



# China Medical & HealthCare Group Limited

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 383)**

## 2020 Annual Report

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

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

#### Non-Executive Directors

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

#### Independent Non-Executive Directors

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

### AUDIT COMMITTEE

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

### NOMINATION COMMITTEE

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

### REMUNERATION COMMITTEE

Dr. Xia Xiaoning (*Chairman*)  
Mr. Kong Muk Yin  
Dato' Wong Peng Chong  
Mr. Zheng Zhen  
Mr. Zhang Jian  
Dr. Wong Wing Kuen, Albert  
Ms. Yang Lai Sum, Lisa

### COMPANY SECRETARY

Ms. Fung Ching Man, Ada

### AUDITOR

Deloitte Touche Tohmatsu  
Certified Public Accountants  
Registered Public Interest Entity Auditor  
35th Floor, One Pacific Place  
88 Queensway  
Hong Kong

### SOLICITORS

Robertsons  
P.C. Woo & Co.

### PRINCIPAL BANKERS

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

### REGISTERED OFFICE

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

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

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

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

### STOCK CODE

383

### WEBSITE

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

## CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of China Medical & HealthCare Group Limited (the "Company"), I have the pleasure to present the financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2020.

### FINANCIAL RESULTS

For the year ended 31 December 2020, the Group recorded a reduced total revenue of HK\$1,197,396,000 and a loss attributable to shareholders of the Company of HK\$111,928,000 compared with a total revenue of HK\$2,042,090,000 and a profit of HK\$2,176,000 for the corresponding eighteen months period in 2019 respectively. This was mainly due to (i) the decrease of revenue from the operations of the Healthcare Division and the Eldercare Division as affected by the negative impacts from the COVID-19 pandemic; (ii) no interest income from its money lending business; (iii) a loss in fair value of investments held for trading compared with a gain recorded in corresponding eighteen months period in 2019; (iv) increase in impairment loss recognized on financial assets; and (v) the loss on fair value changes on investment properties compared with a gain recorded in corresponding eighteen months period in 2019.

Loss per share (basic) for the year ended 31 December 2020 was HK0.773 cents compared with earnings per share of HK0.015 cents (basic and diluted) in 2019.

The Group's net asset value per share as at 31 December 2020 amounted to HK\$0.123 (2019: HK\$0.125).

### FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend (2019: nil) for the year ended 31 December 2020.

### CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "AGM") is scheduled to be held on Thursday, 10 June 2021. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 7 June 2021 to Thursday, 10 June 2021, both dates inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all transfers of ordinary shares, duly accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration, no later than 4:30 p.m. on Friday, 4 June 2021.

# CHAIRMAN'S STATEMENT

## REVIEW OF OPERATIONS

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

Amid an unprecedented and ongoing COVID-19 pandemic, various provinces and municipalities of the People's Republic of China ("PRC") have swiftly taken emergency public health measures such as delay of work resumption date after Chinese New Year, city-wide and community-wide lockdowns, quarantines, social distancing, etc., to contain the spread of coronavirus. Such emergency public health measures inevitably disrupted the supply chain and halted the movement in people bringing production, business and consumption activities to almost a standstill. As a result, operations of the Group in its Healthcare Division and Eldercare Division have been severely affected or delayed during the year under review.

During the peak period of the COVID-19 pandemic, the Healthcare Division and Eldercare Division have immediately taken various emergency prevention and control measures to contain the spread of the disease, protect the safety and health of all its medical and technical staff, employees, patients and residents, and ensure the continuation of all necessary operations.

### Healthcare Division:

For the year ended 31 December 2020, under such challenging operating environment, the Group's Healthcare Division, operated through its wholly-owned subsidiary, Tongren Healthcare Industry Group Co., Ltd. (同仁醫療產業集團有限公司) ("Tongren Healthcare"), recorded a lower revenue of HK\$1,093,752,000 (2019: HK\$1,622,141,000) and a reduced profit of HK\$31,728,000 (2019: profit of HK\$35,733,000). Without interest, tax, depreciation and amortization, the Healthcare Division generated a lower EBITDA, being earnings before interest, tax, depreciation and amortization, of HK\$174,073,000 (2019: HK\$239,760,000) for the year ended 31 December 2020.

Nanjing hospital of the Division ("NJH"):

For NJH, a Class III integrated hospital located in Jiangning Development Zone, Nanjing City, Jiangsu Province, PRC and the Division's flagship hospital, currently it operates 39 clinical medical & technical departments including 1 national key clinical specialty (otorhinolaryngology ("ENT"), head and neck surgery), 1 provincial key clinical specialty (ENT, head and neck surgery), 5 municipal key medical specialties (ENT, head and neck surgery, ophthalmology, neurology, medical imaging, anesthesiology), an academician workstation, as well as the approved Nanjing Tongren's ENT Hospital and Nanjing Tongren Children's Hospital.

## CHAIRMAN'S STATEMENT

During the year under review:

- (i) for commercial medical projects: the postpartum recovery center and the medical beauty center (characterized by high-tech plastic surgery and focuses on medical treatment) have opened. In addition, the stomatology center has been relocated, which has further improved the organizational structure and developed high value-added services such as orthodontics and implantation, thereby releasing its productivity. NJH plans to partner with established expert in specialty areas, such as in stomatology, to establish joint venture for development of commercial medical projects, such as stomatology centers network, initially with a specialty center in NJH (incubation phase) and progressively develop into centers network (growth phase);
- (ii) for renovation of Block F: the renovation and improvement works has been completed and have already been in use, therefore effectively releasing the productivity of the departments by increasing the patients service capacity of NJH. Upon the acceptance of PCR (polymerase chain reaction) laboratory of the medical examination department by municipal authorities, the DNA (deoxyribonucleic acid) gene tracking system has been in use to provide a reliable basis for clinical treatment. With the Children Preventive Healthcare Clinic and the Planned Immunization Clinic passing the inspection of the Jiangning District Center for Disease Control and Prevention (江寧區疾控中心), NJH obtained the qualification of "Type One Vaccination for Children" (兒童一類疫苗接種), thus enhancing its influence and credibility among the region;
- (iii) for scientific research: Nanjing Tongren's ENT Hospital received a number of district-level and in-hospital research funding and published 8 theses, including 2 science citation index ("SCI") theses. The ophthalmology department also carried out research in glaucoma UCP (ultrasound cyclo plasty) treatment, cataract multifocal & astigmatic lens implantation, femtosecond refractive surgery, and published one thesis in core journal and one SCI thesis respectively. Remarkable achievements have been made by the stroke center and vertigo center in the neurology department, with more than 20,000 patients diagnosed and treated, establishing competitive advantage in the region. NJH has established internship programs with various higher education institutions through which there was an estimated 210 clinical medical and technical intern intakes in 2020, covering the areas of rehabilitation technology, imaging technology, inspection technology, health management and other specialties;
- (iv) for information system: the implementation of the internet hospital system has expanded its online operation capabilities and improved the efficiency of hospital resource allocation. NJH's hospital information system has passed the national third level assessment. ICU (intensive care unit) intensive care system, 120 pre-hospital emergency system and mobile ward patrolling system have been launched in key business areas; and

