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**Town Health International Medical Group Limited**  
**康健國際醫療集團有限公司**

*(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)*

**(Stock Code: 3886)**

**ANNOUNCEMENT OF ANNUAL RESULTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

**FINANCIAL HIGHLIGHTS**

For the Year:

- The Group recorded revenue of approximately HK\$1,483,892,000 (2020: approximately HK\$1,069,045,000).
- The Group recorded a profit of approximately HK\$75,072,000 (2020: loss of approximately HK\$258,450,000).

As at 31 December 2021:

- The Group held fixed bank deposits, bank balances and cash of approximately HK\$1,997,017,000 (2020: approximately HK\$1,887,925,000).
- The Group had a current ratio (defined as total current assets divided by total current liabilities) of 5.64 (2020: 6.34) and a gearing ratio (defined as total bank borrowings divided by equity attributable to owners of the Company) of 0.40% (2020: 0.44%).

The Board recommended the payment of a final dividend of Hong Kong 0.15 cent per share for the Year (2020: Nil).

## FINAL RESULTS

The Board is pleased to announce the audited consolidated results of the Company and its subsidiaries for the Year, together with the comparative figures for the previous year, as follows:

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

*For the year ended 31 December 2021*

|   |              | <b>2021</b>               | 2020             |
|---|--------------|---------------------------|------------------|
|   | <i>Notes</i> | <b><i>HK\$'000</i></b>    | <i>HK\$'000</i>  |
| Revenue   | 3            | <b>1,483,892</b>          | 1,069,045        |
| Cost of sales   |              | <u><b>(1,012,631)</b></u> | <u>(784,465)</u> |
| Gross profit  |              | <b>471,261</b>            | 284,580          |
| Other income  | 5            | <b>76,942</b>             | 90,779           |
| Administrative expenses                                 |              | <b>(357,117)</b>          | (333,289)        |
| Other gains and losses, net                             | 6            | <b>24,244</b>             | (66,134)         |
| Expected credit loss recognised<br>on a promissory note |              | <b>(117,763)</b>          | (207,693)        |
| Finance costs   | 7            | <b>(3,903)</b>            | (5,279)          |
| Share of results of associates                          |              | <b>40,484</b>             | 7,466            |
| Share of results of joint ventures                      |              | <u><b>(7,640)</b></u>     | <u>(3,285)</u>   |
| Profit (loss) before tax                                |              | <b>126,508</b>            | (232,855)        |
| Income tax expenses                                     | 8            | <u><b>(51,436)</b></u>    | <u>(25,595)</u>  |
| Profit (loss) for the year                              | 9            | <u><b>75,072</b></u>      | <u>(258,450)</u> |

|  | <i>Note</i> | <b>2021</b><br><b><i>HK\$'000</i></b> | 2020<br><i>HK\$'000</i> |
|--|-------------|---------------------------------------|-------------------------|
| <b>Other comprehensive income (expense) for the year</b>   |             |                                       |                         |
| <i>Items that will not be reclassified to profit or loss:</i>  |             |                                       |                         |
| Fair value change in equity instruments at fair value through other comprehensive income                                     |             | <b>(9,839)</b>                        | (18,421)                |
| Fair value change in revaluation of properties upon transfer from “property, plant and equipment” to “investment properties” |             | –                                     | 49,574                  |
| <i>Items that may be reclassified subsequently to profit or loss:</i>  |             |                                       |                         |
| Exchange differences arising on the translation of foreign operations  |             | <b>37,905</b>                         | 59,777                  |
| Share of other comprehensive income of associates and joint ventures   |             | <b>4,253</b>                          | 896                     |
|  |             | <b>32,319</b>                         | 91,826                  |
| Total comprehensive income (expense) for the year  |             | <b>107,391</b>                        | (166,624)               |
| Profit (loss) for the year attributable to:  |             |                                       |                         |
| Owners of the Company  |             | <b>22,013</b>                         | (281,038)               |
| Non-controlling interests  |             | <b>53,059</b>                         | 22,588                  |
|  |             | <b>75,072</b>                         | (258,450)               |
| Total comprehensive income (expense) attributable to:  |             |                                       |                         |
| Owners of the Company  |             | <b>44,539</b>                         | (205,447)               |
| Non-controlling interests  |             | <b>62,852</b>                         | 38,823                  |
|  |             | <b>107,391</b>                        | (166,624)               |
| Profit (loss) per share ( <i>HK cent(s)</i> )  |             |                                       |                         |
| Basic and diluted  | 11          | <b>0.29</b>                           | (3.73)                  |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2021*

|   | <i>Note</i> | <b>2021</b>             | 2020             |
|---|-------------|-------------------------|------------------|
|   |             | <b><i>HK\$'000</i></b>  | <i>HK\$'000</i>  |
| <b>NON-CURRENT ASSETS</b>   |             |                         |                  |
| Investment properties   |             | <b>583,223</b>          | 535,570          |
| Property, plant and equipment                                       |             | <b>363,031</b>          | 382,812          |
| Right-of-use assets   |             | <b>91,805</b>           | 114,323          |
| Loans receivable  |             | <b>5,434</b>            | 3,271            |
| Goodwill  |             | <b>492,794</b>          | 485,834          |
| Intangible assets   |             | <b>329,096</b>          | 334,769          |
| Interests in associates   |             | <b>340,374</b>          | 308,768          |
| Interests in joint ventures   |             | <b>12,786</b>           | 19,892           |
| Equity instruments at fair value through other comprehensive income |             | <b>29,770</b>           | 39,609           |
| Fixed bank deposits   |             | <b>104,805</b>          | 71,258           |
|   |             | <b><u>2,353,118</u></b> | <u>2,296,106</u> |
| <b>CURRENT ASSETS</b>   |             |                         |                  |
| Inventories   |             | <b>38,678</b>           | 34,522           |
| Trade and other receivables   | 12          | <b>442,581</b>          | 306,485          |
| Financial assets at fair value through profit or loss               |             | <b>1,951</b>            | 6,774            |
| Loans receivable  |             | <b>353</b>              | 876              |
| Promissory notes  |             | <b>–</b>                | 117,763          |
| Amounts due from associates   |             | <b>1,270</b>            | 1,421            |
| Tax recoverable   |             | <b>207</b>              | 2,025            |
| Fixed bank deposits   |             | <b>981,754</b>          | 745,832          |
| Bank balances and cash  |             | <b>910,458</b>          | 1,070,835        |
|   |             | <b><u>2,377,252</u></b> | <u>2,286,533</u> |

|  | <i>Notes</i> | <b>2021</b><br><b><i>HK\$'000</i></b> | 2020<br><i>HK\$'000</i> |
|--|--------------|---------------------------------------|-------------------------|
| <b>CURRENT LIABILITIES</b>                   |              |                                       |                         |
| Trade and other payables                     | 13           | <b>268,495</b>                        | 206,865                 |
| Contract liabilities                         |              | <b>3,095</b>                          | 2,557                   |
| Amount due to an investee                    |              | <b>296</b>                            | 298                     |
| Amounts due to non-controlling interests     |              | <b>36,864</b>                         | 41,715                  |
| Bank borrowing                               | 14           | <b>15,400</b>                         | 16,623                  |
| Lease liabilities                            |              | <b>59,738</b>                         | 68,551                  |
| Tax payable                                  |              | <b>37,597</b>                         | 23,773                  |
|  |              | <b>421,485</b>                        | 360,382                 |
| <b>NET CURRENT ASSETS</b>                    |              | <b>1,955,767</b>                      | 1,926,151               |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> |              | <b>4,308,885</b>                      | 4,222,257               |
| <b>NON-CURRENT LIABILITIES</b>               |              |                                       |                         |
| Lease liabilities                            |              | <b>42,837</b>                         | 54,709                  |
| Deferred tax liabilities                     |              | <b>40,614</b>                         | 41,416                  |
|  |              | <b>83,451</b>                         | 96,125                  |
|  |              | <b>4,225,434</b>                      | 4,126,132               |
| <b>CAPITAL AND RESERVES</b>                  |              |                                       |                         |
| Share capital                                | 15           | <b>75,261</b>                         | 75,261                  |
| Reserves                                     |              | <b>3,779,774</b>                      | 3,735,220               |
| Equity attributable to owners of the Company |              | <b>3,855,035</b>                      | 3,810,481               |
| Non-controlling interests                    |              | <b>370,399</b>                        | 315,651                 |
| Total equity                                 |              | <b>4,225,434</b>                      | 4,126,132               |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2021*

## 1. GENERAL

The Company is registered in Bermuda as an exempted company under the laws of Bermuda.

The Company's shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The address of the registered office of the Company is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda. The address of the principal place of business of the Company is 6th Floor, Town Health Technology Centre, 10-12 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories, Hong Kong.

The consolidated financial statements are presented in Hong Kong Dollars ("HK\$"), which is the same as the functional currency of the Company.

As disclosed in the consolidated financial statements for the years ended 31 December 2017, 2018, 2019 and 2020, the Securities and Futures Commission ("SFC") has on 27 November 2017 issued a direction to suspend trading in the shares of the Company with effect from 27 November 2017 ("Suspension") as it appears to the SFC that, inter alia, the Company's interim report for the six months ended 30 June 2016 published by the Company on 7 September 2016 and the Company's annual report for the year ended 31 December 2016 published by the Company on 27 April 2017 included materially false, incomplete or misleading information.

On 18 December 2017, the Company announced that in view of the Suspension, the board of directors ("Board") of the Company has established an independent board committee ("IBC") comprising all the independent non-executive directors of the Company, whose scope of the primary duties includes:

- (i) conducting an independent investigation on the issues and matters arising from or relating to the Suspension;
- (ii) making recommendations to the Board on appropriate action to be taken; and
- (iii) working towards the goal of having the shares resumed in trading on The Stock Exchange.

As at the date of approval for issuance of the consolidated financial statements for the financial year ended 31 December 2017, the investigation by the independent forensic accountant engaged by the IBC to investigate the issues and matters arising from or relating to the direction issued by the SFC has been completed and reported to the IBC. After reviewing the findings and conclusion of the independent forensic accountant (“First Forensic Report”), the IBC had adopted the First Forensic Report. With reference to the First Forensic Report, the IBC accepted that the matters leading to the SFC’s concerns on the materially false, incomplete or misleading information contained in the Company’s interim report for the six months ended 30 June 2016 published by the Company on 7 September 2016 and the Company’s annual report for the year ended 31 December 2016 published by the Company on 27 April 2017 are not substantiated. Hence, the Board has determined that no restatement of figures stated in the accounts contained in these previously issued annual and interim reports is necessary, and no disclosures contained in these accounts need to be amended. The consolidated financial statements of the Group for the year ended 31 December 2017 have therefore been prepared on the above basis.

On 31 January 2019, the Company announced that as a result of recent communication with the SFC, the IBC has engaged the independent forensic accountant to conduct further inquiry and investigation into the matters and make recommendations to the Board. After reviewing the findings and conclusion of the independent forensic accountant report (“Second Forensic Report”), the IBC had adopted the Second Forensic Report. With reference to the Second Forensic Report, the IBC accepts that the matters leading to the SFC’s concerns on the materially false, incomplete or misleading information contained in the Company’s interim report for the six months ended 30 June 2016 published by the Company on 7 September 2016 and the Company’s annual report for the year ended 31 December 2016 published by the Company on 27 April 2017 are not substantiated. Hence, the Board has determined that no restatement of figures stated in the accounts contained in these previously issued annual and interim reports is necessary, and no disclosures contained in these accounts need to be amended. The consolidated financial statements of the Group for the year ended 31 December 2018 have therefore been prepared on the above basis.

