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China Medical & HealthCare Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 383)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

The board of directors (the “Directors” and the “Board” respectively) of China Medical & HealthCare Group Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2022 together with the comparative figures for the year ended 31 December 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2022

	<i>Notes</i>	2022 HK\$'000	2021 HK\$'000
Revenue	3	1,437,863	1,463,495
Gross proceeds from sales of investments held for trading		—	2,184
Total		<u>1,437,863</u>	<u>1,465,679</u>
Revenue	3		
Goods and services from contracts with customers		1,430,289	1,457,285
Rental		7,552	6,195
Others		22	15
		<u>1,437,863</u>	1,463,495
Cost of goods and services		<u>(1,172,307)</u>	<u>(1,196,037)</u>

	<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Gross profit		265,556	267,458
Other gains and losses, and other income	5	(64,460)	(60,204)
Selling and distribution costs		(4,036)	(2,667)
Administrative expenses		(255,214)	(222,764)
Impairment loss of goodwill		—	(34,043)
		<hr/>	<hr/>
Loss from operations		(58,154)	(52,220)
Finance costs	6	(59,015)	(58,248)
		<hr/>	<hr/>
Loss before taxation		(117,169)	(110,468)
Income tax expense	7	(1,976)	(16,802)
		<hr/>	<hr/>
Loss for the year	8	(119,145)	(127,270)
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
Owners of the Company	10	(123,574)	(137,296)
Non-controlling interests		4,429	10,026
		<hr/>	<hr/>
		(119,145)	(127,270)
		<hr/> <hr/>	<hr/> <hr/>
Loss per share	10		
			(Restated)
Basic		HK(17.07) cents	HK(18.96) cents
		<hr/> <hr/>	<hr/> <hr/>
Diluted		N/A	N/A
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss for the year	<u>(119,145)</u>	<u>(127,270)</u>
Other comprehensive income:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Net change on debt instruments at fair value through other comprehensive income (“FVTOCI”)	(2)	80
Revaluation reserve of financial assets at FVTOCI reclassified to profit or loss upon redemption	(1,098)	—
Exchange differences on translating foreign operations	<u>(78,255)</u>	<u>28,041</u>
	<u>(79,355)</u>	<u>28,121</u>
<i>Items that will not be reclassified to profit or loss:</i>		
Gain on revaluation of leasehold land and buildings included in property, plant and equipment	80,148	20,811
Deferred tax arising from revaluation of leasehold land and buildings included in property, plant and equipment	<u>(20,045)</u>	<u>(5,040)</u>
	<u>60,103</u>	<u>15,771</u>
Other comprehensive income for the year, net of tax	<u>(19,252)</u>	<u>43,892</u>
Total comprehensive income for the year	<u><u>(138,397)</u></u>	<u><u>(83,378)</u></u>
Attributable to:		
Owners of the Company	(145,655)	(84,477)
Non-controlling interests	<u>7,258</u>	<u>1,099</u>
	<u><u>(138,397)</u></u>	<u><u>(83,378)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets			
Investment properties		557,089	806,445
Property, plant and equipment		1,480,940	1,541,800
Right-of-use assets		130,156	152,309
Loan receivable		—	—
Interests in associates		—	—
Financial assets at fair value through profit or loss		802	802
Goodwill		—	—
Deposits for acquisition of property, plant and equipment		30,114	6,087
		2,199,101	2,507,443
Current assets			
Inventories		35,313	26,675
Properties under development for sale		185,606	6,488
Properties held for sale		91,688	114,207
Debt instruments at FVTOCI		—	4,682
Investments held for trading		12,089	14,791
Debtors, deposits and prepayments	<i>11</i>	94,654	178,090
Pledged bank deposits		24,319	46,678
Restricted bank deposits		714	13,994
Bank balances and cash		589,050	576,490
		1,033,433	982,095

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current liabilities			
Creditors, deposits, receipts in advance and accrued charges	12	419,705	562,145
Deposits received on sales of properties		1,757	1,910
Contract liabilities		40,744	40,777
Amount due to an associate		6,178	6,726
Borrowings		544,816	603,533
Lease liabilities		5,979	2,780
Current tax liabilities		111,539	120,604
		1,130,718	1,338,475
Net current liabilities		(97,285)	(356,380)
Total assets less current liabilities		2,101,816	2,151,063
Non-current liabilities			
Other payables		12,689	—
Contract liabilities		10,276	14,375
Borrowings		388,787	316,407
Lease liabilities		39,439	49,236
Deferred tax liabilities		71,766	53,789
		522,957	433,807
Net assets		1,578,859	1,717,256
Capital and reserves			
Equity attributable to owners of the Company			
Share capital		7,240	7,240
Reserves		1,547,702	1,693,357
		1,554,942	1,700,597
Non-controlling interests		23,917	16,659
Total equity		1,578,859	1,717,256

1. BASIS OF PREPARATION

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

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).