## CHAIRMAN'S STATEMENT

- (v) for marketing: with the establishment of its public welfare brand “Tongren Health Be With You” (同仁健康伴我行), NJH has actively engaged in patient-centered services and implemented the concept of “strive for life”. NJH entered into co-operation agreements with 11 surrounding basic-level medical institutions, developing multiple forms of cooperation through medical and operational exchanges, consultation, academic exchanges, promoting patient referral cooperation. With an aim to expand the channels of patient sources, NJH has established cooperative relationships with 70 enterprises. To strengthen the establishment of a consortium of healthcare institutions, NJH also entered into specialty medical consortium agreements with 4 institutions. NJH proactively explored cooperation models with provincial and municipal senior experts, and encouraged senior experts to provide support and cooperation at the business level through various means such as multi-point practice, patient referrals and surgical consultations.

Kunming hospital of the Division (“KMH”):

For KMH, another Class III integrated hospital of the Group located in Kunming City, Yunnan Province, PRC, currently it operates 39 clinical medical & technical departments.

During the year under review:

- i) for management and quality control: KMH continued to improve its medical management and quality control practices by joining the Yunnan Provincial Medical Quality Control and Performance Platform (雲南省醫療品質管制及績效平台) to leverage the platform data to conduct analysis on quality control indicators, offering with special trainings for the forthcoming DRG (Diagnosis Related Group) payment system reform, fostering the reasonable use of drugs and consumables, optimizing the structure and supply of drugs, etc.;
- ii) for scientific research: KMH has submitted the 2019 mid-term progress report for Kunming City's Health Science and Technology Plan Project (Cardiology, Orthopedics); launched 4 bureau-level health research projects; with 2 of the 2020 “Ten, Hundred and Thousand” projects (十百千—局級後備人選), 2 state-level educational projects, 3 provincial educational projects, 8 municipal-level educational projects and 10 II-class academic projects approved;
- iii) for medical specialty: set up the nephroendocrinology department, comprehensive (elderly) disease department and thoracic surgery department; rationalized the area allocation for digestion, kidney, respiration and comprehensive disease departments; initiated the preparation for setting up oncology department, heart failure treatment center, atrial fibrillation center and hypertension center; submitted the application for setting up trauma centers and stroke centers; with the second level assessment of the thoracalgia center passed; collaborated with the counterpart departments of provincial 3A hospitals and joined the nephroendocrinology specialty alliance with Kunming First Affiliated Hospital; set up an expert workstation for Professor Fan Junming (樊均明教授), a well-known nephroendocrinology expert of West China Hospital; developed new technologies such as facial nerve microvascular decompression, thoracoscopic pulmonary wedge resection, and endometrial cancer screening technology, etc.; and

## CHAIRMAN'S STATEMENT

- iv) for marketing: deepened cooperation between medical institutions and medical associations, established two-way green channels, provided medical assistance to basic level medical institutions through consultation, room check, and specialty technical transfer for difficult and complicated diseases strengthening tie between KMH and the surrounding basic level medical institutions thus expanding the influence and acceptance of KMH's brands.

For the year under review, NJH recorded a total of 712,829 out-patients visits (2019: 1,236,573), 27,062 in-patient admissions (2019: 43,384) and 49,386 body-checks (2019: 75,869) while KMH recorded a total of 229,930 out-patients visits (2019: 334,678), 13,441 in-patient admissions (2019: 20,634) and 77,601 body-checks (2019: 113,008). As at 31 December 2020, NJH operated with 404 doctors (2019: 417), 501 nurses (2019: 486) and 1,025 beds (2019: 774) and KMH operated with 250 doctors (2019: 227), 354 nurses (2019: 351) and 450 beds (2019: 450).

### Eldercare Division:

For the year ended 31 December 2020, the Group's Eldercare Operations, operated through its wholly-owned subsidiary, Aveo China (Holdings) Limited ("Aveo China") in the midst of this pandemic affected operating environments, recorded a reduced revenue of HK\$82,392,000 (2019: HK\$150,272,000) but a decreased loss of HK\$34,845,000 (2019: HK\$44,322,000) inclusive of a loss on fair value change of its investment properties of HK\$27,382,000 (2019: gain of HK\$9,025,000).

As of 31 December 2020, Tide Health Campus (天地健康城) of the Eldercare Division located in Zhu Jia Jiao County, Qingpu District, Shanghai, PRC, a retirement community village that integrates community eldercare, institutional eldercare, home eldercare and eldercare nursing hospital, sold 840 Independent Living Units ("ILU"s) out of a total inventory of 868 ILUs and among which 11 ILUs (2019: 3) were recorded as sales in the year under review with more than 330 residents (2019: 322) moved into the retirement community village. In addition, the Division's serviced apartments ("SA(s)") consist of three 11-storey buildings with the construction and renovation of the first building and the second building completed in November 2016 and May 2020 respectively, offering a total of 210 SAs (2019: 120) for lease. As at 31 December 2020, the Division leased out 54 SAs (2019: 26).