As disclosed in the announcement of the Company dated 31 October 2019, the Board resolved on 31 October 2019, among other things, to call each director to resign and each resigning director shall be eligible to put himself/herself forward for re-election at the special general meeting of the Company convened and held on 2 December 2019.

The Board proposed for a change of its composition as the Board believes that reorganisation of the Board would enable the Company to move forward and to develop a new development strategy for the Company.

On 10 January 2020, the Company announced that it received a letter from the Stock Exchange dated 7 January 2020 (the “Letter”) stating that:

- (i) The Stock Exchange’s guidance letter states that the Stock Exchange would discuss with the SFC before exercising its right to delist an issuer suspended under Section 8 of the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) (“SMLR”); and
- (ii) After consultation with the SFC, the Stock Exchange confirms that the Stock Exchange will, until further notice, withhold exercising its right to delist the Company under Rule 6.01A(2)(b)(i) of the Listing Rules should trading in the Company’s securities remain suspended on 31 January 2020.

The Letter further states that the above is without prejudice to the Stock Exchange exercising its right under Rule 6.01A of the Listing Rules at a later stage when the Stock Exchange considers appropriate. The Stock Exchange also reserves all its rights under the Listing Rules. In particular, the Company was reminded of its obligation to procure a resumption of trading as soon as possible.

On 29 April 2020, 31 July 2020, 30 October 2020 and 2 February 2021, the Company has announced that the Company has continued communicating with the SFC on the resumption application made by the Company to the SFC under section 9 of the SMLR.

On 26 February 2021, the Company announced that, as disclosed in previous announcements of the Company, the Company has been communicating with the SFC on the resumption application made by the Company under Section 9 of the SMLR. At the request of the SFC, a reputable independent consultant (as agreed by the SFC) (the “Consultant”) has been engaged to conduct a review of the Company’s internal control. Such review has now been completed and a report (the “IC Report”) has been issued to the Company and the SFC. The Board confirmed that the Company was being managed by new Board members and senior management who were free from the control of or influence from Dr. Cho Kwai Chee, a former non-executive director retired on 29 June 2018 and Dr. Hui Ka Wah, Ronnie, a former executive director resigned on 2 December 2019, in their conduct of the Company’s businesses and operations. The Company has been informed that the SFC has considered the IC Report and other documents and information submitted by the Company, and the SFC has, by notice to the Stock Exchange and pursuant to section 9(3) of the SMLR, permitted the dealings in the shares of the Company to recommence subject to the following conditions (collectively, the “Resumption Conditions”):

- (i) the Company shall publish the announcement relating to resumption of trading;



- (ii) the Company undertakes: (a) to implement all the recommendations made by the Consultant in the IC Report by the target completion date with respect to each recommendation as set out in the IC Report; (b) to procure the Consultant to perform a follow-up review as at 31 October 2021 to assess whether the recommendations in the IC Report have been properly implemented by the Company; (c) to procure the Consultant to submit a report following the follow-up review to the Company and the SFC Executive for concurrent review; and
- (iii) the Company shall publish an announcement regarding the results of the follow-up review report.

The Company fulfilled the first Resumption Condition by publishing the announcement dated on 26 February 2021.

With reference to the second Resumption Condition, the Company will (i) implement all the recommendations made by the Consultant in the IC Report by the target completion date with respect to each recommendation as set out in the IC Report; (ii) procure the Consultant to perform a follow-up review as at 31 October 2021 to assess whether the Consultant's recommendations in the IC Report have been properly implemented by the Company; and (iii) procure the Consultant to submit a report following such follow-up review to the Company and the SFC for concurrent review. Further announcement will be made in respect of the follow-up review report as required under the third Resumption Condition. The SFC has permitted dealings in the shares of the Group to recommence from 9:00 a.m. on 1 March 2021.

Trading in the shares of the Company on the Stock Exchange resumed with effect from 9:00 a.m. on 1 March 2021.

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

### **Amendments to HKFRSs that are mandatorily effective for the current year**

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

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

In addition, the Group has early applied the Amendments to HKFRS 16 “Covid-19-Related Rent Concession beyond 30 June 2021”, which are mandatorily effective for annual reporting periods beginning on or after 1 April 2021.

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## **Impact on early application of Amendment to HKFRS 16 “Covid-19-Related Rent Concessions beyond 30 June 2021” (the “2021 Amendment”)**

The Group has early applied the Amendment to HKFRS16 “Covid-19-Related Rent Concessions” in prior year and the 2021 Amendment in the current year. The 2021 Amendment extends the availability of the practical expedient set out in paragraph 46A of HKFRS 16 to rent concessions on or before 30 June 2022. The early application of the 2021 Amendment has had no impact to the opening retained profits at 1 January 2021 and the financial position and financial performance for the current year.

During the current year, certain lessors agreed to reduce lease payments on several leases entered into with certain subsidiaries of the Group relating to lease payment that were due on or before 30 June 2022. The Group has derecognised the part of lease liabilities that have been extinguished using the discount rates originally applied to these leases respectively, resulted in a decrease in lease liabilities of HK\$3,410,000, which have been accounted for as variable lease payment and recognised as other income in profit or loss during the current year.

## **New and amendments to HKFRSs in issue but not yet effective**

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

|   |  |
|---|--|
| HKFRS 17  | Insurance Contracts and the related Amendments <sup>2</sup>  |
| Amendments to HKFRS 3                               | Reference to the Conceptual Framework <sup>1</sup>   |
| Amendments to HKFRS 10 and HKAS 28                  | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>                               |
| Amendments to HKAS1                                 | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>2</sup> |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies <sup>2</sup>   |
| HKAS 8  | Definition of Accounting Estimates <sup>2</sup>  |
| Amendments to HKAS 12                               | Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>2</sup>                                    |
| Amendments to HKAS 16                               | Property, Plant and Equipment – Proceeds before Intended Use <sup>1</sup>  |
| Amendments to HKAS 37                               | Onerous Contracts – Cost of Fulfilling a Contract <sup>1</sup>   |
| Amendments to HKFRSs                                | Annual Improvements to HKFRSs 2018-2020 <sup>1</sup>   |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

Except for the amendment to HKFRSs mentioned below, the directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

***Amendments to HKAS 12 “Deferred tax related to assets and liabilities arising from a single transaction”***

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 “Income taxes” so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all taxable temporary differences.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The Group is still in the process of assessing the full impact of the application of the amendments.

### 3. REVENUE

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

|  | 2021<br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Revenue recognised under HKFRS 15                  |                         |                         |
| Hong Kong medical services                         |                         |                         |
| – Medical services                                 | 401,312                 | 304,195                 |
| – Dental services                                  | <u>69,135</u>           | <u>53,640</u>           |
|  | 470,447                 | 357,835                 |
| Hong Kong managed medical network business         | 463,284                 | 419,380                 |
| Mainland hospital management and medical services  | <u>453,503</u>          | <u>270,088</u>          |
|  | <u>1,387,234</u>        | <u>1,047,303</u>        |
| Revenue recognised under other accounting standard |                         |                         |
| Others   |                         |                         |
| – Rental income                                    | <u>96,658</u>           | <u>21,742</u>           |
| Total  | <u><u>1,483,892</u></u> | <u><u>1,069,045</u></u> |
| Revenue recognised under HKFRS 15                  |                         |                         |
| Timing of revenue recognition                      |                         |                         |
| At point in time                                   | 1,274,761               | 965,936                 |
| Over time  | <u>112,473</u>          | <u>81,367</u>           |
|  | <u><u>1,387,234</u></u> | <u><u>1,047,303</u></u> |

Revenue from Hong Kong medical services (including provision of medical and dental services), majority of Hong Kong managed medical network business and Mainland hospital management and medical services (including selling healthcare and pharmaceutical products and provision of medical and dental services) are recognised at a point in time, whereas other sources of revenue from Mainland hospital management services are recognised over time.

Mainland hospital management services has 180 days credit term upon the services provided, and they are recognised on over time basis which the transaction price is fixed on the agreement for such services.

Revenue for the services recognised on gross basis and net basis for the years ended 31 December 2021 and 2020 are as follows:

|               | <b>2021</b>             | 2020             |
|---------------|-------------------------|------------------|
|               | <b><i>HK\$'000</i></b>  | <i>HK\$'000</i>  |
| Gross basis   | <b>1,378,400</b>        | 1,044,520        |
| Net basis     | <b>8,834</b>            | 2,783            |
| Total revenue | <b><u>1,387,234</u></b> | <u>1,047,303</u> |

#### 4. SEGMENT INFORMATION

The chief operating decision maker, being the chief executive officer (“CEO”) regularly evaluated the current business units of the Group and the locations of the different types of business which are most relevant for the purposes of resources allocation and assessment of segment performance. The Group has identified four reportable and operating segments, namely Hong Kong medical services, Hong Kong managed medical network business, Mainland hospital management and medical services and others.

Specifically, the Group’s operating and reportable segments are as follows:

|   |   |  |
|---|---|--|
| Hong Kong medical services                        | – | Provision of medical and dental services in Hong Kong  |
| Hong Kong managed medical network business        | – | Managing healthcare networks & provision of third party medical network administrator services in Hong Kong  |
| Mainland hospital management and medical services | – | Provision of medical and dental services in the People’s Republic of China (“PRC”), provision of hospital management services and related services |
| Others  | – | Leasing of properties  |

No segment information of assets and liabilities is provided to the CEO for the assessment of performance of different segments. Accordingly, no segment information of assets and liabilities is presented.

