
Lease liabilities	3	–	2,573	–	–	–	2,573	2,534
		6,555	525,720	407,292	518,178	–	1,457,745	1,356,319

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(e) Fair values

Except as disclosed in Notes 16, 17 and 44 to the consolidated financial statements, management of the Group considers that the carrying amounts of the financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

44. FAIR VALUES MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair values:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

(a) Disclosures of level in fair value hierarchy as at 31 December:

Fair value measurements using:

Description	**Level 1 HK$'000**	**Level 2 HK$'000**	**Total 2021 HK$'000**
Recurring fair value measurements:			
Financial assets			
Financial assets at FVTPL			
Held for trading-listed equity securities	**14,791**	**–**	**14,791**
Club debentures	**–**	**802**	**802**
Debt instruments at FVTOCI			
Listed bonds	**4,682**	**–**	**4,682**
Total	**19,473**	**802**	**20,275**

Description	Level 1 HK$'000	Level 2 HK$'000	Total 2020 HK$'000
Recurring fair value measurements:			
Financial assets			
Financial assets at FVTPL			
Held for trading-listed equity securities	21,759	–	21,759
Club debentures	–	802	802
Debt instruments at FVTOCI			
Listed bonds	4,602	–	4,602
Total	26,361	802	27,163

There are no transfers between Level 1 and Level 2 for the both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

44. FAIR VALUES MEASUREMENTS *(continued)*

(b) Disclosure of valuation techniques and inputs used in fair value measurements as at 31 December 2021:

Financial assets in the consolidation statement of financial position	Fair value as at 31 December 2021	Fair value as at 31 December 2020	Fair value hierarchy	Valuation techniques and key inputs
1) Investments in listed equity securities classified as investments held for trading	Listed equity securities: – Hong Kong HK$12,065,000 – Overseas HK$2,726,000	Listed equity securities: – Hong Kong HK$18,682,000 – Overseas HK$3,077,000	Level 1	Quoted bid prices in active markets
2) Investments in listed bond classified as debt instruments at FVTOCI	Assets – HK$4,682,000	Assets – HK$4,602,000	Level 1	Quoted bid prices in active markets
3) Club debentures classified as financial assets at FVTPL	Assets – HK$802,000	Assets – HK$802,000	Level 2	Quoted prices in a market for identical assets

45. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 January 2021 HK$'000	Additions HK$'000	Cash flows HK$'000	Interest expenses HK$'000	Exchange differences HK$'000	31 December 2021 HK$'000
Lease liabilities	**2,534**	**53,059**	**(4,572)**	**371**	**624**	**52,016**
Borrowings	**971,379**	**–**	**(132,825)**	**57,877**	**23,509**	**919,940**
	973,913	**53,059**	**(137,397)**	**58,248**	**24,133**	**971,956**

	1 January 2020 HK$'000	Impact on initial application of HKFRS 16 HK$'000	Restated balance as at 1 January 2020 HK$'000	Cash flows HK$'000	Interest expenses HK$'000	Exchange differences HK$'000	31 December 2020 HK$'000
Lease liabilities	–	10,621	10,621	(8,966)	517	362	2,534
Obligations under finance leases	5,405	(5,405)	–	–	–	–	–
Borrowings	793,363	–	793,363	68,530	49,405	60,081	971,379
	798,768	5,216	803,984	59,564	49,922	60,443	973,913

45. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(b) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	2021 HK$'000	2020 HK$'000
Within operating cash flows	**3,093**	17,820
Within financing cash flows	**4,201**	8,449
	7,294	26,269

These amounts relate to the following:

	2021 HK$'000	2020 HK$'000
Lease rental paid	**7,294**	26,269

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Country/ place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Proportion of ownership interest/ voting power/ profit sharing 31 December 2021	Proportion of ownership interest/ voting power/ profit sharing 31 December 2020	Principal activities
Directly held by the Company					
Lianyungang Jiatai Construction Co., Ltd.* (連雲港嘉泰建設工程有限公司) ("Jiatai Construction")	PRC	Registered US$116,790,000	**100%**	100%	Investment holding
Indirectly held by the Company					
Forepower Limited	British Virgin Islands ("BVI")	Ordinary US$1	**100%**	100%	Property investment in Hong Kong
Focus Clear Limited	BVI	Ordinary US$1	**100%**	100%	Securities trading and investment in Hong Kong
Fortune Team Investment Limited	Hong Kong	Ordinary US$1	**100%**	100%	Money lending
Future Rise Investments Limited	BVI	Ordinary US$1	**100%**	100%	Trading of securities listed in overseas exchange
Genwo Limited	Hong Kong	Ordinary HK$200,000	**100%**	100%	Property investment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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46. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries at the end of the reporting period are as follows: *(continued)*

Name of subsidiary	Country/ place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Proportion of ownership interest/ voting power/ profit sharing		Principal activities
			31 December 2021	31 December 2020	
Indirectly held by the Company *(continued)*					
Honest Opportunity Limited	BVI	Ordinary US$1	**100%**	100%	Securities trading and investment in Hong Kong and overseas
Join Capital Limited	Hong Kong	Ordinary HK$2	**100%**	100%	Investment holding
Kintic Limited	Hong Kong	Ordinary HK$2	**100%**	100%	Property investment
Sparkling Summer Limited	BVI	Ordinary US$6,500,000	**100%**	100%	Securities trading in Hong Kong
Star Telecom Properties Limited	Hong Kong	Ordinary HK$200	**100%**	100%	Investment and property holding
Widerich Limited	Hong Kong	Ordinary HK$2	**100%**	100%	Property investment
Nanjing Tongren Industrial Co., Ltd.** (南京同仁實業有限公司) ("Nanjing Tongren Industrial")	PRC	Registered RMB80,000,000	**80%#**	80%#	Property development
Nanjing Tongren Hospital Co., Ltd.** (南京同仁醫院有限公司) ("Nanjing Tongren Hospital")	PRC	Registered RMB50,000,000	**80%#**	80%#	Operation of a hospital in Nanjing
Kunming Tongren Industrial Development Co., Ltd.** (昆明同仁實業開發有限公司) ("Kunming Tongren Industrial")	PRC	Registered RMB80,000,000	**100%#**	100%#	Property development
Kunming Tongren Hospital Co., Ltd.** (昆明同仁醫院有限公司) ("Kunming Tongren Hospital")	PRC	Registered RMB80,000,000	**100%#**	100%#	Operation of a hospital in Kunming
Aveo China (Holdings) Limited ("Aveo China")	BVI	Ordinary US$4,000	**100%**	100%	Investment holding
Tide Properties Development (Shanghai) Co., Ltd.** (德地置業發展(上海)有限公司) ("Tide Properties")	PRC	Registered RMB388,000,000	**100%##**	100%##	Property development and property investment for eldercare operation
Shanghai Tide Healthcare Management Co., Ltd.** (上海德地健康管理有限公司) ("Tide Healthcare")	PRC	Registered RMB2,000,000	**100%##**	100%##	Elderly house operation and provision of healthcare services

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries at the end of the reporting period are as follows: *(continued)*

Name of subsidiary	Country/ place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Proportion of ownership interest/ voting power/ profit sharing		Principal activities
			31 December 2021	31 December 2020	
Indirectly held by the Company *(continued)*					
Shanghai Tide Nursing Hospital Co., Ltd.** (上海德頤護理院有限公司) ("Tide Nursing Hospital")	PRC	Registered RMB100,000	**100%##**	100%##	Provision of healthcare services
Nanjing Banmi Cosmetic & Plastic Surgery Clinic Co., Ltd** (南京博安美醫療美容診所有限公司) ("Nanjing Banmi")	PRC	Registered RMB3,000,000	**65%#**	65%#	Provision of healthcare services

* Wholly foreign-owned enterprise.

** Domestic owned enterprise.

These companies are held indirectly by Jiatai Construction. The Company has effective interests of 80%, 80%, 100%, 100% and 65% in Nanjing Tongren Industrial, Nanjing Tongren Hospital, Kunming Tongren Industrial, Kunming Tongren Hospital and Nanjing Banmi respectively as at 31 December 2021 and 2020.