The Group incurred a net loss of HK\$119,145,000 during the year ended 31 December 2022 and, as of 31 December 2022, the Group’s current liabilities exceeded its current assets by HK\$97,285,000. 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 2022. 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\$33,700,000 subsequent to the reporting period and the utilisation of the medium term standby loan facility (“Medium Term Standby Loan Facility”) of HK\$415,000,000 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 Group generated positive cash flows from operations in the current and prior year, 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.

2. ADOPTION OF NEW AND REVISED HKFRSs

(a) Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Annual Improvements Project	Annual Improvements to HKFRS Standards 2018–2020

The Group did not change its accounting policies or make retrospective adjustments as a result of adopting the abovementioned amended standards or annual improvements.

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

The Group has not applied any new standard, amendments to standards and interpretation that have been issued but are not yet effective for the financial year beginning on 1 January 2022. These amendments to standards and interpretation include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 and HKFRS Practice Statement 2 — Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 — Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 — Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to HKAS 1 — Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 — Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16 — Lease Liability in a Sales and Leaseback	1 January 2024
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA

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

3. REVENUE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from contracts with customers		
Hospital fees and charges	1,382,134	1,372,032
Eldercare related services and sales of nutritions	36,194	39,011
Sales of properties	11,961	46,242
	<u>1,430,289</u>	<u>1,457,285</u>
Revenue from other sources		
Rental income	7,552	6,195
Dividend income from listed investments	22	15
	<u>7,574</u>	<u>6,210</u>
	<u><u>1,437,863</u></u>	<u><u>1,463,495</u></u>

4. SEGMENT INFORMATION

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

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

During the year ended 31 December 2022, the CODM has identified the following six operating and reportable segments under HKFRS 8 Operating Segments. No operating segments have been aggregated to form the following reportable segments.

Healthcare — operations of hospitals in the People’s Republic of China, except Hong Kong (the “PRC”).

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

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

Property investment — leasing of residential and office properties.

Financial services — provision of loan financial services.

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

Segment revenue and results

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

For the year ended 31 December 2022

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

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	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,184</u>	<u>2,184</u>
Revenue	<u>1,372,032</u>	<u>79,889</u>	<u>6,803</u>	<u>4,756</u>	<u>—</u>	<u>15</u>	<u>1,463,495</u>
Segment profit/(loss)	<u>59,573</u>	<u>(72,135)</u>	<u>439</u>	<u>6,296</u>	<u>(75,000)</u>	<u>(4,506)</u>	<u>(85,333)</u>
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							<u>(110,468)</u>

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

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

5. OTHER GAINS AND LOSSES, AND OTHER INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss on fair value of investments held for trading	(2,702)	(4,784)
Fair value changes on investment properties	(23,946)	2,290
Net foreign exchange loss	(15,652)	(6,010)
Impairment loss under expected credit losses model	(34,711)	(68,905)
Net (loss)/gain on disposal of property, plant and equipment	(470)	19
Provision for properties under development for sale	(5,000)	—
Provision for properties held for sale	(6,856)	(7,228)
Government subsidies (Note)	5,521	575
Interest income from:		
— Debt instruments at FVTOCI	152	217
— Bank deposits	3,806	1,206
Sale of vision-aid products	5,326	2,747
Clinical training services	4,058	3,544
Subcontracting income from car parking spaces and canteen	653	820
Rental income from shopping and other areas of the hospitals	1,413	657
Forfeiture of customers' deposits and claims from suppliers	22	7,698
Other sundry income	3,926	6,950
	<u>(64,460)</u>	<u>(60,204)</u>

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 in the PRC with no special and unfulfilled conditions attached.

6. FINANCE COSTS

The finance costs represent interest as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on:		
Bank and other borrowings	55,298	57,877
Lease liabilities	3,717	371
	<u>59,015</u>	<u>58,248</u>

7. INCOME TAX EXPENSE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax		
Corporate Income Tax ("CIT") in the PRC	916	9,064
Land Appreciation Tax ("LAT") in the PRC	547	4,401
Under-provision in prior years	—	1,159
	<u>1,463</u>	<u>14,624</u>
Deferred tax		
Origination and reversal of temporary differences	513	2,178
	<u>1,976</u>	<u>16,802</u>

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

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

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.

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.