## Segment revenues and results

For the year ended 31 December 2021

|  | Hong Kong<br>medical<br>services<br><i>HK\$'000</i> | Hong Kong<br>managed<br>medical<br>network<br>business<br><i>HK\$'000</i> | Mainland<br>hospital<br>management<br>and medical<br>services<br><i>HK\$'000</i> | Others<br><i>HK\$'000</i> | Elimination<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|--|---|---|--|---------------------------|--------------------------------|--------------------------|
| Revenue  |   |   |  |                           |                                |                          |
| External sales   | 470,447   | 463,284   | 453,503  | 96,658                    | -                              | 1,483,892                |
| Inter-segment sales  | 43,963  | -   | -  | -                         | (43,963)                       | -                        |
|  | <u>514,410</u>                                      | <u>463,284</u>  | <u>453,503</u>   | <u>96,658</u>             | <u>(43,963)</u>                | <u>1,483,892</u>         |
| Segment results before impairment<br>losses and expected credit losses | <u>(1,247)</u>                                      | <u>42,324</u>   | <u>94,710</u>  | <u>179,577</u>            | <u>-</u>                       | <u>315,364</u>           |
| Impairment loss recognised<br>on goodwill                              | (3,027)   | -   | -  | -                         | -                              | (3,027)                  |
| Impairment loss recognised on<br>right-of-use assets                   | (8,658)   | -   | -  | -                         | -                              | (8,658)                  |
| Impairment loss recognised on<br>property, plant and equipment         | -   | -   | -  | (3,067)                   | -                              | (3,067)                  |
| Expected credit loss recognised<br>on other receivables                | -   | -   | -  | (3,528)                   | -                              | (3,528)                  |
| Expected credit loss recognised<br>on a promissory note                | -   | -   | -  | (117,763)                 | -                              | (117,763)                |
| Segment results  | <u>(12,932)</u>                                     | <u>42,324</u>   | <u>94,710</u>  | <u>55,219</u>             | <u>-</u>                       | <u>179,321</u>           |
| Finance costs  |   |   |  |                           |                                | (377)                    |
| Unallocated other income   |   |   |  |                           |                                | 6,530                    |
| Unallocated corporate expenses   |   |   |  |                           |                                | (58,966)                 |
| Profit before tax  |   |   |  |                           |                                | <u>126,508</u>           |

For the year ended 31 December 2020

|  | Hong Kong<br>medical<br>services<br>HK\$'000 | Hong Kong<br>managed<br>medical<br>network<br>business<br>HK\$'000 | Mainland<br>hospital<br>management<br>and medical<br>services<br>HK\$'000 | Others<br>HK\$'000 | Elimination<br>HK\$'000 | Total<br>HK\$'000 |
|--|--|--|---|--------------------|-------------------------|-------------------|
| Revenue  |  |  |   |                    |                         |                   |
| External sales   | 357,835                                      | 419,380  | 270,088   | 21,742             | –                       | 1,069,045         |
| Inter-segment sales  | 36,385                                       | –  | –   | –                  | (36,385)                | –                 |
|  | <u>394,220</u>                               | <u>419,380</u>   | <u>270,088</u>  | <u>21,742</u>      | <u>(36,385)</u>         | <u>1,069,045</u>  |
| Segment results before impairment<br>losses and expected credit loss | <u>(39,970)</u>                              | <u>36,160</u>  | <u>27,435</u>   | <u>3,927</u>       | <u>–</u>                | <u>27,552</u>     |
| Impairment loss recognised<br>on goodwill                            | –  | (6,736)  | (8,286)   | –                  | –                       | (15,022)          |
| Impairment loss recognised<br>on right-of-use assets                 | (3,653)                                      | –  | –   | –                  | –                       | (3,653)           |
| Impairment loss recognised on<br>property, plant and equipment       | (4,187)                                      | –  | –   | –                  | –                       | (4,187)           |
| Expected credit loss recognised<br>on a promissory note              | –  | –  | –   | (207,693)          | –                       | (207,693)         |
| Segment results  | <u>(47,810)</u>                              | <u>29,424</u>  | <u>19,149</u>   | <u>(203,766)</u>   | <u>–</u>                | <u>(203,003)</u>  |
| Finance costs  |  |  |   |                    |                         | (572)             |
| Unallocated other income   |  |  |   |                    |                         | 9,650             |
| Unallocated corporate expenses                                       |  |  |   |                    |                         | <u>(38,930)</u>   |
| Loss before tax  |  |  |   |                    |                         | <u>(232,855)</u>  |

Segment profit or loss represents the profit earned by or loss from each segment without allocation of central administration costs, directors' remuneration, certain finance costs, certain items of other gains and losses and other income. This is the measure reported to the CEO for the purposes of resources allocation and performance assessment.

## Other segment information

For the year ended 31 December 2021

|  | Hong Kong<br>medical<br>services<br><i>HK\$'000</i> | Hong Kong<br>managed<br>medical<br>network<br>business<br><i>HK\$'000</i> | Mainland<br>hospital<br>management<br>and medical<br>services<br><i>HK\$'000</i> | Others<br><i>HK\$'000</i> | Total for<br>segments<br><i>HK\$'000</i> | Unallocated<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|--|---|---|--|---------------------------|--|--------------------------------|--------------------------|
| Amounts included in the measure of segment profit (loss):            |   |   |  |                           |  |                                |                          |
| Interest income  | -   | -   | -  | (16,328)                  | (16,328)                                 | -                              | (16,328)                 |
| Dividend income  | (1,285)   | -   | -  | -                         | (1,285)                                  | -                              | (1,285)                  |
| Fair value changes on investment properties                          | -   | -   | -  | (47,653)                  | (47,653)                                 | -                              | (47,653)                 |
| Share of results of associates                                       | (7,538)   | -   | 2,281  | (35,227)                  | (40,484)                                 | -                              | (40,484)                 |
| Share of results of joint ventures                                   | -   | -   | 7,632  | 8                         | 7,640                                    | -                              | 7,640                    |
| Depreciation of property, plant and equipment                        | 11,054  | 2,141   | 14,937   | 14,468                    | 42,600                                   | 111                            | 42,711                   |
| Depreciation of right-of-use assets                                  | 49,860  | 10,510  | 8,513  | -                         | 68,883                                   | -                              | 68,883                   |
| Amortisation of intangible assets                                    | -   | 7,251   | 3,376  | -                         | 10,627                                   | -                              | 10,627                   |
| Loss (gain) on disposal/written off of property, plant and equipment | 121   | -   | 278  | (115)                     | 284                                      | -                              | 284                      |
| Impairment loss on goodwill  | 3,027   | -   | -  | -                         | 3,027                                    | -                              | 3,027                    |
| Impairment loss on property, plant and equipment                     | -   | -   | -  | 3,067                     | 3,067                                    | -                              | 3,067                    |
| Impairment loss on right-of-use assets                               | 8,658   | -   | -  | -                         | 8,658                                    | -                              | 8,658                    |
| Expected credit loss on other receivables                            | -   | -   | -  | 3,528                     | 3,528                                    | -                              | 3,528                    |
| Expected credit loss on a promissory note                            | -   | -   | -  | 117,763                   | 117,763                                  | -                              | 117,763                  |
| Finance costs  | 2,232   | 656   | 638  | -                         | 3,526                                    | 377                            | 3,903                    |
| Amounts included in the information regularly provided to the CEO:   |   |   |  |                           |  |                                |                          |
| Additions to property, plant and equipment                           | <u>6,538</u>  | <u>1,822</u>  | <u>10,619</u>  | <u>387</u>                | <u>19,366</u>                            | <u>579</u>                     | <u>19,945</u>            |



*For the year ended 31 December 2020*

|   | Hong Kong<br>medical<br>services<br><i>HK\$'000</i> | Hong Kong<br>managed<br>medical<br>network<br>business<br><i>HK\$'000</i> | Mainland<br>hospital<br>management<br>and medical<br>services<br><i>HK\$'000</i> | Others<br><i>HK\$'000</i> | Total for<br>segments<br><i>HK\$'000</i> | Unallocated<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---|---|---|--|---------------------------|--|--------------------------------|--------------------------|
| Amounts included in the measure of<br>segment profit (loss):          |   |   |  |                           |  |                                |                          |
| Interest income   | -   | -   | -  | (44,670)                  | (44,670)                                 | -                              | (44,670)                 |
| Dividend income   | (270)   | -   | -  | -                         | (270)                                    | -                              | (270)                    |
| Fair value changes on investment properties                           | -   | -   | -  | 47,566                    | 47,566                                   | -                              | 47,566                   |
| Share of results of associates  | (5,677)   | -   | 329  | (2,118)                   | (7,466)                                  | -                              | (7,466)                  |
| Share of results of joint ventures                                    | -   | -   | 3,245  | 40                        | 3,285                                    | -                              | 3,285                    |
| Depreciation of property,<br>plant and equipment                      | 14,709  | 3,645   | 12,771   | 14,562                    | 45,687                                   | 1,225                          | 46,912                   |
| Depreciation of right-of-use assets                                   | 59,602  | 10,444  | 6,621  | -                         | 76,667                                   | -                              | 76,667                   |
| Amortisation of intangible assets                                     | -   | 7,251   | 3,150  | -                         | 10,401                                   | -                              | 10,401                   |
| Loss on disposal/written off of property,<br>plant and equipment      | 31  | -   | -  | 1,668                     | 1,699                                    | -                              | 1,699                    |
| Loss on disposal of a subsidiary                                      | -   | -   | 370  | -                         | 370                                      | -                              | 370                      |
| Impairment loss on goodwill   | -   | 6,736   | 8,286  | -                         | 15,022                                   | -                              | 15,022                   |
| Impairment loss on property,<br>plant and equipment                   | 4,187   | -   | -  | -                         | 4,187                                    | -                              | 4,187                    |
| Impairment loss on right-of-use assets                                | 3,653   | -   | -  | -                         | 3,653                                    | -                              | 3,653                    |
| Expected credit loss on a promissory note                             | -   | -   | -  | 207,693                   | 207,693                                  | -                              | 207,693                  |
| Finance costs   | 3,041   | 940   | 726  | -                         | 4,707                                    | 572                            | 5,279                    |
| Amounts included in the information<br>regularly provided to the CEO: |   |   |  |                           |  |                                |                          |
| Additions to property,<br>plant and equipment                         | <u>8,094</u>  | <u>2,597</u>  | <u>12,917</u>  | <u>11,696</u>             | <u>35,304</u>                            | <u>-</u>                       | <u>35,304</u>            |

## Geographical information

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

|                          | 2021<br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|--------------------------|-------------------------|-------------------------|
| Other regions of the PRC | 453,503                 | 270,088                 |
| Hong Kong                | <u>1,030,389</u>        | <u>798,957</u>          |
|                          | <u><u>1,483,892</u></u> | <u><u>1,069,045</u></u> |

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

|                                    | Carrying amount of<br>non-current assets |                         |
|------------------------------------|--|-------------------------|
|                                    | 2021<br><i>HK\$'000</i>                  | 2020<br><i>HK\$'000</i> |
| Other regions of the PRC           | 655,051                                  | 641,726                 |
| Hong Kong                          | <u>1,662,863</u>                         | <u>1,611,500</u>        |
| Non-current assets ( <i>Note</i> ) | <u><u>2,317,914</u></u>                  | <u><u>2,253,226</u></u> |

*Note:* Non-current assets shown above exclude loans receivable and equity instruments at fair value through other comprehensive income.