During the year under review:

- i) sale of ILUs and lease of SAs: new sales and incentive policies (specific targets, responsible persons) established with sales channels (such as key sub-districts, communities, other elderly care institutions, medical institutions, elderly committees etc.) expanded;
- ii) community village operations: enhanced service income by differentiating the service coverage between members and non-members, optimizing value-added service packages, increasing the input of medical resources, and deeply exploring the multi-dimensional needs of members; continuously improved service quality by strengthening internal management and actively supervising restaurants and property management providers; explored new business opportunities by promoting the asset-light nursing services;



## CHAIRMAN'S STATEMENT

- iii) nursing hospital (Shanghai Deyi Hospital, "DYH") operations: various measures for the prevention and control of the epidemic has been implemented with the hospital infection management intensified and the infrastructure of hospital upgraded; more medical service items have been added to actively generate income with costs strictly controlled; cooperation with medical institutions, nursing companies, online marketing platforms, communities, elderly care institutions etc., has been strengthened to increase publicity and promotion so as to explore new sources of patients and improve the utilization rate of beds; collaboration between traditional Chinese medicine and oncology rehabilitation institutions has been promoted to create new source of income; and
- iv) construction of SA building: the interior decoration of the second building for SAs has completed and been in use since May 2020.

During the year ended 31 December 2020, DYH recorded a total of 17,395 out-patients visits (2019: 38,788) and 8,086 in-patient admissions (2019: 11,662). As at 31 December 2020, DYH operated with 18 doctors (2019: 14), 19 nurses (2019: 20) and 100 beds (2019: 100). As of 31 December 2020, home care services were rendered to a total of 46 elders (2019: 56) with 7,143 visits (2019: 7,729).

As at 31 December 2020, the Division's investment properties portfolio, 100% attributable to the Group, comprising the SAs (three 11-storey buildings with total gross floor area ("GFA") of 25,804 m<sup>2</sup>) and the retail shopping precinct (retail shops with GFA of 2,192 m<sup>2</sup> and shopping mall with GFA of 6,044 m<sup>2</sup>) with a total value amounted to HK\$530,396,000 (2019: HK\$512,000,000).

### Property Development:

For the year ended 31 December 2020, the Group's property development business recorded a turnover of HK\$11,851,000 (2019: HK\$7,326,000) and a loss of HK\$1,638,000 (2019: HK\$5,031,000). As at 31 December 2020, the Group's properties under development for sale of HK\$6,324,000 (2019: HK\$5,927,000) consisted of a parcel of commercial land in Lianyungang, PRC.

### Property Investments:

For the year ended 31 December 2020, the Group's investment properties portfolio, for leasing, located in Hong Kong and the PRC recorded a rental income of HK\$6,125,000 (2019: HK\$9,266,000) and a loss of HK\$2,986,000 (2019: profit of HK\$15,434,000) with a loss on fair value change of investment properties of HK\$7,340,000 (2019: gain of HK\$9,220,000), amid depressed economic environment and uncertain rental market. As at 31 December 2020, the Group's investment properties portfolio, 100% attributable to the Group, amounted to HK\$253,180,000 (2019: HK\$260,520,000).

## CHAIRMAN'S STATEMENT

### Securities Trading and Investments:

For the year under review, the Group's activities in securities trading and investments recorded a reduced turnover of HK\$3,276,000 (2019: HK\$202,119,000) and a loss of HK\$11,568,000 (2019: profit of HK\$14,474,000). This was mainly due to the loss in fair value change of investments held for trading of HK\$11,445,000 compared with a gain of HK\$15,078,000 recorded in 2019.

As at 31 December 2020, the Group maintained a portfolio of financial assets at fair value through profit or loss ("FVTPL") and debt instruments at fair value through other comprehensive income ("FVTOCI") of HK\$5,404,000 (2019: HK\$5,534,000) and a portfolio of investments held for trading of HK\$21,759,000 (2019: HK\$36,451,000).

### Investments held for trading:

As at 31 December 2020, the Group's investments held for trading consisted of securities listed in different geographic locations and their respective performance were as follows:

Geographic Location	Carrying value	Carrying value	Realized gain (loss)	Fair value gain (loss)	Dividend received	% of carrying value to the Group's total assets
	2020	2019	2020	2020	2020	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	%
Hong Kong	18,682	30,058	–	(11,377)	28	0.55%
Australia	1,592	2,215	–	(623)	–	0.05%
Philippine	1,485	1,322	–	163	–	0.49%
Japan	–	2,856	392	–	–	–
<b>Total</b>	<b>21,759</b>	<b>36,451</b>	<b>392</b>	<b>(11,837)</b>	<b>28</b>	

## CHAIRMAN'S STATEMENT

As at 31 December 2020, the Group's investments held for trading consisted of investments in different category of companies and their respective performance were as follows:

Principal business	Carrying	Carrying	Realized	Fair value	Dividend	% of
	value	value	gain (loss)	gain (loss)	received	carrying
	2020	2019	2020	2020	2020	value to
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	the
						Group's
						total assets
						2020
						%
Entertainment and media company	2,820	3,000	–	(180)	–	0.08%
Financial services and investment company	403	3,262	392	(4)	–	0.01%
Industrial materials company	6,198	9,170	–	(2,972)	–	0.18%
Property and construction company	12,338	21,019	–	(8,681)	28	0.36%
Total	21,759	36,451	392	(11,837)	28	

At 31 December 2020, there was no investment held for trading which was significant to the Group (exceeded 5% the total assets of the Group).

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

### Money Lending:

For the year under review, the Group's money lending business recorded no interest income (2019: HK\$50,966,000) and a loss of HK\$22,434,000 (2019: profit of HK\$46,669,000) after the impairment loss recognized on the loan receivable of HK\$22,468,000 (2019: HK\$3,901,000).