8. LOSS FOR THE YEAR

Loss for the year is stated after charging the following:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Auditor's remuneration		
Current	2,413	2,544
Over-provision in prior years	—	(788)
	2,413	1,756
Depreciation of property, plant and equipment	94,290	98,422
Depreciation of right-of-use assets	10,403	6,107
Employee benefits expense, inclusive of directors' emoluments	518,443	502,302
Direct operating expenses of investment properties that generated rental income	823	502
Direct operating expenses of investment properties that did not generate rental income	305	545
Cost of inventories sold and properties held for sale recognised as an expense (included in cost of goods and services)	<u>547,542</u>	<u>591,037</u>

9. DIVIDENDS

The Board of Directors of the Company does not recommend any dividend in respect of the years ended 31 December 2022 and 2021.

10. 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss		
Loss for the purpose of calculating basic loss per share for the year attributable to owners of the Company	<u>(123,574)</u>	<u>(137,296)</u>
	2022	2021 (Restated)
Number of shares		
Weighted average number of ordinary shares for the purposes of calculating basic loss per share	<u>724,003,638</u>	<u>724,003,638</u>

The calculation of the basic loss per share was based on the loss for the year attributable to owners of the Company of HK\$123,574,000 (2021: HK\$137,296,000), and the weighted average number of 724,003,638 ordinary shares (2021 (restated): 724,003,638 ordinary shares) which has been adjusted to reflect the effect of the share consolidation (i.e. every twenty issued and unissued ordinary shares of HK\$0.0005 each in the share capital of the Company were consolidated into one ordinary share of HK\$0.01 each in the share capital of the Company which became effective on 24 February 2023).

No diluted loss per share has been presented as there were no potential dilutive shares outstanding for the years ended 31 December 2022 and 2021.

11. DEBTORS, DEPOSITS AND PREPAYMENTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables		
Debtors from securities trading	—	65
Debtors from financial services	876	876
Debtors from leasing of property	675	646
Trade receivables arising from hospital operation and eldercare related services operation	<u>76,452</u>	<u>149,335</u>
	78,003	150,922
Less: Allowance for credit losses	<u>(5,867)</u>	<u>(2,519)</u>
	72,136	148,403
Deposits with and receivables from the financial institutions	316	418
Prepayments, other debtors and deposits	<u>22,202</u>	<u>29,269</u>
	<u>94,654</u>	<u>178,090</u>

As at 31 December 2022 and 2021, trade receivables from contracts with customers amounted to HK\$76,452,000 and HK\$149,335,000 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 2022 and 2021.

The settlement terms of debtors from leasing of property are before the 16th of each month (2021: 16th of each month) and they are aged more than 90 days (2021: 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.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0–30 days	48,115	113,230
31–60 days	11,806	15,251
61–90 days	2,557	4,289
91–365 days	10,120	16,370
More than 365 days	3,854	195
	<u>76,452</u>	<u>149,335</u>

As at 31 December 2022, included in the Group’s trade receivables balance are receivables with aggregate carrying amount of HK\$16,531,000 (2021: HK\$20,854,000) which are past due as at the reporting date. Out of the past due balances, HK\$13,974,000 (2021: HK\$16,565,000) 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.

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

12. CREDITORS, DEPOSITS, RECEIPTS IN ADVANCE AND ACCRUED CHARGES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables of hospital operations, of eldercare related services operation and to construction contractors	146,508	169,344
Bills payable	13,480	61,145
Accrued compensation for late delivery of properties held for sale	5,822	6,339
Accrued construction cost for properties under development for sale and properties held for sale	29,802	34,402
Construction cost payable for hospital buildings classified as property, plant and equipment	10,345	6,354
Deposits and receipts in advance	86,026	100,084
Other payables and accrued charges	127,722	184,477
	<u>419,705</u>	<u>562,145</u>

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:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
0–30 days	68,420	68,456
31–60 days	34,035	46,310
61–90 days	19,564	27,378
91–365 days	16,684	21,545
More than one year but not exceeding two years	3,889	2,440
More than two years but not exceeding five years	3,916	3,215
	<u>146,508</u>	<u>169,344</u>

The following is an aging analysis of bills payable denominated in RMB and presented based on the invoice date:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
31–60 days	13,480	—
91–365 days	—	51,725
More than 365 days	—	9,420
	<u>13,480</u>	<u>61,145</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the year ended 31 December 2022, the Group recorded a total revenue of HK\$1,437,863,000 (2021: HK\$1,465,679,000) representing an approximately 1.9% decrease as compared with the total revenue for the year ended 31 December 2021 (“FY2021”) and a loss attributable to owners of the Company of HK\$123,574,000 (2021: HK\$137,296,000) representing (a) an approximately 10.0% decrease as compared with the loss attributable to owners of the Company for FY2021; but (b) an approximately 80.5% increase (“Increase”) as compared with the loss attributable to owners of the Company for FY2021 excluding the one-off non-recurring item of impairment loss on loan receivable (2021: HK\$68,846,000).