## Information about a major customer

The major customers which contributed more than 10% of the total revenue for the year ended 31 December 2021 and 2020 are listed as below:

|            | 2021              | 2020              |
|------------|-------------------|-------------------|
| Customer A | <u><u>26%</u></u> | <u><u>22%</u></u> |

## 5. OTHER INCOME

|   | 2021<br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Interest income:  |                         |                         |
| – Bank balances and fixed bank deposits   | 16,307                  | 27,247                  |
| – Promissory note   | –                       | 15,864                  |
| – Loans receivable  | 21                      | 1,310                   |
| – Amounts due from associates   | –                       | 249                     |
|   | <u>16,328</u>           | <u>44,670</u>           |
| Dividend income from equity instruments at FVTOCI:  |                         |                         |
| – Relating to investments held at the end of the reporting period   | 1,285                   | 270                     |
| Rental income   | 3,761                   | 3,560                   |
| Employment Support Scheme income ( <i>Note i</i> )  | –                       | 29,646                  |
| Rental concessions  | 3,410                   | 8,251                   |
| Compensation from termination of management service agreement by a customer and other related proceeds ( <i>Note ii</i> ) | 49,333                  | –                       |
| Sundry income   | 2,825                   | 4,382                   |
|   | <u>76,942</u>           | <u>90,779</u>           |

### Notes:

- (i) During the year ended 31 December 2020, the Group recognised government grants of approximately HK\$29,646,000 in respect of Coronavirus Disease 2019 (“COVID-19”)-related subsidies, of which are all related to Employment Support Scheme provided by the Hong Kong government under which the Group is required (1) not to implement redundancies from June 2020 to November 2020; and (2) to spend all the wage subsidies on paying wages to its employees. There is no unfulfilled condition or contingency relating to these grants.
- (ii) During the year ended 31 December 2021, 廣州宜康醫療管理有限公司 (in English for identification purpose only, Guangzhou Yikang Medical Management Limited) (“Yikang”), a subsidiary of the Company, 中山大學附屬第六醫院 (in English for identification purpose only, The Sixth Affiliated Hospital of Sun Yat-Sen University) (“Sixth Hospital”), and 中山大學附屬第六醫院影像檢驗中心 (in English for identification purpose only, the Medical Diagnostic Centre of The Sixth Affiliated Hospital of Sun Yat-Sen University) (the “Medical Diagnostic Centre”) entered into a termination agreement, pursuant to which the parties thereto have mutually agreed to terminate the management service agreement entered into between, among others, the Sixth Hospital and Yikang in February 2008 (as amended and supplemented from time to time) with effect from 10 September 2021 and Yikang was compensated by the Medical Diagnostic Centre in the sum of RMB40,844,000 (equivalent to approximately HK\$49,333,000) for the year.

## 6. OTHER GAINS AND LOSSES, NET

|  | 2021<br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Fair value changes on investment properties  | 47,653                  | (47,566)                |
| Fair value changes on financial assets at<br>fair value through profit or loss             | (4,823)                 | 363                     |
| Loss on disposal of a subsidiary   | –                       | (370)                   |
| Loss on disposal of an associate   | (22)                    | –                       |
| Loss on disposal/written off of property, plant and equipment                              | (284)                   | (1,699)                 |
| Impairment loss recognised on goodwill   | (3,027)                 | (15,022)                |
| Impairment loss recognised on property, plant and equipment                                | (3,067)                 | (4,187)                 |
| Impairment loss recognised on right-of-use assets  | (8,658)                 | (3,653)                 |
| Expected credit loss on other receivables  | (3,528)                 | –                       |
| Reversal of allowance of expected credit loss recognised on<br>amounts due from associates | –                       | 6,000                   |
|  | <u>24,244</u>           | <u>(66,134)</u>         |

## 7. FINANCE COSTS

|                               | 2021<br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|-------------------------------|-------------------------|-------------------------|
| Interest on bank borrowing    | 377                     | 572                     |
| Interest on lease liabilities | 3,526                   | 4,707                   |
|                               | <u>3,903</u>            | <u>5,279</u>            |

## 8. INCOME TAX EXPENSES

|   | 2021<br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Tax charge comprises:                                     |                         |                         |
| Current tax   |                         |                         |
| – Hong Kong Profits Tax                                   | 26,428                  | 10,256                  |
| – PRC Enterprise Income Tax                               | <u>26,624</u>           | <u>18,123</u>           |
|   | <u>53,052</u>           | <u>28,379</u>           |
| Provision in prior years                                  |                         |                         |
| – Underprovision (overprovision) of Hong Kong Profits Tax | <u>425</u>              | <u>(800)</u>            |
|   | <u>53,477</u>           | <u>27,579</u>           |
| Deferred tax  |                         |                         |
| – Current year  | <u>(2,041)</u>          | <u>(1,984)</u>          |
|   | <u><u>51,436</u></u>    | <u><u>25,595</u></u>    |

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

## 9. PROFIT (LOSS) FOR THE YEAR

|   | 2021<br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Profit (loss) for the year has been arrived at after charging:                      |                         |                         |
| Staff costs   |                         |                         |
| – Directors' remuneration   | 3,751                   | 504                     |
| – Other staff's salaries  | 559,961                 | 523,351                 |
| – Other staff's bonus   | 81,806                  | 49,272                  |
| – Other staff's other benefits  | –                       | 532                     |
| – Other staff's retirement benefits scheme contributions                            | 10,820                  | 8,299                   |
|   | <u>656,338</u>          | <u>581,958</u>          |
| <i>Less:</i> Staff costs recognised in administrative expenses                      | <u>(128,443)</u>        | <u>(111,576)</u>        |
| Staff costs recognised in cost of sales   | <u>527,895</u>          | <u>470,382</u>          |
| Auditors' remuneration  | 3,825                   | 3,662                   |
| Cost of inventories recognised in cost of sales:                                    |                         |                         |
| – Pharmaceutical supplies   | 246,157                 | 163,952                 |
| – Other inventories   | 4,200                   | 3,189                   |
|   | <u>250,357</u>          | <u>167,141</u>          |
| Depreciation of property, plant and equipment recognised in administrative expenses | 34,494                  | 39,524                  |
| Depreciation of property, plant and equipment recognised in cost of sales           | 8,217                   | 7,388                   |
| Total depreciation of property, plant and equipment                                 | <u>42,711</u>           | <u>46,912</u>           |
| Loss on disposal/written off of property, plant and equipment                       | 284                     | 1,699                   |
| Depreciation of right-of-use assets   | 68,883                  | 76,667                  |
| Amortisation of intangible assets, recognised in administrative expenses            |                         |                         |
| – customer relationship   | 7,251                   | 7,251                   |
| – management services right and consulting services contracts                       | 3,376                   | 3,150                   |
| Total amortisation of intangible assets   | <u>10,627</u>           | <u>10,401</u>           |
| and after crediting:  |                         |                         |
| Gross rental income from investment properties                                      | 11,927                  | 12,515                  |
| <i>Less:</i> Direct operating expenses of properties that generated rental income   | <u>(1,015)</u>          | <u>(1,211)</u>          |
| Net rental income from investment properties  | <u>10,912</u>           | <u>11,304</u>           |

## 10. DIVIDENDS

The board of directors of the Company recommended the payment of a final dividend of Hong Kong 0.15 cent per share for the year ended 31 December 2021 (2020: Nil).

## 11. PROFIT (LOSS) PER SHARE

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

### *Profit (loss) for the purposes of basic and diluted profit (loss) per share*

|  | 2021<br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Profit (loss) for the year attributable to owners of the Company | <u>22,013</u>           | <u>(281,038)</u>        |

### *Number of shares*

|  | 2021                 | 2020                 |
|--|----------------------|----------------------|
| Weighted average number of ordinary shares for the purposes of basic and diluted profit (loss) per share | <u>7,526,134,452</u> | <u>7,526,134,452</u> |

The denominators used are the same as those detailed above for both basic and diluted profit (loss) per share. Diluted profit (loss) per share for both 2021 and 2020 were presented as the same as basic profit (loss) per share as there were no potential ordinary shares in issue for both 2021 and 2020.

## 12. TRADE AND OTHER RECEIVABLES

|                                      | 2021<br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|--------------------------------------|-------------------------|-------------------------|
| Trade receivables ( <i>Note i</i> )  | 348,937                 | 230,705                 |
| Bills receivables ( <i>Note i</i> )  | <u>37,715</u>           | <u>–</u>                |
|                                      | 386,652                 | 230,705                 |
| Deposits                             | 39,389                  | 39,689                  |
| Other receivables ( <i>Note ii</i> ) | 8,304                   | 19,562                  |
| Prepayments ( <i>Note iii</i> )      | <u>8,236</u>            | <u>16,529</u>           |
|                                      | <u><u>442,581</u></u>   | <u><u>306,485</u></u>   |

### Notes:

- (i) Most of the patients of the medical and dental practices settle in cash. Payments arising from use of medical cards by patients will normally be settled within 180 to 240 days whilst settlement by corporate customers for the Group's managed medical network operation is from 60 to 180 days. The Group allows an average credit period of 60 to 240 days to its trade customers under other business activities.

The following is an aged analysis of trade and bills receivables, net of allowance, presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates:

|                | 2021<br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|----------------|-------------------------|-------------------------|
| 0 – 60 days    | 242,650                 | 164,099                 |
| 61 – 120 days  | 85,668                  | 45,982                  |
| 121 – 180 days | 55,017                  | 18,992                  |
| Over 180 days  | <u>3,317</u>            | <u>1,632</u>            |
|                | <u><u>386,652</u></u>   | <u><u>230,705</u></u>   |



These receivables are related to a number of independent customers that have good repayment history with the Group. The Group does not hold any collateral over these balances.

As at 31 December 2021 and 2020, no trade and bills receivables are past due at the end of the reporting period for which the Group has not provided an allowance for expected credit loss.

The Group has provided fully for all receivables over 365 days because historical experience is such that receivables that are past due beyond 365 days are generally not recoverable.

- (ii) As at 31 December 2020, the Group's other receivables mainly included receivables of interest income from promissory note of HK\$1,000,000 (2021: nil), receivables from customers arising from purchase of medical equipment of HK\$13,155,000 (2021: nil). As at 31 December 2021, the Group's other receivables mainly included the receivables of compensation from termination of management service agreement by a customer and other related proceeds of HK\$2,700,000 (2020: nil).

As at 31 December 2020, included in other receivables of HK\$13,155,000 (2021: nil) is with an average credit period of 180 days and the remaining are repayable on demand, unsecured and interest-free. As at 31 December 2021 and 2020, no other receivables has been past due.

- (iii) As at 31 December 2020, the Group's prepayments mainly included prepayments of purchase of property, plant and equipment of HK\$4,480,000 (2021: nil) and prepayments to suppliers for medical equipment of HK\$3,072,000 (2021: HK\$2,297,000).

### 13. TRADE AND OTHER PAYABLES

|                                   | 2021<br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|-----------------------------------|-------------------------|-------------------------|
| Trade payables ( <i>Note i</i> )  | 143,486                 | 103,601                 |
| Other payables ( <i>Note ii</i> ) | 15,670                  | 19,223                  |
| Deposits received                 | 4,624                   | 4,674                   |
| Accruals ( <i>Note iii</i> )      | 104,715                 | 79,367                  |
|                                   | <u>268,495</u>          | <u>206,865</u>          |

*Notes:*

- (i) The following is an aged analysis of trade payables presented based on invoice dates at the end of the reporting period:

|               | <b>2021</b>            | 2020            |
|---------------|------------------------|-----------------|
|               | <b><i>HK\$'000</i></b> | <i>HK\$'000</i> |
| 0 – 60 days   | <b>95,165</b>          | 65,509          |
| 61 – 120 days | <b>21,555</b>          | 24,149          |
| Over 120 days | <b>26,766</b>          | 13,943          |
|               | <b><u>143,486</u></b>  | <u>103,601</u>  |

The average credit period on purchase of goods is 60 to 120 days.

- (ii) Included in the Group's other payables as at 31 December 2020 were amounts due to suppliers for acting as an agent for payment of medical equipment of HK\$5,584,000 (2021: nil) with an average credit period of 60-120 days.
- (iii) Included in the balance of accruals are the provision of consultancy services payable to affiliated doctors and specialists of HK\$34,907,000 (2020: HK\$33,252,000), accrued staff costs of HK\$8,770,000 (2020: HK\$10,472,000), provision for medical card expenses of HK\$12,433,000 (2020: HK\$9,204,000) and provision for bonus of HK\$17,379,000 (2020: HK\$3,695,000).