## CHAIRMAN'S STATEMENT

As at 31 December 2020, the Group's loan portfolio consists of a loan receivable with outstanding principal amount of HK\$95,215,000 (HK\$68,846,000 after allowance for credit losses of HK\$26,369,000) (the "Loan") granted by a wholly-owned subsidiary of the Company (the "Lender") to a borrower, a Hong Kong listed company (the "Borrower", together with its subsidiaries, the "Borrower Group") pursuant to the loan agreement dated 10 September 2018 (supplemented by the supplemental loan agreement dated 26 September 2019) (the "Loan Agreement") bearing interest rate at 16% per annum with repayment date on 11 September 2020. The Loan is secured by (i) a debenture created by the chargor, a wholly-owned subsidiary of the Borrower (the "Borrower Subsidiary I") in favour of the Lender by way of a first fixed and floating charge over all the undertaking, property and assets of the Borrower Subsidiary I (the "Debenture"); (ii) a share mortgage in favour of the Lender by way of a first fixed mortgage of the 75% of the entire issued share capital of the Borrower Subsidiary I (the "Share Mortgage"); (iii) a deed of assignment of the shareholder's loan owed by a Hong Kong listed subsidiary of the Borrower (the "Borrower Subsidiary II") to the Borrower (the "Deed of Assignment I"); and (iv) a deed of assignment of the shareholder's loan owed by the Borrower Subsidiary I to the Borrower (the "Deed of Assignment II") (collectively, Debenture, Share Mortgage, Deed of Assignment I, Deed of Assignment II and the Loan Agreement, the "Loan Documents").

During the year under review, the Borrower did not settle the interest receivable for period from 11 December 2019 to 10 March 2020 due on 11 March 2020 amounting to approximately HK\$3.8 million. The Group issued demand letter and final notice to the Borrower for repayment of the total indebtedness under the Loan Documents. In order to safeguard the interest of the Group, on 28 April 2020, the Group served a written notice to each of the Borrower and the Borrower Subsidiary I that the Group has respectively appointed (i) receivers (on a joint and several basis) over, among other things, the charged shares in accordance with the terms of the Share Mortgage; and (ii) receivers and managers (on a joint and several basis) over all the undertaking, property and assets of the Borrower Subsidiary I in accordance with the terms of the Debenture (collectively, the "Receivers"). Measures have been taken by the Receivers to take control of the affairs of the Borrower Subsidiary I. The Group has also informed and demanded the Borrower Subsidiary II to repay the entire amount of the shareholder loan it owed to the Borrower to the Lender.

The Group is aware that the Borrower has announced in various announcements that, among others:

- (i) in March 2020, a substantial shareholder of the Borrower (the "Borrower's Substantial Shareholder") filed a petition with the court of Bermuda for an order that the Borrower be wound up by the court on the just and equitable ground;
- (ii) in March 2020, a creditor of the Borrower filed an application with the court of Bermuda which subsequently ordered to appoint joint provisional liquidators (the "JPLs") of the Borrower, among others, (a) to review the financial position of the Borrower, (b) to consult with the Borrower on all issues relating to the feasibility of a debt restructuring plan, and (c) to monitor, oversee and supervise the board of directors of the Borrower and the continuation of the business of the Borrower under the control of the board of directors of the Borrower and under the supervision of the court of Bermuda pending the implementation of the restructuring plan. Subsequently, in late July 2020, pursuant to an order of the court of Bermuda, the previously appointed JPLs were replaced by the new JPLs with power granted to a full extent;

## CHAIRMAN'S STATEMENT

- (iii) in March 2020, the Borrower entered into a letter of intent (the "LOI") with an intended purchaser in relation to, among others, the potential disposal of its equity interests in an indirect non-wholly owned subsidiary of the Borrower (the "Target"), for a consideration of (a) US\$260 million (subject to downward adjustment for actual deposit received (a total sum of US\$12 million) and waiver of shareholder's loan up to US\$32 million); (b) 10% equity stake in the special purpose vehicle (the "SPV", for the purpose of acquisition of the Target by the intended purchaser) in the form of common equity securities of the SPV, which shall be non-dilutive and remain at 10% prior to any qualified public offering of the SPV or the Target; and (c) additional payment of up to US\$100 million to the Borrower Group upon completion of a successful initial public offering of the SPV or the Target based on the market capitalization of the initial public offering. The LOI was terminated in early July 2020 in accordance with its terms. Despite the termination, the Borrower will continue to negotiate with the intended purchaser to finalise the terms and conditions of the definitive agreement; and
- (iv) in October 2020, a court of Bermuda made an order pursuant to which the new JPLs were further granted with the express power to draw, accept, make and indorse any bill of exchange or promissory note in the name and on behalf of the Borrower, with the same effect with respect to the liability of the Borrower as if the bill or note had been drawn, accepted, made or indorsed by or on behalf of the Borrower in the course of its business, and to raise on the security of the assets of the Borrower any money required.

On 12 May 2020, the Lender, as the 7th defendant, received a writ of summons issued in the Court of First Instance of the High Court of Hong Kong (the "Court") (the "Action") by the Borrower's Substantial Shareholder (suing on behalf of itself and all other shareholders in the Borrower and the Borrower Subsidiary I) as a plaintiff ("Plaintiff") against the Lender as one of the twelve defendants of the Action, together with the Borrower, the Borrower Subsidiary I, the directors of the Borrower, and the Receivers. The Plaintiff alleged that, by reason that there is and was at all material times a close connection between, among others, the 1st defendant of the Action, being the director and the chief executive officer of the Borrower and the director of the Borrower Subsidiary I, and the Lender, (i) the Lender clearly had knowledge that the directors of the Borrower and the Borrower Subsidiary I in entering into the Debenture, the Share Mortgage, the Deed of Assignment I and the Deed of Assignment II (collectively, the "Transactions") wrongfully preferred the interest of and benefited the Lender and/or offered significantly excessive security in favour of the Lender, in breach of their fiduciary duties to the Borrower and/or the Borrower Subsidiary I; or (ii) alternatively was irrational in believing that the directors of the Borrower and the Borrower Subsidiary I acted in accordance with their duties in entering into the Transactions; or (iii) further alternatively failed to make the inquiries that a reasonable person would have made in all the circumstances in order to verify that the Transactions were entered into in accordance with the duties owed by the directors to the Borrower and/or the Borrower Subsidiary I. As a result, the Plaintiff alleged that (a) the Loan Documents are liable to be set aside; and (b) accordingly, the appointment of the Receivers and the receivership thereunder are liable to be set aside. The Plaintiff is claiming against the Lender and the Receivers, among others, for (1) a declaration that the Transactions are liable to be set aside and thereby set aside by the Borrower and the Borrower Subsidiary I; (2) a declaration that the appointment of the Receivers and the receivership thereunder are liable to be set aside and thereby set aside by the Borrower and the Borrower Subsidiary I; (3) an injunction against the Lender and the Receivers restraining any of them from exercising any powers pursuant to or otherwise acting upon the Transactions. On 5 June 2020, the Plaintiff filed an amended statement of claim superseding the original statement of claim endorsed to the writ of summons for correcting a clerical error with respect to