Such Increase in loss attributable to owners of the Company was mainly due to (i) the decrease in revenue from operations of the Eldercare Division as disrupted by the partial lockdown and social restriction arising from the resurgence of the COVID-19 pandemic in Shanghai; (ii) the pre-operation expenses of Cedar Care Polyclinic in Nanjing (“NCCC”) newly opened in October 2022; (iii) the increase in employee benefit expenses of the Healthcare Division after revision of base salaries for social insurance contribution; (iv) the increase in impairment loss under expected credit losses model (excluding loan receivable); (v) the loss on fair value changes on investment properties; (vi) the provision for properties under development for sale and properties held for sale; (vii) the written-off of property, plant and equipment; and (viii) the increase in repair and maintenance charge of the Healthcare Division which were partially off-set by (ix) no impairment loss of goodwill.

Loss per share (basic) for the year ended 31 December 2022 was HK17.07 cents (2021 (restated): HK18.96 cents) which has been adjusted to reflect the effect of share consolidation effective on 24 February 2023.

The Group’s net asset value per share as at 31 December 2022 amounted to HK\$2.15 (2021 (restated): HK\$2.35) which has been adjusted to reflect the effect of share consolidation effective on 24 February 2023.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend (2021: nil) for the year ended 31 December 2022.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company (the “AGM”) is scheduled to be held on Thursday, 1 June 2023. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 29 May 2023 to Thursday, 1 June 2023, 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 and transfer office in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration, no later than 4:30 p.m. on Thursday, 25 May 2023.

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:

During the year 2022, the operating environment of the Group has been adversely impacted by the partial lockdown and social restriction arising from the resurgence of the COVID-19 pandemic in Nanjing, the People’s Republic of China (the “PRC”), the consequential epidemic preventive measures, and the impacts from the reform of the national healthcare policies and medical insurance policies in particular the relevant medical insurance payment and settlement policies. 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), achieved a revenue of HK\$1,382,134,000 (2021: HK\$1,372,032,000) and a reduced profit of HK\$12,828,000 (2021: HK\$59,573,000) inclusive of increase in impairment loss under expected credit losses model of trade receivables of HK\$34,493,000 (2021: reversal of impairment loss of HK\$9,182,000). Without interest, tax, depreciation and amortisation, the Healthcare Division generated an EBITDA, being earnings before interest, tax, depreciation and amortisation, of HK\$143,774,000 (2021: HK\$195,569,000) for the year ended 31 December 2022.

Nanjing hospital of the Healthcare Division (“NJH”):

For NJH, a Class III integrated hospital located in Jiangning Development Zone, Nanjing City, Jiangsu Province, the 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), 6 municipal key medical specialties (ENT, head and neck surgery, ophthalmology, neurology, medical imaging, anesthesiology and clinical laboratory) as well as the approved Nanjing Tongren’s ENT Hospital, Nanjing Tongren Internet Hospital and Nanjing Tongren Children’s Hospital.

During the year under review:

- (i) for epidemic prevention and control: in accordance with the unified plan of the Health Committee of the local district, NJH conducted nucleic acid tests for over 22,400 people from March 2022 to December 2022. NJH was also responsible for the COVID-19 vaccination and healthcare services for multiple community healthcare centers in Hengxi (橫溪), Taowu (陶吳) and Guli (谷里) in Jiangning District. In order to optimise the human resources and complete emergency deployment, NJH merged 12 wards for the admission of COVID-19 patients with daily out-patient admission for fever cases exceeded 1,000 visits. The epidemic in Nanjing gradually peaked in December 2022;
- (ii) for application of integrated hospital accreditation: NJH had successfully passed the Class III B assessment and will prepare for the next round of accreditation application;
- (iii) for scientific research development: NJH established a ENT, head and neck surgery laboratory for Professor Gong Shusheng, a nationally renowned otology expert, with Professor Zhang Xiaoliang from Zhongda Hospital, Southeast University, officially joined its nephrology department, which enhanced the influence and coverage of NJH's medical specialty. Besides, NJH joined the 12th Nanjing Priority Medical Specialty Declaration (第十二屆醫學重點專科申報工作) and its medical laboratory department was recognised as a key medical specialty in Nanjing. Furthermore, the department of stomatology was successfully admitted as a base cultivation center in Nanjing while the department of medical laboratory completed the re-evaluation of ISO15189. In addition, NJH passed the preliminary review of the 5th Grade National Electronic Medical Record in Jiangsu Province (江蘇省國家電子病歷五級) in 2022, being the only private hospital in Jiangsu Province to pass such assessment. NJH was recognised as an elderly-friendly hospital in Jiangsu Province; and
- (iv) for marketing and public relation: the committee of the Communist Youth League of NJH won the honorary title of “Nanjing May 4th Red Flag Committee” (南京市五四紅旗團委). NJH was included in the list of “Top 50 of the Best Brand Marketing Private Medical Institutions” (最佳品牌營銷民營醫療機構50強). Besides, NJH actively pursued the construction of an integrated healthcare system that consists of community medical service centers, community healthcare stations, elderly homes, out-patient clinics and private hospitals, in order to establish an integrated healthcare and treatment model featuring “initial diagnosis in grass-root level, two-way referral, separate treatment of acute and chronic diseases” and achieve mutual recognition of diagnosis results within the integrated healthcare system improving medical services offered. NJH had successively entered into agreements with Jiangqiao Hospital of Integrated Traditional Chinese and Western Medicine (江橋中西醫結合醫院), Qiande Hospital (乾德醫院), Yuecheng Hospital of Traditional Chinese (悅成中醫院) and Danxi Hospital of Traditional Chinese (丹溪中醫院), incorporating them as the branches of the approved hypertension center of the hospital. NJH went deep into the community and enterprises to conduct healthcare lectures, free medical consultations, first-aid training, etc. and completed 19 various public welfare activities during the year. Through such charity events, NJH strengthened its communication with the surrounding community, enterprises and others units, and established a public welfare image.