#### 14. BANK BORROWING

|  | 2021<br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Secured:   |                         |                         |
| Mortgage loan  | <u>15,400</u>           | <u>16,623</u>           |
| The bank borrowing is repayable as follows:  |                         |                         |
| On demand and within one year  | 1,239                   | 1,126                   |
| In more than one year but not more than two years  | 1,272                   | 1,151                   |
| In more than two years but not more than three years   | 1,303                   | 1,198                   |
| In more than three years but not more than four years  | 1,338                   | 1,247                   |
| In more than four years but not more than five years   | 1,372                   | 1,300                   |
| Over five years  | <u>8,876</u>            | <u>10,601</u>           |
|  | 15,400                  | 16,623                  |
| <i>Less:</i> Amounts due within one year shown under<br>current liabilities  | (1,239)                 | (1,126)                 |
| Carrying amount of bank borrowing that is not repayable<br>within one year from the end of reporting period but<br>contain a repayment on demand clause (shown under<br>current liabilities) | <u>(14,161)</u>         | <u>(15,497)</u>         |
|  | <u>–</u>                | <u>–</u>                |

As at 31 December 2021, the bank borrowing of the Group carry variable interest rates at Hong Kong Interbank Offered Rate (“HIBOR”) +2.25% per annum (2020: variable interest rate at HIBOR+2.25% per annum).

The Group’s mortgage loan is secured by the Group’s leasehold land and building with carrying value of HK\$39,804,000 (2020: HK\$42,925,000) and supported by personal guarantee provided by non-controlling interests of the Company’s non-wholly owned subsidiary which will be released upon repayment of the mortgage.

## 15. SHARE CAPITAL

|  | <b>Number of<br/>shares</b> | <b>Amount<br/><i>HK\$'000</i></b> |
|--|-----------------------------|-----------------------------------|
| Ordinary shares of HK\$0.01 each             |                             |                                   |
| Authorised:                                  |                             |                                   |
| At 1 January 2020, 31 December 2020 and 2021 | <u>30,000,000,000</u>       | <u>300,000</u>                    |
| Issued and fully paid:                       |                             |                                   |
| At 1 January 2020, 31 December 2020 and 2021 | <u>7,526,134,452</u>        | <u>75,261</u>                     |

## 16. EVENT AFTER THE REPORTING PERIOD

On 11 March 2022, (i) Sure Metro Limited, a wholly-owned subsidiary of the Company (“Sure Metro”); (ii) Hong Kong Medical Test Centre Limited, a wholly-owned subsidiary of the Company before completion of joint venture arrangement (the “JV Company”); and (iii) Sunrise Diagnostic Centre Limited (“Sunrise”), an independent third party, entered into a joint venture agreement pursuant to which: (a) Sure Metro shall subscribe for 48 shares in the JV Company (“JV Shares”) while Sunrise shall subscribe for 51 JV Shares. Sure Metro currently owns one JV Share such that immediately upon completion of such subscriptions, the JV Company shall be owned as to 49% and 51% by Sure Metro and Sunrise respectively; and (b) the JV Company will be engaged in the operation of a medical laboratory in Hong Kong to carry out, among others, COVID-19 nucleic acid testing services for general public clients.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

The Company is pleased to report the results of the Group for the Year.

During the Year, the Group recorded a consolidated profit of approximately HK\$75,072,000 (2020: consolidated loss of approximately HK\$258,450,000). Such turnaround from consolidated loss to consolidated profit was mainly attributable to (i) the increase in the revenue of the Group recorded for the Year; (ii) the fair value gain of the Group's investment properties recorded for the Year; (iii) the increase in share of profits of associates recorded for the Year; and (iv) the decrease in the expected credit losses and impairment losses on the relevant assets (including the BB Promissory Note) recorded for the Year.

#### **Increase in Revenue**

The Group recorded revenue of approximately HK\$1,483,892,000 for the Year (2020: approximately HK\$1,069,045,000), which was mainly attributable to the increase in demand for (a) medical services; (b) hospital management and related services in Mainland China; and (c) COVID-19 testing services for the Year. Details of revenue from different business segments of the Group will be explained in subsequent paragraphs.

#### **Fair Value Gain on Investment Properties**

The Group recorded a fair value gain on its investment properties of approximately HK\$47,653,000 for the Year (2020: fair value loss of approximately HK\$47,566,000), which was mainly attributable to the improvement in property market conditions as a result of the rapid recovery of economic activities from the pandemic in 2021.

## **Share of Profits of Associates**

The Group recorded share of profits of associates of approximately HK\$40,484,000 for the Year (2020: approximately HK\$7,466,000), which was mainly attributable to the recovery of business operations of the associates from the pandemic in 2021.

## **Expected Credit Losses and Impairment Losses Recognised on Relevant Assets**

The Group recorded expected credit losses and impairment losses on the relevant assets (including the BB Promissory Note) of approximately HK\$136,043,000 for the Year (2020: approximately HK\$230,555,000). Details of the BB Promissory Note are set out in the announcements of the Company dated 30 December 2016, 17 March 2017, 19 March 2021, 27 April 2021 and 26 May 2021 and the circular of the Company dated 23 February 2017.

## **BUSINESS REVIEW**

### **Annual Business Review**

The pandemic has ravaged the world for two years, and the long road to fight the pandemic has been ups and downs. In 2021, the global economic recovery bumped forward amid waves of pandemic, which brought various new challenges to the medical industry. The Group flexibly adjusted its operating strategies in line with the situation and successfully turned crises into opportunities, thus turning losses into gains. During the Year, the Group recorded revenue of approximately HK\$1,483,892,000 (2020: approximately HK\$1,069,045,000), representing a significant year-on-year growth of approximately HK\$414,847,000 or approximately 38.81%, and profit amounting to approximately HK\$75,072,000 (2020: loss of approximately HK\$258,450,000), representing a significant year-on-year growth of approximately HK\$333,522,000 or approximately 129.05%.

As a frontline institution in the medical system, the Group pursues the realization of mutual prosperity of economic benefits and social value. During the Year, the Group earnestly fulfilled its corporate social responsibilities in public health events, firmly placed the health and life of citizens first, fully cooperated with the anti-pandemic policies of the Hong Kong and Chinese governments, and proactively carried out vaccination and nucleic acid testing in the two places.

In Hong Kong, since March 2021, the Group commenced operation of the Tseung Kwan O Community Vaccination Centre, and then has gradually expanded the scope of operation. The Group is currently operating the Hiu Kwong Street Sports Centre Community Vaccination Centre in Kwun Tong, the Sun Yat Sen Memorial Park Sports Centre Community Vaccination Centre in Sai Ying Pun, the Landmark North Community Vaccination Centre in Sheung Shui, the Leighton Centre Satellite Community Vaccination Centre in Causeway Bay, two vaccination stations set up in public hospitals, as well as two mobile vaccination stations, etc.. At the same time, the Group provides free vaccination services in its 36 designated medical centres, covering the whole territory of Hong Kong. In addition, the Group also launched outreach vaccination service to provide the general public with flexible and convenient vaccination channels. Since May 2021, the outreach vaccination team has been out and about to successively provide outreach on-site vaccinations for employees of several multinational companies, MTR, cruise crews and other large organizations. Since January 2022, the Group's mobile vaccination stations have been officially put into service. Its service area covers Wong Tai Sin, Sham Shui Po, Sheung Shui, Ta Kwu Ling, Sai Kung and Tsz Wan Shan, etc., and can maximize the convenience for the elderly, people with disabilities and residents in remote areas. As of 10 March 2022, the Group has vaccinated approximately 839,000 doses of vaccines for Hong Kong citizens. In terms of nucleic acid testing services, in addition to the nucleic acid testing services provided by Hong Kong Health Check and Medical Diagnostic Centre Limited, a related company of the Company, the Group continued to cooperate with a medical testing institution recognized by the Hong Kong government by providing a venue in the headquarters building to operate a large nucleic acid testing centre during the Year. It helped to identify latent patients as early as possible and stopped the spread of the virus in the community. During the Year, over 3.30 million tests have been processed in total. In Mainland China, Nanshi Hospital, which was managed by Nanyang Xiangrui, a subsidiary of the Company, as well as the health management institutions in different places have also continued to implement the rigorous and necessary pandemic prevention and control measures. In particular, Nanshi Hospital fully cooperated with the Henan Provincial Government's vaccination and nucleic acid testing sampling tasks, it provided uninterrupted pandemic prevention support in the hospital and through dispatched outreach teams to residents in many parts of the province. It also dispatched hundreds of personnel to the local area to participate in the pandemic prevention and control during the emergency period in Zhengzhou. During the Year, it assisted in collecting more than 80,000 nucleic acid testing samples and vaccinating more than 60,000 doses of vaccines.

As for the business in Hong Kong, favorable factors including the easing of the local pandemic situation, the sustained sound economic momentum, the significant improvement in medical demands and the rising health care sentiment have incubated the Group's business layout, operating strategies and measures to broaden sources of income and reduce expenditure that the Group has carried out years ago. During the Year, the performance of the Group's medical service business improved significantly. The managed medical network business has grown steadily and the self-operated medical centre chain business has emerged from the haze of the pandemic. In addition, the demand for nucleic acid testing services increased, resulting in a significant improvement in performance during the Year.

In terms of business in Mainland China, as the pandemic in Mainland China was properly controlled and the macroeconomic policies were flexible and precise, the Chinese economy took the lead in realizing recovery. While the overall economy maintained growth, the Group grasped the development direction of the medical market, tapped health care opportunities, and continuously strengthened the competitiveness and diversity of hospital management and health management businesses. It deepened the cooperation with China Life Group and strived to expand corporate customers, driving the overall business to record steady growth during the Year.

### ***Healthcare Service Network of the Group***

As of 31 December 2021, the Group had 454 healthcare service points covering multiple practices, including 259 general practice service points, 75 specialist service points, 23 dental service points and 97 auxiliary service points. As of 31 December 2021, the Group employed 697 doctors, dentists and auxiliary service staff (including 394 general practitioners, 215 specialists, 30 dentists and 58 auxiliary service staff), all of whom provided healthcare services via the Group's network of self-operated and affiliated medical service centres.