## CHAIRMAN'S STATEMENT

the name of the 1st defendant of the Action. At a hearing held in the Court on 23 October 2020, the amended statement of claim was struck out on the basis that the Plaintiff has no locus standi to bring or continue the present proceedings against the Lender. Accordingly, the Plaintiff's claim against the Lender was dismissed by the Court with costs of the Action payable by the Plaintiff to the Lender, on an indemnity basis to be taxed if not agreed. On 4 November 2020, the Plaintiff filed a notice of appeal (the "Appeal") with the Court to appeal against the striking out order and the hearing date for the Appeal has been scheduled for early April 2021. The Lender has sought legal advice in respect of the Appeal and will strenuously defend its position and interest.

The Group and the Receivers have been in back and forth discussions with the Borrower Group and the new JPLs on the settlement of the total indebtedness under the Loan Documents. The Borrower Group and the new JPLs have represented that they are in the process of executing certain plans for asset realization and/or financing to settle the total indebtedness under the Loan Documents. The Group and the Receivers will continue to negotiate with the Borrower Group and new JPLs, closely monitor the progress of settlement, re-assess the value of securities from time to time and shall take all appropriate further actions as and when appropriate.

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

As at 31 December 2020, the Group's non-current assets of HK\$2,430,381,000 (2019: HK\$2,222,623,000) consisted of investment properties of HK\$783,576,000 (2019: HK\$772,520,000), property, plant and equipment of HK\$1,433,064,000 (2019: HK\$1,318,031,000), right-of-use assets of HK\$102,166,000 (2019: nil), prepaid lease payments of nil (2019: HK\$93,418,000), loan receivable of HK\$68,846,000 (2019: nil), financial assets at FVTPL of HK\$802,000 (2019: HK\$802,000), goodwill of HK\$32,931,000 (2019: HK\$30,821,000) and deposits for acquisition of property, plant and equipment of HK\$8,996,000 (2019: HK\$7,031,000). These non-current assets are principally financed by the Group's shareholders' funds.

As at 31 December 2020, the total borrowings of the Group amounted to HK\$971,379,000 (2019: HK\$793,363,000) consisting of unsecured term loans of HK\$214,542,000 (2019: HK\$177,598,000), secured bank borrowings of HK\$204,828,000 (2019: HK\$191,972,000), unsecured bank borrowings of HK\$445,592,000 (2019: HK\$423,793,000) and secured other borrowings of HK\$106,417,000 (2019: nil). Among the total borrowings of the Group, HK\$538,845,000 (2019: HK\$444,068,000) was with maturity of less than one year, HK\$261,207,000 (2019: HK\$320,641,000) was with maturity over one year but not exceeding two years and HK\$171,327,000 (2019: HK\$28,654,000) was with maturity over two years but not exceeding five years.

As at 31 December 2020, the Group recorded a net current liabilities amounted to HK\$132,931,000 (2019: net current assets of HK\$14,539,000). As at 31 December 2020, the Group had undrawn, unsecured, standby credit facility with terms of over two years amounting to HK\$200 million.

As at 31 December 2020, the Group's gearing ratio, calculated on the basis of the Group's net borrowings (after pledged bank deposits, restricted bank deposits and bank balances and cash) over total equity, was 17.9% (2019: 7.5%). The Group's gearing ratio would be adjusted to 16.4% (2019: 5.2%) with marketable securities inclusive of financial assets at FVTOCI and FVTPL (current) and investments held for trading deducted from the net borrowings.

## CHAIRMAN'S STATEMENT

In December 2015, the subscription agreement for subscribing 2,000,000,000 new shares of the Company at the subscription price of HK\$0.45 per share raising gross proceeds of HK\$900,000,000 ("Subscription") for the Company was completed. As at 31 December 2020, details of use of net proceeds from the Subscription were as follows:

<b>Intended use of the net proceeds</b>	<b>Actual use of the net proceeds</b>
<p>i. An amount of approximately HK\$600,000,000 will be used for working capital and for expansion of the Group's hospital and healthcare, and aged care businesses</p>	<p>a) Approximately HK\$137,558,000 was used for construction cost of Block D of NJH;</p> <p>b) Approximately HK\$34,733,000 was used for construction cost of Block F of NJH;</p> <p>c) Approximately HK\$80,569,000 was used for working capital of the healthcare business;</p> <p>d) Approximately HK\$100,287,000 (RMB90,000,000) was used to settle the acquisition costs of 18.36% equity interests of Yangpu Zhaohe Industrial Co. Ltd*</p> <p>e) HK\$85,800,000 was used to settle the acquisition cost of 30% equity interest of Aveo China.</p> <p>f) Approximately HK\$148,025,000 was used for purchasing and improvement of medical and healthcare equipment.</p>
<p>ii. The remaining balance of approximately HK\$299,250,000 will be used for reduction of the borrowings of the Group</p>	<p>HK\$299,250,000 was used for reduction of the borrowings of the Group</p>

Note:

- \* Yangpu Zhao Industrial Co. Ltd owns 72.5% of the equity interest in Tongren Healthcare with the remaining 27.5% equity interest owned by the another wholly-owned subsidiary of the Group.