Kunming hospital of the Healthcare Division (“KMH”):

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

During the year under review:

- (i) for specialty and department development: KMH completed the construction of three major centers and the emergency network system after the acceptance inspection of the trauma centers, enhancing KMH’s capabilities of comprehensive treatment for myocardial infarction, cerebral infarction and trauma patients. Besides, KMH completed the initial assessment for the approved hypertension center and the official online assessment meeting, and was officially recognised as a national approved hypertension center. As such, driven by the chest pain center under national standard, KMH formed the atrial fibrillation center, heart failure center and approved hypertension center, forming the foundation of the heart center. In addition, KMH launched night clinic since June 2022 and become the first “credit-based” (信用就醫) hospital in the province, implementing “treat first and pay later” (先治後付) mode. KMH further improved its service quality and coverage, optimised its medical resources distribution and clinical processes. Furthermore, KMH organised the pre-declaration work for “Kunming Spring City Industrial Mentors” (昆明市春城產業導師) and the declaration of talent cultivation projects in the resort district;
- (ii) for application of integrated hospital accreditation: On-site assessment was carried out in July 2022. Experts conducted comprehensive evaluation of KMH through interviews, questionnaire, data inspection and on-site drill who provided many ideas and recommendations for the future development and operations of KMH. KMH had successfully passed the Class III A assessment;
- (iii) for marketing and public relation: KMH launched “Medical and Elderly Home Integration” (醫養結合), an elderly healthcare project, and regularly visited Hongqi Elderly Home (紅旗養老院), Shulin Elderly Home (書林養老院), Baishou Elderly Home (柏壽養老院) and other collaborators and provide healthcare guidance. Through these elderly healthcare services, KMH fulfilled the social responsibility and improved its popularity and reputation. KMH also entered into letters of intent for cooperation with four insurance companies such as Ping An Annuity Insurance and China Taiping General Insurance to start the cooperation practice of in-depth integration of commercial insurance and healthcare; and

- (iv) for the development of KMH Phase II: in July 2022, the Company announced that after a tendering and selection process, KMH entered into the construction agreement with the main contractor for the construction of the KMH Phase II, which includes, among others, the integrated inpatient building (綜合住院樓), thyroid centre (甲狀腺中心) and the rehabilitation medical building (康復醫學樓) at the consideration of RMB225.9 million.

NCCC:

NCCC, the high-end integrated clinic situated at the prime commercial building in central business district of Hexi, Nanjing, commenced operation in October 2022 and offered a wide range of healthcare services, such as general practice, ophthalmology, otorhinolaryngology, stomatology and medical aesthetic.

For the year under review, the Healthcare Division achieved an increase in business volume with NJH recorded a total of 2,961,246 out-patients visits (2021: 1,180,171), 27,963 in-patient admissions (2021: 27,154) and 58,643 body-checks (2021: 62,612), KMH recorded a total of 358,445 out-patients visits (2021: 299,951), 16,839 in-patient admissions (2021: 15,917) and 91,581 body-checks (2021: 70,810) and NCCC recorded a total of 1,813 out-patients visits (2021: nil). As at 31 December 2022, NJH operated with 403 doctors (2021: 402), 525 nurses (2021: 532) and 1,144 beds (2021: 1,015), KMH operated with 267 doctors (2021: 266), 401 nurses (2021: 387) and 500 beds (2021: 475) and NCCC operated with 41 doctors (2021: nil) and 16 nurses (2021: nil).