The Group's healthcare service network is as follows:

|  | <b>As of<br/>31 December<br/>2021</b> |
|--|---------------------------------------|
| <b>Medical services</b>                            | <b>334</b>                            |
| General practice services                          | 259                                   |
| Specialist services                                | 75                                    |
| <b>Dental services</b>                             | <b>23</b>                             |
| <b>Auxiliary services</b>                          | <b>97</b>                             |
| Physiotherapy services                             | 52                                    |
| Diagnostic imaging and laboratory testing services | 27                                    |
| Traditional Chinese medicine services              | 17                                    |
| Health management services                         | 1                                     |
|  | <hr/>                                 |
| <b>Total:</b>                                      | <b>454</b>                            |
|  | <hr/> <hr/>                           |

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

|  | <b>As of<br/>31 December<br/>2021</b> |
|--|---------------------------------------|
| <b>Medical services</b>                            | <b>84</b>                             |
| General practice services                          | 43                                    |
| Specialist services                                | 41                                    |
| <b>Dental services</b>                             | <b>13</b>                             |
| <b>Auxiliary services</b>                          | <b>20</b>                             |
| Diagnostic imaging and laboratory testing services | 12                                    |
| Physiotherapy services                             | 7                                     |
| Health management services                         | 1                                     |
|  | <hr/>                                 |
| <b>Total:</b>                                      | <b>117</b>                            |
|  | <hr/> <hr/>                           |

## **Business in Hong Kong**

### ***Managed Medical Network – Vio***

During the Year under review, the Group's medical network management business in Hong Kong recorded revenue of approximately HK\$463,284,000 (2020: approximately HK\$419,380,000), accounting for approximately 31.22% (2020: approximately 39.23%) of the Group's revenue for the Year. In 2021, the pandemic severely hit the global economy. Fortunately, as the vaccination rate in Hong Kong continued to increase, the local pandemic was brought under control and economic and social activities improved in the second half of the year, which also boosted the Group's medical network management business. During the Year, the demand for pre-vaccination health checks increased, and elective surgeries that were suspended in 2020 due to the pandemic went ahead in 2021. There was a gradual recovery in the number of outpatient visits and the revenue generated per outpatient visit. The revenue, gross profit and net profit of Vio maintained a steady growth, fully highlighting the profitability of the business model and the long-term business growth in the face of adversities.

Vio continued to invest resources in upgrading software and information technology infrastructure. In recent years, Vio has committed to providing customers with accurate, efficient and simple electronic medical insurance claims services through a paperless electronic voucher system and electronic medical expense pre-approval procedures, effectively improving payors' operational efficiency and reducing administrative costs. Vio also endeavoured to protect the privacy, confidentiality and security of patients' personal data and medical records. During the Year, it continued to upgrade the software and hardware of the internal management systems, which strengthened data security management and confidentiality as well as optimized the workflow of frontline medical staff.

As one of the few private medical institutions in Hong Kong that adopts the ISO 9001:2015 quality management system, Vio will continue to provide customers with reliable and high-quality medical services by improving service quality and optimizing its supervision mechanism. Based on the long-term close relationship with corporate clients, Vio understands the needs and preferences of different customers from multiple perspectives, and provides customised value-added solutions for corporate clients in a timely manner, to further enhance customer stickiness, build and sustain competitive advantages and increase market share.

With the pandemic still raging in waves worldwide, Vio has strictly followed the Centre for Health Protection's infection prevention guidelines and adopted a series of protective measures to protect the health of staff and patients. At the same time, it continued to carry out a number of initiatives to optimize the medical centres' environment, including increasing the fresh air intake of medical centres and increasing the frequencies of disinfection on high-contact surfaces to prevent the spread of the virus in medical centres.

### ***Self-Operated Medical Centre Chain***

During the Year, the Group operated a total of 43 general practice medical centres, 41 specialist centres and 13 dental centres. Revenue from self-operated medical centre chain business was approximately HK\$470,447,000 (2020: approximately HK\$357,835,000), accounting for approximately 31.70% (2020: approximately 33.47%) of the Group's revenue for the Year. The pandemic prevention and control at different levels in Hong Kong came into effect and the gradual and widespread vaccination of vaccines locally in the second half of 2021 gradually improved the effect of the pandemic control, injecting more new impetus into the steady recovery of economy and driving the overall performance of the Group's self-operated medical centre chain to pick up from the trough in the second half of the Year.

The Group has always believed that flexible operation management is crucial to the development of the enterprise itself. Taking into full account the different needs of the society in response to the pandemic, the self-operated medical centre chain developed in multiple ways during the Year to prepare for the challenges and opportunities in the post-pandemic era.

In terms of general practice services, the Group owns one of the largest and most extensive medical centres networks in Hong Kong, covering Hong Kong Island, Kowloon and the New Territories. The service points in the network are located in strategic locations with convenient transportation and well-trained medical team provides patients with one-stop medical services. During the Year, benefiting from the easing of the local pandemic, the overall number of outpatient visits rebounded and the business ran smoothly.

In respect of specialist services, the Group covers a number of specialist outpatient services including Cardiology, Clinical Oncology, Dermatology, Gastroenterology and Hepatology, General Surgery, Weight Management and Diabetic Surgery, Obstetrics and Gynecology, Ophthalmology, Orthopaedics, Otorhinolaryngology, Paediatrics, Plastic Surgery, Psychiatry and Respiratory Medicine, etc.. During the Year, the Group recruited additional specialists in Cardiology, Orthopaedics and Internal Medicine, and focused on cultivating specialist services with development potential to meet the strong demand of the public for private specialist services.

For dental services, the Group provides patients with a wide range of dental health care and cosmetic services. During the Year, it continued to strengthen the management of medical centres' operation and administration, and adjusted the layout of medical centres according to market conditions to resist the negative impact of the pandemic and achieve a smooth transition in the face of adverse conditions.

During the Year, the Group accelerated the integration of online and offline medical services to meet the growing demand of citizens for medical and preventive healthcare services. For offline medical services, the Group proactively sought for suitable locations to establish medical centres, further optimized the medical centre network for general practice services, specialist services and dental services, and strengthened the referral mechanism for general practice services and specialist services, to provide appropriate treatment and support services that meet patients' needs. For online medical services, in order to solve the problem of medical treatment for patients with chronic diseases during the pandemic, the Group tried to develop telemedicine on a pilot basis with designated specialist services, to proactively improve the accessibility of medical services. Meanwhile, the Group continued to provide free medical information to the public through its website and major social platforms, to promote public awareness of health care and to educate the public on the importance of "prevention before disease onset and early treatment of disease".

Professional medical staff is the foundation for the Group to provide quality medical services for many years. During the Year, the Group was determined to discover and cultivate outstanding medical talents, grasped the trend of integration of small medical clinics in Hong Kong to recruit experienced doctors, dentists and auxiliary service staff to join the team, and gathered elites and leveraged their expertise in various departments and fields to provide patients with reliable, flexible and comprehensive medical services. The medical businesses of the Group in many fields also enabled mutual benefit and synergy among doctors, which could not only expand each other's patient base through internal recommendation, but also achieve faster treatment efficiency through knowledge sharing. In addition, the Group is committed to building a central medical management platform to provide comprehensive administrative and operational support, save the time for frontline medical staff to deal with tedious paperwork, and help them focus on providing high-quality medical and healthcare services to patients.

## **Business in Mainland China**

### ***Hospital Management Business***

During the Year, the business segments of Nanyang Xiangrui, a subsidiary of the Company, accelerated the pace of development by virtue of the decline in outbreak of the pandemic, and successfully maintained the growth trend. The revenue of Nanyang Xiangrui for the Year recorded a high double-digit growth compared with that for last year, and the overall performance was gratifying.

Nanshi Hospital, managed by Nanyang Xiangrui, is a national Grade III Level A hospital and adopts the operation model of “general hospital + branches” in which the general hospital governs Nanshi Hospital's Youtian Branch, Nanyang Ruishi Ophthalmology Hospital, Nanshi Chinese Medicine Rehabilitation Hospital, Henan Youtian Nanyang Community Health Service Station and several community family clinics, and has become a close medical alliance cooperation unit with dozens of grassroots hospitals.

Nanshi Hospital attaches great importance to the quality of medical environment. In order to meet the ever-increasing medical needs, it has upgraded the hardware and software equipment of the general hospital during the Year, and is committed to providing the residents of Nanyang City with regional leading comprehensive medical services. The new surgical building with 25 floors and a floor area of 84,000 square meters was officially put into operation in August 2021. The renovation project of the brain department building was also completed in October 2021. After the upgrade, the medical service capacity and quality of Nanshi Hospital have been greatly improved. Throughout the Year, the handling capabilities for outpatient, inpatient and surgery of Nanshi Hospital increased in an all-round way. The annual number of outpatient visits exceeded 496,000, the bed utilisation rate reached 115%, and the number of Grade III and Grade IV surgeries exceeded 11,770, which promoted the steady growth of revenue from medical services and pharmaceuticals.

With the increase of national health awareness, rising revenue level and aging problems in recent years, the demand for medical and healthcare services has increased. The branches of Nanshi Hospital seized the development opportunities arising from the upgrading of the medical and healthcare industry in Mainland China, and enhanced their market competitiveness in the field of hospital management by strengthening cooperation with enterprises, exploring new business development models and other strategies to meet the needs of customers with different preferences.

During the Year, the rehabilitation centre of Nanshi Hospital's Youtian Branch was put into operation, becoming the first regional rehabilitation centre in the district. It has signed health management agreements with large local enterprises as a pilot program to provide chronic disease management and community health management services to more than 13,000 employees of the enterprises, and plans to gradually promote this business to different enterprises in Nanyang City and surrounding areas. Nanyang Ruishi Ophthalmology Hospital achieved brilliant performance, with more than 1,000 surgeries, and its revenue exceeded RMB20 million for the first time, representing a year-on-year increase of approximately 30%. Nanshi Hospital continued to develop departments with profit growth potential into specialty hospitals. During the Year, in response to the national strategy of further development of traditional Chinese medicine, Nanshi Hospital expanded the rehabilitation branch from the general hospital into a Chinese medicine rehabilitation hospital, which has obtained the Grade II hospital license and can provide patients with rehabilitation treatment combining traditional Chinese medicine and western medicine characteristics.

The pandemic has changed many lifestyles and consumption behaviour, and the Internet has begun to penetrate into medical services during the pandemic. Nanshi Hospital proactively seized the opportunity to develop a new business development model of “internet + medical services”, and accelerated the pace of implementing internet hospital. In March 2022, Nanshi Hospital obtained the first internet hospital license in Nanyang City from the Health Committee of Nanyang City. The internet hospital will provide approximately 400,000 registered members with telemedicine services such as remote consultation, multi-expert consultation, electronic prescription and drug delivery. “Internet + medical services” has played an important role in responding to the pandemic and meeting people’s medical needs, demonstrating the broad prospects of the internet-enabled medical business.

### ***Health Management Business***

During the Year, in terms of health management business, the Group’s four health management institutions located in Guangzhou, Zhongshan and Shenzhen in Guangdong Province and Jinan City in Shandong Province developed in a balanced way. During the Year, in light of the demographic characteristics and medical needs of various regions, the Group focused on the development of specialties and health check products, and proactively planned the future layout of the “comprehensive health” industry.

In Guangzhou City, Guangdong Province, during the Year, Yikang, a subsidiary of the Company, the Sixth Hospital and the Medical Diagnostic Centre entered into a termination agreement pursuant to which the parties thereto have mutually agreed to terminate the 20-year management service agreement of the Medical Diagnostic Centre entered into between, among others, the Sixth Hospital and Yikang in February 2008 with effect from 10 September 2021. Yikang was thereby compensated by the Medical Diagnostic Centre, and would continue to lease certain properties at the original site to open an integrated clinic by taking advantage of the geographical advantage of the nearby Sixth Hospital and the good relationship established by the two parties over the years of cooperation. In January 2022, Yikang was granted a practising license for medical institution from Tianhe District Health Committee of Guangzhou City. Guangzhou Integrated Clinic plans to set up specialties such as peripheral supporting services for assisted reproductive services and life cycle health care services for female. In addition, it will set up drug store to sell the concerned pharmaceutical products and Chinese-style health care products, to further expand the source of income, and achieve the benefits of customer attraction and promotion.