Tide Properties, Tide Healthcare and Tide Nursing Hospital are held indirectly by Aveo China. The Company has effective interests of 100%, 100% and 100% in Tide Properties, Tide Nursing Hospital and Tide Healthcare respectively as at 31 December 2021 and 2020.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results, assets or liabilities 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.

All subsidiaries operate principally in their places of incorporation unless specified otherwise under "Principal activities".

None of the subsidiaries had any debts securities subsisting as at 31 December 2021 and 2020 or at any time during the respective years.

At the end of the reporting period the Company has other subsidiaries that are not material to the Group. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries	
		2021	2020
Securities trading and investments	Hong Kong	**–**	2
Property development	PRC	**1**	1
Investing holding	Hong Kong/PRC/BVI	**50**	47
		51	50

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

47. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2021 HK$'000	2020 HK$'000
Non-current asset		
Interests in subsidiaries	**1,018,603**	1,018,603
Current assets		
Debtors and prepayments	**2,612**	4,940
Amounts due from subsidiaries	**140**	1,353,964
Bank balances and cash	**415,843**	450,169
	418,595	1,809,073
Current liabilities		
Creditors and accrued charges	**5,297**	7,594
Amounts due to subsidiaries	**434,516**	1,353,766
	439,813	1,361,360
Net current (liabilities)/assets	**(21,218)**	447,713
Total assets less current liabilities	**997,385**	1,466,316
Capital and reserves		
Share capital (Note 35)	**7,240**	7,240
Reserves (Note)	**990,145**	1,459,076
Total equity	**997,385**	1,466,316

Note: As at 31 December 2021, reserves of the Company included share premium of HK$2,621,374,000 (2020: HK$2,621,374,000), capital redemption reserve of HK$2,496,000 (2020: HK$2,496,000) and accumulated losses of HK$1,633,725,000 (2020: HK$1,164,794,000). Movements of the Company's share capital, share premium and capital redemption reserve are disclosed in the consolidated statement of changes in equity. The movements of the Company's accumulated losses is attributable to loss for the respective financial year.

48. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

FINANCIAL SUMMARY

The results and the assets and liabilities of the Group for the past five financial years, as extracted from the Group's published audited consolidated financial statements and reclassified as appropriate, are set out below:

RESULTS

	For the year ended 30 June		For the period from 1 July 2018 to 31 December	For the year ended 31 December	
	2017 HK$'000	2018 HK$'000	2019 HK$'000	2020 HK$'000	**2021** **HK$'000**
Revenue	1,284,342	1,100,641	1,841,346	1,194,148	**1,463,495**
Gross proceeds from sale of investments held for trading	547,852	1,217,518	200,744	3,248	**2,184**
	1,832,194	2,318,159	2,042,090	1,197,396	**1,465,679**
Loss before taxation	(16,133)	(133,449)	(28,811)	(96,562)	**(110,468)**
Income tax (expense)/credit	(65,371)	(14,379)	38,611	(8,577)	**(16,802)**
(Loss)/profit for the year/period	(81,504)	(147,828)	9,800	(105,139)	**(127,270)**
Attributable to:					
Owners of the Company	(71,813)	(137,110)	2,176	(111,928)	**(137,296)**
Non-controlling interests	(9,691)	(10,718)	7,624	6,789	**10,026**
	(81,504)	(147,828)	9,800	(105,139)	**(127,270)**

ASSETS AND LIABILITIES

	As at 30 June		As at 31 December		
	2017 HK$'000	2018 HK$'000	2019 HK$'000	2020 HK$'000	**2021** **HK$'000**
Total assets	4,726,246	3,493,130	3,303,009	3,425,174	**3,489,538**
Total liabilities	(2,684,218)	(1,674,289)	(1,492,548)	(1,624,540)	**(1,772,282)**
	2,042,028	1,818,841	1,810,461	1,800,634	**1,717,256**
Equity attributable to owners of the Company	1,957,412	1,796,615	1,804,626	1,785,074	**1,700,597**
Non-controlling interests	84,616	22,226	5,835	15,560	**16,659**
	2,042,028	1,818,841	1,810,461	1,800,634	**1,717,256**

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