Eldercare Division:

For the year ended 31 December 2022, the Group's Eldercare Operations, operated through its wholly-owned subsidiary, Aveo China (Holdings) Limited, recorded a decreased revenue of HK\$49,787,000 (2021: HK\$79,889,000) and a decreased loss of HK\$51,169,000 (2021: HK\$72,135,000) inclusive of a loss on fair value changes on investment properties of HK\$11,318,000 (2021: HK\$1,404,000) and a provision for properties held for sale of HK\$5,694,000 (2021: HK\$7,228,000) which were partially off-set by no impairment loss of goodwill (2021: HK\$34,043,000). The operations of the Division were affected by the negative impacts of the COVID-19 epidemic in Shanghai, the PRC, the consequential restrictive regulations and measures on elders community village and the increasingly tightened regulation and control in elders real estate market in the PRC.

As of 31 December 2022, Tide Health Campus (天地健康城) of the Eldercare Division located in Zhu Jia Jiao County, Qingpu District, Shanghai, the PRC, a retirement community village that integrates community eldercare, institutional eldercare, home eldercare and eldercare nursing hospital (Shanghai Deyi Hospital, "SDH"), sold 856 Independent Living Units ("ILU"s) out of a total inventory of 868 ILUs and among which 2 ILUs (net) (2021: 14) were recorded as sales in the year under review with more than 347 residents (2021: 346) moved into the retirement community village. In addition, the Division's service apartments ("SA(s)") consist of two 11-storey buildings with the construction and renovation of the first building and the second building completed in November 2016 and May 2020 respectively, offering a total of 210 SAs (2021: 210) for lease. As at 31 December 2022, the Division leased out 57 SAs (2021: 59).

During the year under review:

- i) for community village operations: due to the continuous impact of the epidemic, the community activities were carried out in a limited extent, causing some elderly people to move out of the community village. At the same time, in accordance with the regulatory requirements of Ministry of Civil Affairs, nursing homes were under semi-closed management, group activities were suspended, which further affected the Division's operating performance. During the year, the Division mitigated pressure on the operation by integrating services and implementing strict cost control; and
- ii) for SDH's operation: the performance of in-patient and out-patient had yet to recover to the level before the epidemic. Despite the difficulties in operation, SDH continued to strengthen its daily management and cost control and made positive progress in cultural development. During the year, SDH ranked the first in Qingpu District and was recognised as an "Elderly-Friendly Medical Institution" (老年友善醫療機構) and highly praised by the local authorities.

During the year ended 31 December 2022, SDH recorded a total of 16,510 out-patients visits (2021: 25,330) and 8,998 in-patient admissions (2021: 8,670). As at 31 December 2022, SDH operated with 22 doctors (2021: 21), 17 nurses (2021: 17) and 100 beds (2021: 100). As of 31 December 2022, home care services were rendered to a total of 40 elders (2021: 34) with 3,795 visits (2021: 5,419).

As at 31 December 2022, following the transfer of an investment property to property under development for sale upon the change in use, the Division's investment properties portfolio, 100% attributable to the Group, comprising 2 SAs (2021: 3) (two 11-storey buildings with total gross floor area ("GFA") of 17,117m²) and the retail shopping precinct (retail shops with GFA of 1,980m² and shopping mall with GFA of 7,354m²) with a total value amounted to HK\$350,086,000 (2021: HK\$549,570,000). The Division's property under development for sale consisted of a residential property in Shanghai, the PRC, amounted to HK\$147,402,000 (2021: nil).

Property Development:

For the year ended 31 December 2022, the Group's property development business recorded a decreased revenue of HK\$732,000 (2021: HK\$6,803,000) and a loss of HK\$24,329,000 (2021: profit of HK\$439,000) inclusive of provision for properties under development for sale of HK\$5,000,000 (2021: nil), provision for properties held for sale of HK\$1,162,000 (2021: nil) and written-off of property, plant and equipment of HK\$10,296,000 (2021: nil) among the PRC real estate market under stress. As at 31 December 2022, the Division's properties under development for sale increased to HK\$38,204,000 (2021: HK\$6,488,000) consisted of a parcel of commercial land in Lianyungang, the PRC, and an office premise in Guangzhou, the PRC, following the transfer of an investment property to property under development for sale upon the change in use during the year.

Property Investment:

For the year ended 31 December 2022, the Group's investment properties portfolio, for leasing, located in Hong Kong and the PRC recorded an increased rental income of HK\$5,188,000 (2021: HK\$4,756,000) but a loss of HK\$9,397,000 (2021: profit of HK\$6,296,000) with a loss on fair value changes on investment properties of HK\$12,628,000 (2021: gain of HK\$3,694,000).