In Zhongshan City, Guangdong Province, Zhongshan Health Management Centre, a joint venture project of Zhongshan Shangfeng Yikang, a subsidiary of Yikang, commenced operation in May 2021, and it also entered into a medical alliance construction cooperation agreement with Zhongshan City People's Hospital, a comprehensive Grade III Level A hospital, striving to achieve the effectiveness of expert consultation and mutual recognition of diagnosis. In the long run, it is hoped that a two-way referral mechanism can be realised and it will play a positive role in market sales and brand recognition. The health management centre also houses Zhongshan Yinghe Medical Imaging Diagnostic Centre, a joint venture established by Zhongshan Shangfeng Yikang and Shanghai United Imaging. During the Year, advanced high-end imaging diagnostic equipment was used in conjunction with the health management centre to provide customers with one-stop outpatient and health check services.



In Shenzhen City, Guangdong Province, Ganghe Clinic, located in the central area of Futian District, also accelerated the development of reproductive department and developed the business of life cycle health care for female during the Year. Ganghe Clinic mainly serves customers of China Life Group, and has carried out special sessions on thyroid and breast surgery, endocrinology, etc. for insurance customers, and invited professors and experts for consultation and provided services such as outpatient examinations and dressing changes. During the Year, Ganghe Clinic also undertook the underwriting health checks business of CLIZ, continued to strengthen the cooperation between the Group and China Life Group in the main businesses, and developed more special departments according to the needs of the customers of China Life Group to achieve mutual benefit and synergy.

In Jinan City, Shandong Province, Town Health International Health Management Centre, located at China Life Centre, operated stably, and the health check business remained the main source of income. During the Year, Town Health International Health Management Centre launched fecal DNA intestinal cancer screening services, which was convenient for customers to perform simple tests without leaving home during the pandemic, also saved the cumbersome and discomfort of traditional colonoscopy, and received positive feedback from customers. In the second half of 2021, the athletic training and rehabilitation centre of Town Health International Health Management Centre was launched to provide exercise testing and rehabilitation services, aiming to help customers detect diseases related to cardiopulmonary function as soon as possible so as to take appropriate treatment in a timely manner, reduce the cost of treatment and improve the probability of recovery. In the long run, it can reduce the pressure of medical expenses over the public and society.

### ***Other Business***

During the Year, TBM which was engaged in medical beauty business employed 12 full-time or part-time doctors (2020: 11), had 14, 9, 8 and 3 beauty centres in Hong Kong, Shenzhen, Shanghai and Guangzhou, respectively (2020: 9, 8, 5 and 3), and recorded revenue of approximately HK\$379,192,000 for the Year (2020: approximately HK\$245,400,000). The medical beauty business still maintained a booming trend despite the pandemic. In view of this, TBM continued to consolidate and expand its business in Hong Kong, and intensified its efforts to develop the rapidly growing market in Mainland China.

In terms of the businesses in Hong Kong, since the outbreak of the pandemic in early 2020, the implementation of multiple rounds of business closure measures has inevitably dealt a heavy blow to the operation of medical beauty centres. However, as the local pandemic situation began to ease, the government launched consumption voucher scheme and other stimulus measures, igniting customers' long-suppressed consumption desire, and revenge spending drove TBM's performance to leapfrog since the second quarter of 2021, and TBM also took advantage of the rental adjustment to find suitable locations to open new centres.

For the businesses in Mainland China, in recent years, people's acceptance of medical beauty consumption behaviour has been increasing, beauty equipment and technologies have become more advanced, and raw materials and treatment costs have become cheaper, stimulating the demand for medical beauty in the era of beauty economy. At the same time, since 2021, with the arrival of the era of strong regulatory transformation in the medical beauty industry, a series of policies have brought medical beauty back to its essence and the standardized development of the industry has brought market opportunities for the large-scale participants with strength in the beauty industry. In the era of new medical beauty, TBM has achieved phased results in the development of medical beauty and beauty care. During the Year, new beauty centres were set up in first-tier cities, including a large-scale medical beauty flagship centre in Shanghai.

TBM has never stopped combining the Internet and the traditional beauty industry, and continued to build a big data analysis team and develop online and offline integrated marketing channels during the Year. TBM realized value through big data analyses. Externally, it better managed members and treatment courses, and provided personalized and customized beauty solutions to meet the individual needs of customers; internally, it had a better understanding of operational weaknesses, and provided targeted administrative management and employee training to improve customer service experience and operational efficiency. Besides, TBM continued to conduct online and offline interactive marketing through different channels in Hong Kong and Mainland China, including inviting real customers to share their beauty experiences on social platforms, and selling OEM skin care products in conjunction with beauty treatments, successfully retaining existing customers and attracting new ones.

## OUTLOOK

After a long period of economic shutdown, Hong Kong and Mainland China ushered in the long-awaited recovery in 2021. However, with the outbreak of variant viruses in 2022, the latest wave of the pandemic and the tightening of anti-pandemic measures have put a new round of pressure on economic activities and also dampened economic sentiment, making the pace of recovery in 2022 likely to be slowed down. Although the development of the pandemic and various uncertainties in the external environment have created hidden worries for the economy to return to normal, the Group will adjust its business strategies in a timely manner according to the current economic situation, striving to cultivate new opportunities in the midst of crises and open a new situation in changes. It will seize market opportunities to consolidate the businesses in Hong Kong, develop the market in Mainland China, and continue to provide the public with reliable and high-quality medical and healthcare services.

In 2022, as the pandemic prevention and control situation in Hong Kong and Mainland China is severe, the medical staff of the Group are determined to shoulder the responsibility of protecting the safety and health of citizens, and will continue to stick to the front line of fighting the pandemic. In Hong Kong, the pandemic has deteriorated rapidly since February 2022, with an unprecedented large-scale outbreak, and the number of local daily infections has repeatedly hit new highs. Facing the most severe battle since the outbreak of the pandemic, the Group believes that increasing the vaccination rate is crucial to the prevention and control of the pandemic. It will continue to operate a number of community vaccination centres and vaccination stations in public hospitals, and provide citizens with convenient vaccination channels through its designated medical centres, outreach vaccination teams, and mobile vaccination stations, so as to provide a herd immunity barrier for the community. Moreover, on 11 March 2022, Sure Metro, a wholly-owned subsidiary of the Company and Sunrise, entered into a joint venture agreement for the formation of a joint venture regarding the JV Company. The JV Company will be owned as to 49% and 51% by Sure Metro and Sunrise respectively and will be engaged in the operation of a medical laboratory in Hong Kong to carry out, among others, COVID-19 nucleic acid testing services for general public clients. Leveraging on the medical network of the Group and the experience of Sunrise in the provision of laboratory testing services in Hong Kong, it is believed that the JV Company could cater for the current and future prevalent demand for various testing services in Hong Kong. In Mainland China, Nanshi Hospital and health management institutions in many places will continue to cooperate with the local governments in the pandemic prevention and control and provide practical support. The pandemic is expected to last for a period of time. In this protracted battle against the pandemic, the Group will continue to fulfill its responsibilities and go all out to work with the public to overcome the pandemic.

## **Hong Kong**

For the medical network management business, Vio will continue to leverage its time-honoured and effective business model to further enhance its competitive advantages and maintain organic business growth in the post-pandemic era. On the one hand, Vio will continue to further cultivate its long-term partnership with corporate clients and insurance companies, and proactively explore new customer sources, and launch customer-oriented medical solutions by closely following the different needs of new and existing customers. On the other hand, Vio will further upgrade software and information technology infrastructure, consolidate the central database, analyse the latest data set to derive real-time costing of health screening packages and expected profit, so as to carry out strict cost control in medical services, pharmaceutical supplies and administration, which will facilitate competitive pricing and also maintain long-term stability in earnings.

In terms of self-operated medical centre chain, the Group will keep a close eye on the development of the pandemic and make prudent arrangements. In 2022, the Group will continue to optimize the medical centre network of general practice services, specialist services and dental services according to the actual operating conditions and community needs. In respect of general practice services, medical centres are the first point of contact for individuals and families in the medical treatment process. The Group will continue to optimize the network layout of medical centres in Hong Kong to provide citizens with convenient comprehensive medical services in the communities where they live and work, and also continue to recruit medical talents and improve service quality, to consolidate its position in the primary medical service market. For specialist services, the Group will accelerate the development of popular specialties depending on market demand, to meet the increasing demand of citizens for private specialist medical services under the increasing medical affordability and pave the way for future medical tourism after the pandemic. As to operation and administrative management, the Group will seize the integration opportunities brought about by the tightening of regulations in the medical industry for industry leaders, to proactively attract high-quality medical talents from small medical clinics, and enhance all-round support for medical teams and cross-disciplinary exchanges and cooperation, to give full play to the advantages of the two-way referral mechanism of general practice services and specialist services in the network.

## **Mainland China**

In terms of hospital management business, the offline entity and online Internet business of Nanshi Hospital will be developed in multiple ways. For offline business, the internal medicine building is in the process of replacing outdated facilities and integrating internal medicine departments, and is expected to be transformed and put into operation in the first half of 2022 and will significantly improve the inpatient environment and enhance operational efficiency. For online business, the internet hospital license has given new impetus to medical services. Nanshi Hospital will cooperate with China Life Group to practise “internet + medical services + insurance”, with a view to using telemedicine as the main means to explore the combination of online and offline medical services with insurance management. Then, Nanshi Hospital will be able to provide targeted employee-specific health management insurance products for enterprises in Nanyang City, and will also be able to provide chronic disease and health management to residents in remote counties and townships in Nanyang City, to break through the bottleneck constraints of traditional medical services, promote the penetration of high-quality medical resources in Henan Province, achieve mutual benefit and win-win with China Life Group, and accelerate the sustainable development of Nanshi Hospital.

For health management business, the Group will strengthen the strategic deployment of “comprehensive health”, focusing on the development of specialties and health check products. In addition to further enhancement of the business of assisted reproductive services and life cycle health care services for female, health management institutions in different places will also actively cooperate with insurance institutions to try the characteristic service model of “medical services + insurance”. On the basis of further assisting the development of the main business of insurance institutions, the Group will expand the brand and service content of its own medical services, strengthen personnel training, improve customer experience, and try to introduce certain special medical projects to form diversified and personalized medical service products and achieve all-round value release from product and services to business capabilities.