## CHAIRMAN'S STATEMENT

Intended use of the net proceeds	Net proceeds	Net proceeds	Remaining	Expected
	used in previous financial years HK\$'000	used in the year ended 31 December 2020 HK\$'000	balance of the net proceeds as at 31 December 2020 HK\$'000	
i. An amount of approximately HK\$600,000,000 will be used for working capital and for expansion of the Group's hospital and healthcare, and aged care businesses	474,320	112,652	13,028	13,028 to be used by 31 December 2021
ii. The remaining balance of approximately HK\$299,250,000 will be used for reduction of the Group's borrowings	299,250	–	–	–
<b>Total</b>	<b>773,570</b>	<b>112,652</b>	<b>13,028</b>	<b>13,028</b>

The detailed breakdown of proceeds used during the year ended 31 December 2020 is as follows:

	HK\$'000
For the construction cost of Block D of NJH	15,529
For the construction cost of Block F of NJH	32,908
For the purchase and improvement of medical and healthcare equipment	64,215
<b>Total</b>	<b>112,652</b>

The remaining un-utilized proceeds of approximately HK\$13,028,000 brought forward to the following financial years is expected to be used as intended for working capital and for expansion of the Group's hospital and healthcare, and aged care businesses such as for the settlement of the construction cost of Block D and Block F of NJH; and for purchase and improvement of medical and healthcare equipment.

During the year under review, the Company did not repurchase any shares (2019: nil) in the capital of the Company.



## CHAIRMAN'S STATEMENT

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

### CHARGE ON GROUP ASSETS

As at 31 December 2020, the Group's investments held for trading of HK\$21,759,000 (2019: HK\$36,451,000), building (included in property, plant and equipment) of HK\$175,209,000 (2019: HK\$169,000,000), investment properties of HK\$502,792,000 (2019: HK\$484,054,000), properties held for sale of HK\$37,545,000 (2019: HK\$35,189,000), pledged bank deposits of HK\$12,670,000 (2019: HK\$9,119,000) and medical equipment of HK\$91,022,000 (2019: nil) were pledged to banks, financial institution, securities brokers houses and finance lease provider to secure credit facilities granted to the Group.

The Group's obligations under finance leases are secured by the Group's charge over the leased assets. At 31 December 2020, the carrying amount of the Group's medical equipment included an amount of nil (2019: HK\$23,721,000) in respect of assets held under finance leases.

### CAPITAL COMMITMENT

As at 31 December 2020, the Group had capital commitment contracted for but not provided relating to the acquisition of property, plant and equipment, and investment properties of HK\$28,720,000 (2019: HK\$51,203,000) and HK\$25,387,000 (2019: HK\$69,732,000) respectively.

### CONTINGENT LIABILITIES

Save as disclosed in this Annual Report, as at 31 December 2020, the Group is not aware of any material contingent liabilities.

### MATERIAL ACQUISITIONS AND DISPOSAL, AND FUTURE PLANS

Save as disclosed in this Annual Report, during the year ended 31 December 2020, the Group did not hold any other significant investments nor have any material acquisitions or disposals of subsidiaries, associated companies and joint ventures.

Save as disclosed in this Annual Report, as at 31 December 2020, the Group did not have any plan for material investments or capital assets.

### EMPLOYEES

The Group had 2,462 employees as at 31 December 2020 (2019: 2,362). The Group ensures that its employees are remunerated in line with market conditions and individual performance and the remuneration policies are reviewed on a regular basis.

## CHAIRMAN'S STATEMENT

### PROSPECTS

#### Healthcare Division:

Aiming at achieving the medical and technical requirement and standards of a Class III A integrated hospital, hospitals of the Healthcare Division will continue to develop indispensable projects, accumulate necessary talents and acquire cutting-edge medical technologies. The Division believes that these will enhance its academic research capacity, capability of precise diagnosis and treatment of complicated diseases and will also encourage the internal transfer of patients between departments of internal medicine and departments of surgery for further treatment.

#### NJH:

For NJH, it will promote daytime operations (non-admission), out-patient operations, minimal invasive surgery, micro-surgery, pediatric surgery, tumor surgery, and interventional therapy laying a solid foundation for the scaled operations and sustainable development of the hospital. Under the circumstance of normalized epidemic prevention and control, NJH has launched the construction of a P2 (biosafety level 2) laboratory enabling it to carry out independent nucleic acid testing and thus strengthening its epidemic control ability.

NJH will focus on the establishment of specialty departments (in terms of their personnel structure, talent training, technology development, scientific research and teaching, evaluation and management system) in accordance with the standards of a Class III A integrated hospital and the provincial and municipal requirement through actively attracting specialty leaders, cultivating young talents and enhancing its infrastructures including professional equipment and information technology. It will also provide incentives and penalties to encourage scientific research and teaching in various departments and to improve their work quality.

By launching the construction of benchmarking private hospital, NJH will implement medical safety and quality control throughout the whole hospital, thereby laying a foundation for its scalable operation and sustainable development.

In addition, NJH will continue to adjust its income structure by expanding non-national medical insurance commercial medical projects, which are with market potential, such as high-end integrated clinics, internet medical services, chronic disease management centers, international medical out-patient department, post-natal rehabilitation center, infertility multidisciplinary diagnosis and treatment, and children autism recovery, etc.

It will also expand the resources of external experts, establish a multi-channel new media marketing model, strengthen the creation of a promotion and publicity atmosphere within the hospital, promote business development through operations, improve the maintenance quality and referral rate of internal and external customers, creating a differentiated competitive advantage.

#### KMH:

While ensuring a stable development of existing businesses, KMH will continuously improve the quality of medical services, focus on the specialty of existing departments, and support the development of new businesses and new technologies in various departments to create more new highlights in medical services. It will gradually refine the internal management, address the shortcomings in the development of the hospital and solve the problems symptomatically, promoting the high-quality development of the hospital.

## CHAIRMAN'S STATEMENT

Internally, the hospital will comprehensively deploy and advance the establishment of graded hospital, improve the medical system, and promote the connotation development. It also plans to submit an evaluation application to the health authority in 2022, which is known as the "Private Hospital Management Year". In terms of construction of departments, KMH will nominate outstanding departments to apply for provincial or municipal key specialties in a timely manner, and strengthen the collaboration between departments of internal medicine and departments of surgery. Through the construction of oncology department, thoracalgia center, stroke center, trauma center, and expert workstation, it will create an academic atmosphere of teaching and learning, and hence improving triage precision, ensuring treatment for specific diseases in specialized department, enhancing standard of clinical medical technology, and expanding influence and regional coverage of specialty business.