As at 31 December 2022, following the transfer of an investment property to property under development for sale upon change in use, the Division's investment properties portfolio, 100% attributable to the Group decreased to HK\$207,003,000 (2021: HK\$256,875,000).

Securities Trading and Investments:

For the year under review, the Group's activities in securities trading and investments recorded a revenue of HK\$22,000 (2021: HK\$2,199,000) and a loss of HK\$2,594,000 (2021: HK\$4,506,000). This was mainly due to the loss in fair value of investments held for trading of HK\$2,702,000 (2021: HK\$4,784,000).

As at 31 December 2022, 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\$802,000 (2021: HK\$5,484,000) and a portfolio of investments held for trading of HK\$12,089,000 (2021: HK\$14,791,000).

Investments held for trading:

As at 31 December 2022, 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 2022	Carrying value 2021	Realised gain/(loss) 2022	Fair value loss 2022	Dividend received 2022	% of carrying value to the Group's total assets 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
Hong Kong	9,966	12,065	—	(2,099)	22	0.31%
Australia	1,369	1,658	—	(289)	—	0.04%
Philippines	754	1,068	—	(314)	—	0.02%
Total	12,089	14,791	—	(2,702)	22	

As at 31 December 2022, the Group's investments held for trading consisted of investments in different category of companies and their respective performance were as follows:

Principal Business	Carrying value 2022	Carrying value 2021	Realised gain/(loss) 2022	Fair value loss 2022	Dividend received 2022	% of carrying value to the Group's total assets 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
Entertainment and media	1,210	1,551	—	(341)	—	0.04%
Financial services and investment	140	254	—	(114)	—	0.00%
Industrial materials	3,747	5,041	—	(1,294)	—	0.12%
Property and construction	6,992	7,945	—	(953)	22	0.22%
Total	12,089	14,791	—	(2,702)	22	

As at 31 December 2022, 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 (2021: nil) and a loss of HK\$5,202,000 (2021: HK\$75,000,000) with no further impairment loss recognised on the loan receivable and other relevant receivables (2021: HK\$75,000,000). As at 31 December 2022, the carrying value of the loan receivable ("Loan"), after full impairment provision, is nil (2021: nil).

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

During the year under review, the Group was aware that the Borrower has announced that the listing of the shares of the Borrower was cancelled in January 2022 since the Borrower failed to fulfill the resumption guidance set by the Stock Exchange.

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

Subsequent to the year end, the Group was also aware that the Borrower Subsidiary II has announced that the listing of the shares of the Borrower Subsidiary II was cancelled in February 2023 since the Borrower Subsidiary II failed to fulfill the resumption guidance set by the Stock Exchange.

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

As at 31 December 2022, the Group's non-current assets of HK\$2,199,101,000 (2021: HK\$2,507,443,000) consisted of investment properties of HK\$557,089,000 (2021: HK\$806,445,000), property, plant and equipment of HK\$1,480,940,000 (2021: HK\$1,541,800,000), right-of-use assets of HK\$130,156,000 (2021: HK\$152,309,000), financial assets at FVTPL of HK\$802,000 (2021: HK\$802,000) and deposits for acquisition of property, plant and equipment of HK\$30,114,000 (2021: HK\$6,087,000). These non-current assets are principally financed by the Group's shareholders' funds.

As at 31 December 2022, the total borrowings of the Group amounted to HK\$933,603,000 (2021: HK\$919,940,000) consisting of secured bank borrowings of HK\$134,782,000 (2021: HK\$210,140,000), unsecured bank borrowings of HK\$452,179,000 (2021: HK\$367,701,000), secured other borrowings of HK\$33,803,000 (2021: HK\$74,895,000) and unsecured term loans of HK\$312,839,000 (2021: HK\$267,204,000). Among the total borrowings of the Group, HK\$544,816,000 (2021: HK\$603,533,000) was with maturity of less than one year, HK\$369,604,000 (2021: HK\$267,358,000) was with maturity more than one year but not exceeding two years and HK\$19,183,000 (2021: HK\$49,049,000) was with maturity more than two years but not exceeding five years.

As at 31 December 2022, the Group's gearing ratio, calculated on the basis of the Group's net borrowings (after pledged bank deposits, restricted bank deposits and bank balances and cash) over total equity, was approximately 20.2% (2021: approximately 16.5%). The Group's gearing ratio would be adjusted to approximately 19.5% (2021: approximately 15.3%) with marketable securities inclusive of investments held for trading deducted from the net borrowings.