## **Others**

For the medical beauty business, TBM will make every effort to reverse the adverse impact of the new wave of the pandemic in Hong Kong, and seize the industry development opportunities in Mainland China in the new era of medical beauty to advance at full speed on the golden track of the beauty market and further expand the beauty centre network in Hong Kong and Mainland China. In Hong Kong, TBM will continue to look for sections with a high flow of people to expand its beauty centres and follow the trend of age rise per capita to develop special areas to delay aging for customers including pain treatment, hair transplant and dental aesthetics. It will enter the comprehensive health market and plan to expand service outlets to cities in the Greater Bay Area. In Mainland China, TBM will focus its resources on developing more medical beauty outlets in first and second-tier cities in Mainland China. In respect of marketing strategy, TBM will make more use of online channels for word-of-mouth publicity and encourage existing customers to make word-of-mouth referrals so as to acquire new customers, thereby further expanding its customer base. With the application of big data analyses, TBM will provide high-quality “medical beauty + comprehensive health” diversified service experience for customers in Hong Kong and Mainland China.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group adopts a prudent cash and financial management policy. As at 31 December 2021, the Group held bank balances and cash of approximately HK\$910,458,000 (2020: HK\$1,070,835,000) and fixed bank deposits of approximately HK\$1,086,559,000 (2020: HK\$817,090,000). In order to achieve better cost control and minimise the costs of funds, the Group’s treasury activities are centralised and substantial cash is generally deposited with banks in Hong Kong and denominated mostly in HK\$. As at 31 December 2021, the Group had bank borrowing which represented a mortgage loan of approximately HK\$15,400,000 (2020: HK\$16,623,000) of which approximately HK\$1,239,000 (2020: HK\$1,126,000) are repayable within one year. As at 31 December 2021, the Group had no committed borrowing facilities. Details of the bank borrowing of the Group are set out in note 14 to the consolidated financial statements for the Year.

As at 31 December 2021, the Group's net current assets amounted to approximately HK\$1,955,767,000 (2020: HK\$1,926,151,000) and the Group had a current ratio (defined as total current assets divided by total current liabilities) of 5.64 (2020: 6.34). As at 31 December 2021, the Group's gearing ratio (defined as total bank borrowing divided by equity attributable to owners of the Company) was 0.40% (2020: 0.44%). The Group considers the level of liabilities of a company reflects its financial health. The Group strives to keep the level of borrowings at minimum and to maintain ample internal resources to support its business operations, not only to reduce interest burden, but also to enable the Group to respond to changes and capture business opportunities in a timely manner when they arise. As such, both current ratio and gearing ratio are useful to assess the Group's financial positions. While higher current ratio reflects sufficiency of the Group's assets and the capability of the Group to meet its debt repayment obligations, lower gearing ratio represents lesser reliance on debt financing and greater financial stability of the Group. During the Year, the Group's liquidity position was well-managed and the Group's financial resources were sufficient to support its business operations. Where necessary, the Group may also consider other fund raising activities when opportunity arises under favourable market conditions.

Major currencies used for the Group's transactions were HK\$, RMB and US\$. As HK\$ are pegged to the US\$ and the fiscal policy of the Central government of the PRC in relation to RMB was stable throughout the Year, the Group considers that the potential foreign exposure of the Group is limited.

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

## **CAPITAL STRUCTURE**

As at 31 December 2021, the Group had equity attributable to owners of the Company of approximately HK\$3,855,035,000 (2020: HK\$3,810,481,000).

## **HUMAN RESOURCES AND TRAINING SCHEME**

As at 31 December 2021, the Group employed 1,170 staff (2020: 1,164 staff). Total employee costs for the Year, including directors' remuneration, amounted to approximately HK\$656,338,000 (2020: HK\$581,958,000). The salary and benefit levels of the employees of the Group are competitive and individual performance is rewarded through the Group's salary and bonus system. Remuneration packages are reviewed annually.



Training is valued as essential to the personal growth of employees, which also ensures and improves the Group's customer services. Apart from the strict code of conduct that all employees shall follow, employees are also provided with customised trainings and handbooks with respect to their specialities.

## **CONTINGENT LIABILITIES**

As at 31 December 2021, the Group had no significant contingent liabilities (2020: Nil).

## **PLEDGE OF ASSETS**

As at 31 December 2021, property, plant and equipment of the Group with carrying value of approximately HK\$39,804,000 (2020: HK\$42,925,000) were pledged to secure general banking facilities granted to the Group.

## **CAPITAL COMMITMENTS**

As at 31 December 2021, the Group did not have capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment (2020: Nil).

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

During the Year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed shares of the Company.

## **EVENT AFTER THE REPORTING PERIOD**

On 11 March 2022, (i) Sure Metro, a wholly-owned subsidiary of the Company; (ii) the JV Company, a wholly-owned subsidiary of the Company; and (iii) Sunrise, entered into a joint venture agreement pursuant to which (a) Sure Metro shall subscribe for 48 JV Shares while Sunrise shall subscribe for 51 JV Shares. Sure Metro currently owns one JV Share such that immediately upon completion of such subscriptions, the JV Company shall be owned as to 49% and 51% by Sure Metro and Sunrise respectively; and (b) the JV Company will be engaged in the operation of a medical laboratory in Hong Kong to carry out, among others, COVID-19 nucleic acid testing services for general public clients.



## **DIVIDEND**

The Board recommended the payment of a final dividend (“**Final Dividend**”) of Hong Kong 0.15 cent per share for the Year (2020: Nil) to the Shareholders which is subject to Shareholders’ approval at the forthcoming AGM.

The payment of the Final Dividend will be made to the Shareholders whose names appear on the register of members of the Company on a record date which will be announced by the Company in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

The date and notice of the forthcoming AGM, the book closure date for eligibility to attend and vote at the forthcoming AGM and the book closure date for eligibility of entitlement to the Final Dividend will be announced by the Company in due course.

## **COMPLIANCE WITH THE CG CODE**

The Company adopted its own code of corporate governance based on the principles and code provisions as set out in the CG Code during the Year.

During the Year, the Company complied with the respective code provisions of the CG Code.

## **COMPLIANCE WITH THE MODEL CODE**

The Company has adopted the Model Code as the Company’s code of conduct regarding Directors’ securities transactions. Having made specific enquiry of all Directors, all the Directors have complied with the required standard set out in the Model Code throughout the Year.

## **AUDITORS**

Moore Stephens CPA Limited has been the auditors of the Group with effect from 15 February 2018. Moore Stephens CPA Limited was re-appointed as the auditors of the Company in the AGMs held on 29 June 2018, 27 June 2019, 29 June 2020 and 28 June 2021.

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

## **REVIEW BY AUDIT COMMITTEE**

The audited consolidated financial statements of the Group for the Year have been reviewed by the Audit Committee.

## **SCOPE OF WORK OF MOORE STEPHENS CPA LIMITED**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Year as set out in the preliminary announcement have been agreed by the Group's auditor, Moore Stephens CPA Limited, to the amounts set out in the audited consolidated financial statements of the Group for the Year. The work performed by Moore Stephens CPA Limited 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 opinion or assurance conclusion has been expressed by Moore Stephens CPA Limited on the preliminary announcement.

## **ACKNOWLEDGEMENT**

The Company would like to thank the Board, the management and all of its staff for their hard work and dedication, as well as the Shareholders and customers for their support to the Group.

By order of the Board

**Town Health International Medical Group Limited**

**Jin Zhaogen**

*Executive Director and Chief Executive Officer*

Hong Kong, 22 March 2022

*As at the date of this announcement, the executive Directors are Mr. Jin Zhaogen (Chief Executive Officer) and Ms. Zhao Xiangke (Chief Financial Officer); the non-executive Directors are Mr. Kong Dechang (Chairman) and Mr. Hou Jun; and the independent non-executive Directors are Mr. Ho Kwok Wah, George, MH, Mr. Yu Xuezhong and Dr. Xu Weiguo.*

## GLOSSARY

|                                |  |
|--------------------------------|--|
| AGM                            | annual general meeting of the Company  |
| Audit Committee                | audit committee of the Board   |
| BB Promissory Note             | the promissory note with a principal amount of HK\$330,000,000 issued by Profit Castle Holdings Limited as part of the consideration for the acquisition of the Group's interests in Bonjour Beauty International Limited and its subsidiaries |
| Board                          | the board of Directors   |
| CG Code                        | Corporate Governance Code as contained in Appendix 14 to the Listing Rules then in force during the Year   |
| China or Mainland China or PRC | the People's Republic of China excluding, for the purpose of this announcement only, Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan   |
| China Life Group               | 中國人壽保險(集團)公司 (in English, for identification purpose only, China Life Insurance (Group) Company) and its subsidiaries  |
| CLIZ                           | 中國人壽保險股份有限公司深圳市分公司 (in English, for identification purpose only, China Life Insurance Company Limited, Shenzhen Branch)  |
| Company                        | Town Health International Medical Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability whose Shares are listed on the Main Board of the Stock Exchange                                  |
| Director(s)                    | the director(s) of the Company   |
| Ganghe Clinic                  | 深圳港和診所 (in English, for identification purpose only, Shenzhen Ganghe Clinic)   |

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|--|--|
| Group                                    | the Company and its subsidiaries   |
| HK\$                                     | Hong Kong dollars, the lawful currency of Hong Kong  |
| Hong Kong                                | the Hong Kong Special Administrative Region of the PRC   |
| JV Company                               | Hong Kong Medical Test Centre Limited, a subsidiary of the Company as at the date of this announcement   |
| JV Shares                                | the shares in the JV Company   |
| Listing Rules                            | the Rules Governing the Listing of Securities on the Stock Exchange  |
| Medical Diagnostic Centre                | 中山大學附屬第六醫院影像檢驗中心 (in English, for identification purpose only, the Medical Diagnostic Centre of The Sixth Affiliated Hospital of Sun Yat-Sen University) |
| Model Code                               | Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules                                     |
| Nanshi Hospital                          | 南陽南石醫院 (in English, for identification purpose only, Nanshi Hospital of Nanyang)   |
| Nanyang Ruishi<br>Ophthalmology Hospital | 南陽瑞視眼科醫院有限公司 (in English, for identification purpose only, Nanyang Ruishi Ophthalmology Hospital Co., Ltd.), a subsidiary of the Company                 |
| Nanyang Xiangrui                         | 南陽祥瑞醫院管理諮詢有限公司 (in English, for identification purpose only, Nanyang Xiangrui Hospital Management Advisory Co., Ltd.), a subsidiary of the Company       |
| RMB                                      | Renminbi, the lawful currency of the PRC   |

|                               |   |
|-------------------------------|---|
| Shanghai United Imaging       | 上海聯影智慧醫療投資管理有限公司 (in English, for identification purpose only, Shanghai United Imaging Smart Medical Investments and Management Co. Ltd.) |
| Share(s)                      | ordinary share(s) of HK\$0.01 each in the share capital of the Company  |
| Shareholders                  | holders of the Shares   |
| Sixth Hospital                | 中山大學附屬第六醫院 (in English, for identification purpose only, The Sixth Affiliated Hospital of Sun Yat-Sen University)                         |
| Stock Exchange                | The Stock Exchange of Hong Kong Limited   |
| Sunrise                       | Sunrise Diagnostic Centre Limited   |
| Sure Metro                    | Sure Metro Limited, a subsidiary of the Company   |
| TBM                           | The Beauty Medical  |
| US\$                          | United States dollars, the lawful currency of the United States of America  |
| Vio                           | Dr. Vio & Partners Limited, a subsidiary of the Company   |
| Year                          | year ended 31 December 2021   |
| Yikang                        | 廣州宜康醫療管理有限公司 (in English, for identification purpose only, Guangzhou Yikang Medical Management Co., Ltd.), a subsidiary of the Company    |
| Zhongshan Shangfeng<br>Yikang | 中山市尚峰宜康醫療管理有限公司 (in English, for identification purpose only, Zhongshan City Shangfeng Yikang Medical Management Co., Ltd.)               |