As at 31 December 2022, the Group recorded a net current liabilities amounted to HK\$97,285,000 (2021: HK\$356,380,000). As at 31 December 2022, the Group had undrawn, unsecured, standby credit facility with terms of more than one year amounting to HK\$415,000,000 ("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 HK\$33,700,000 subsequent to the reporting period and the utilisation of the Medium Term Standby Loan Facility 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 Group generated positive cash flows from operations in the current and prior year, 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.

During the year under review, the Company did not repurchase any shares (2021: nil) in the capital of the Company.

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

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

CHARGE ON GROUP ASSETS

As at 31 December 2022, the Group's investments held for trading of HK\$12,089,000 (2021: HK\$14,791,000), buildings (included in property, plant and equipment) of HK\$242,520,000 (2021: HK\$220,352,000), investment properties of HK\$326,049,000 (2021: HK\$520,825,000), properties under development for sale of HK\$147,402,000 (2021: nil), properties held for sale of nil (2021: HK\$4,435,000), pledged bank deposits of HK\$24,319,000 (2021: HK\$46,678,000) and medical equipment of HK\$42,400,000 (2021: HK\$75,214,000) 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 2022, the Group had capital commitment contracted for but not provided relating to the acquisition of property, plant and equipment, and investment properties of HK\$276,746,000 (2021: HK\$30,692,000) and nil (2021: HK\$2,853,000) respectively.

CONTINGENT LIABILITIES

Save as disclosed in this announcement, as at 31 December 2022, the Group is not aware of any material contingent liabilities.

MATERIAL ACQUISITIONS AND DISPOSAL, AND FUTURE PLANS

Save as disclosed in this announcement, during the year ended 31 December 2022, the Group did not hold any other significant investments nor have any material acquisitions or disposals of subsidiaries, associated companies and joint ventures.

Save as disclosed in this announcement, as at 31 December 2022, the Group did not have any plan for material investments or capital assets.

EMPLOYEES

The Group had 2,577 employees as at 31 December 2022 (2021: 2,492). 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.

PROSPECTS

Healthcare Division:

In 2023, the Division will cautiously carry out the construction of the KMH Phase II, and the Oncology and Nuclear Medicine Centre of NJH and continue the development of high-end out-patient clinics, NCCC, so as to achieve enhancement and upgrade in the midst of new opportunities and challenges.

While the Division will continue to improve the operational management in enhancing the revenue stream, service quality as well as cost control, the Division will put efforts on scientific research development and introduction of academic leaders, in order to strengthen the foundation of the hospitals and accelerate the development and business expansion of the Division. The Division will also leverage on its own medical advantages to drive consumer medical specialties, such as medical aesthetics and postnatal care centers to strengthen its internal capabilities and enhance its branding with advanced medical technology, diversified product portfolio and high-quality service experience.

Eldercare Division:

In 2023, the Division plans to improve the overall operating results by increasing the occupancy rate of its elderly homes, adjusting the operation model of its SAs and improving its service quality. The Division will maintain the customers in the community village and enhance service reputation by introducing free medical consultation and organising more community activities to improve the experience of the elders. Besides, the Division will overhaul its marketing process through community promotion and establishment of its own we-media to attract potential customers. The Division will also improve the quality and efficiency by strengthening internal management, optimising products and services and refining management of operating costs. Moreover, the Division will raise the remuneration of front-line staff to motivate them in keeping the service quality.

Others:

The Group expects that volatility in the economic and business environment will remain due to factors such as seemingly accelerating geo-political conflicts and tensions, spiraling global inflation, continued interest rate hike and long term ill-effects of the pandemic. With the uncertainty in the economic and business outlooks amid the post-pandemic era, and the impact from increasingly stringent national healthcare polices and medical insurance policies, the operating condition of the Group will continue to be challenging. The Group will be cautious and continue to review and adjust its business and investment strategies, and investment portfolio to suit the prevailing challenging economic and investment environment and will seek investment and business opportunities in the PRC, Hong Kong and the Asia Pacific region to enhance value for its shareholders.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the applicable code provisions of the Corporate Governance Code as set out in Part 2 of Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year ended 31 December 2022.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, they have confirmed their compliance with the required standard as set out in the Model Code throughout the year ended 31 December 2022.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the Group's consolidated financial statements for the year ended 31 December 2022.

SCOPE OF WORK OF RSM HONG KONG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, RSM Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Hong Kong on the preliminary announcement.

By Order of the Board
China Medical & HealthCare Group Limited
Chong Sok Un
Deputy Chairman

Hong Kong, 28 March 2023

As at the date of this announcement, the Board comprises:

Executive Directors

Ms. Chong Sok Un (Deputy Chairman), Mr. Kong Muk Yin, Mr. Guo Meibao and Mr. Zhou Haiying

Non-Executive Directors

Mr. Lai Hin Wing Henry Stephen and Mr. Gao Zhaoyuan

Independent Non-Executive Directors

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