Externally, by capturing the opportunity from its trauma center linking with Kunming City's 120 network emergency stations, KMH will build up trust through co-operation with government authorities for channeling patient flow, improving KMH's comprehensive emergency capacity and public recognition of KMH's surgical strength. Together with the deepened medical cooperation with basic-level medical institutions in surrounding prefectures and counties, KMH believes that these will enhance the adsorption of patients, promoting the realization of the strategic goal of establishing KMH as the most influential private integrated hospital in the southwest region of the PRC.

Further, KMH will continue to progress the construction of phase II development project and the development of nuclear medical treatment and tumor center which is up to international medical standards.

### **Eldercare Division:**

The Division will continue to focus on the eldercare business of Tide Health Campus by deepening its differentiated competitive advantages of rehabilitation and nursing care services. By cooperating with the Healthcare Division, the Division will improve its health management and medical service products line, and standardize its rehabilitation and nursing care services system. By building a smart health cloud platform, adopting the asset-light operation model, the Division will develop its services management projects comprising family doctors, family beds, services provision and public-build private operate partnerships. The Eldercare Division is also planning to set up nursing stations and other service points in urban communities providing institutional and home health extension services to the residents, thus creating a new smart health model, and moving towards the goals of standardized service, standardized process, intelligent system and integrated platform.

### **Others:**

Recently, vaccine approvals and progressive vaccination have raised hopes but uncertainty and pressure on economic and business environment remains as new waves and variants of the coronavirus, and geo-political tensions posing concerns. With effective deployment of vaccines around the world and more fiscal stimulus injected by governments, the global economy is projected to recover and grow, though, uneven across different sectors and countries. Against this backdrop of uncertain global and local economic, business and investment outlooks, the operating environments of the Group will be challenging and the Group will remain cautious and continue to review and adjust its business and investment strategies, and investment portfolio to suit the prevailing challenging economic and investment environment and will seek investment and business opportunities in the PRC, Hong Kong and the Asia Pacific region to enhance value for its shareholders.

## CHAIRMAN'S STATEMENT

### APPRECIATION

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

**Chong Sok Un**

*Deputy Chairman*

Hong Kong, 30 March 2021

## BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

### EXECUTIVE DIRECTORS

**Ms. Chong Sok Un** (“Ms. Chong”), M.H. aged 66, was appointed as an executive director and the chairman of the Company on 23 August 2002 and has been re-designated as the deputy chairman of the Company since 16 December 2015. Ms. Chong was awarded the Medal of Honour (M.H.) by the Government of the Hong Kong Special Administrative Region on 1 July 2011. She is a member of the National Committee of the Chinese People’s Political Consultative Conference, Guangdong Province, the Honorary Director of the Chinese Red Cross Foundation, Permanent Honorary Chairman of the Hong Kong Federation of Fujian Associations and vice chairman of the Hong Kong Federation of Fujian Associations Ladies’ Committee. She is the namer and director of YOT Chong Sok Un Medical Fund (cancer aid) since 2007 and a member of Yan Oi Tong Advisory Board since 2011. Ms. Chong was the chairman of the 31st Term Board of Directors of Yan Oi Tong from 2010 to 2011 and a director of the 27th Term Board of Directors of Yan Oi Tong from 2006 to 2007. She was also a director of Po Leung Kuk from 2009 to 2010. She was an executive director and the chairman of APAC Resources Limited (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Main Board”), stock code: 1104) from 6 July 2007 to 1 March 2016 and a non-executive director of Alibaba Pictures Group Limited (a company listed on the Main Board, stock code: 1060) from 25 June 2007 to 23 April 2009.

**Mr. Kong Muk Yin** (“Mr. Kong”), aged 55, was appointed as an executive director of the Company on 13 May 2002. He was a non-executive director and the company secretary of Pan Asia Data Holdings Inc. (formerly known as Manfield Chemical Holdings Limited, a company listed on the Main Board, stock code: 1561) from 12 June 2014 to 10 January 2020 and from 12 June 2014 to 31 December 2018 respectively. From 4 July 2007 to 24 June 2014, he was also an executive director and a non-executive director of Alibaba Pictures Group Limited (a company listed on the Main Board, stock code: 1060). He was an executive director of Landing International Development Limited (a company listed on the Main Board, stock code: 582) from 13 October 2009 to 21 January 2010 and an executive director of APAC Resources Limited (a company listed on the Main Board, stock code: 1104) from 4 November 2009 to 1 March 2016. During September 2010 to September 2015, he was also a director of Mabuhay Holdings Corporation (a company listed on The Philippine Stock Exchange, Inc. (the “Philippine Stock Exchange”), stock code: MHC) and Philippine Infradev Holdings, Inc. (formerly known as IRC Properties, Inc., a company listed on the Philippine Stock Exchange, stock code: IRC).

Mr. Kong graduated from City University of Hong Kong with a Bachelor’s Degree in Business Studies. He is a fellow member of The Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and a Chartered Financial Analyst and he has extensive experience in corporate finance, financial management, accounting and auditing.

**Mr. Guo Meibao** (“Mr. Guo”), aged 47, was appointed as an executive director of the Company on 22 September 2018. Mr. Guo graduated with a major in Financial Accounting in 1995 and obtained an Executive Master of Business Administration from Fudan University, a Master of Business Administration from the Open University of Macau and a Certified Public Accountant in the People’s Republic of China (the “PRC”). He has more than 20 years of financial, operational and investment management experience in the PRC’s medical, property and other industries. Mr. Guo was the chairman of 深圳市大馬化投資有限公司 from March 2017 to September 2018. He was a financial controller and the chief executive officer and chairman of 同仁醫療產業集團有限公司 (Tongren Healthcare Industry Group Co., Ltd., a wholly-owned subsidiary of the Company) from October 2010 to October 2013 and from October 2013 to March 2017 respectively. He was a financial controller and the general manager and chairman of 連雲港嘉泰建設工程有限公司 (Lianyungang Jiatai Construction Co., Ltd., a wholly-owned subsidiary of the Company) from June 2006 to October 2010 and from January 2014 to March 2017 respectively. He was also a financial controller of 廣東今宇高爾夫球俱樂部 (Long Island Golf & Country Club) from December 1998 to June 2006.

## BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

**Mr. Zhou Haiying** (“Mr. Zhou”), aged 50, was appointed as an executive director of the Company on 6 December 2018. Mr. Zhou graduated from Jiangxi University of Finance and Economics with a Bachelor’s Degree. He acts as the chief operating officer of Tsinghua Tongfang Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600100) since April 2020. From January 2018 to February 2020, he acted as a financial controller and the chief financial officer of Tsinghua Tongfang Co., Ltd.. From June 2003 to January 2018, he has served successively as a senior manager, the deputy director of the finance department, head of asset management department, the general manager of the capital finance department and an assistant to the president of Tsinghua Holdings Co., Ltd.. In addition, he also worked as a director of Liaoning Road & Bridge Construction Group Co., Ltd. (遼寧省路橋建設集團有限公司), a director of Beijing Donghuan Electronics Co., Ltd. (北京華環電子股份有限公司) and the supervisor of Unisplendour Corporation Limited (紫光股份有限公司).

### NON-EXECUTIVE DIRECTORS

**Mr. Zhou Liye** (“Chairman Zhou”), aged 57, was appointed as a non-executive director and the chairman of the Company on 6 December 2018, and resigned from the above positions on 15 April 2021. Chairman Zhou graduated from Tsinghua University with a Master’s Degree. From January 1987 to February 2001, he served as a vice director and director of the research division of the Institute of Nuclear and New Energy Technology (“INET”), Tsinghua University. From March 2001 to August 2003, he worked as the vice president of INET. From April 2002 to June 2003, he also acted as the general manager and director of Neimenggu Hongfeng Industry Company Limited (內蒙古宏峰實業股份有限公司). From September 2003 to May 2020, he has served successively as the vice president, the director and managing director and the deputy chairman of Tsinghua Holdings Co., Ltd.. From May 2010 to February 2020, he acted as a director and the chairman of Tsinghua Tongfang Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600100). From February 2020 to April 2020, he acted as a director, the deputy chairman and the president of Tsinghua Tongfang Co., Ltd..

**Dato’ Wong Peng Chong** (“Dato’ Wong”), aged 77, was appointed as an executive director of the Company on 15 March 2002 and has been re-designated as a non-executive director of the Company since 1 September 2018. Dato’ Wong has also been appointed as an independent non-executive director of Mudajaya Group Berhad (a company listed on the Bursa Malaysia Securities Berhad, stock code: 5085) on 22 December 2020.

Upon his graduation from the University of Malaya in 1967, Dato’ Wong joined the Malaysian Foreign Service and served with several Malaysian diplomatic missions overseas in various capacities. He joined the private sector in 1985 and has served in various senior management positions, including executive directorships in public listed companies, in Hong Kong and Malaysia. Dato’ Wong was the vice president of Alibaba Pictures Group Limited (a company listed on the Main Board, stock code: 1060) from 4 July 2007 to 9 December 2009, an executive director of Landing International Development Limited (a company listed on the Main Board, stock code: 582) from 13 October 2009 to 21 January 2010 and a non-executive director of Pan Asia Data Holdings Inc. (formerly known as Manfield Chemical Holdings Limited, a company listed on the Main Board, stock code: 1561) from 12 June 2014 to 31 December 2018. He was a director of Mabuhay Holdings Corporation (a company listed on the Philippine Stock Exchange, stock code: MHC) from 23 June 2009 to 27 July 2017 and Philippine Infradev Holdings, Inc. (formerly known as IRC Properties, Inc., a company listed on the Philippine Stock Exchange, stock code: IRC) from 6 November 2009 to 27 July 2017 respectively. He was also a director of Asia Development Capital Co. Ltd. (a company listed on the Tokyo Stock Exchange, Inc., stock code: 9318) from 26 June 2015 to 29 September 2020.

## BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

**Mr. Zheng Zhen** (“Mr. Zheng”), aged 49, was appointed as a non-executive director of the Company on 12 June 2020. Mr. Zheng graduated from the University of International Business and Economics with a Bachelor’s Degree in International Finance. Mr. Zheng joined CMIG Asia Assets Management Co., Ltd. as the vice president since August 2017.

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

**Mr. Lai Hin Wing Henry Stephen** (“Mr. Lai”), aged 64, was appointed as a non-executive director of the Company on 11 November 2020. Mr. Lai graduated from the University of Hong Kong with a bachelor of law degree and was admitted as a solicitor in Hong Kong, England and Wales and the State of Victoria, Australia. Mr. Lai is a partner and co-chairman of Messrs. P. C. Woo & Co., a firm of solicitors and notaries in Hong Kong, and has been practicing in the legal field for more than thirty years. Mr. Lai is a Notary Public and a China Appointed Attesting Officer in Hong Kong. Mr. Lai is the immediate past chairman and currently acts as an honorary council member, fellow member and chairman of the Corporate Governance Committee of The Hong Kong Institute of Directors since July 2019. Mr. Lai is a member of the Securities and Futures Appeals Tribunal since April 2015 and a member of the Process Review Panel for Securities and Futures Commission since November 2018. Mr. Lai has been appointed as a member of the Resolution Compensation Tribunal since 2018. He is also a member of the Consents Committee of the Law Society of Hong Kong and a member of the Association of China-Appointed Attesting Officers Limited Disciplinary Tribunal Panel.

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

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Zhang Jian** (“Mr. Zhang”), aged 79, was appointed as an independent non-executive director of the Company on 16 October 2006. Mr. Zhang is a professional senior engineer in the PRC and the chairman of Xian University of Architecture & Technology Peking Alumni Association. He has been awarded National Outstanding Intellect in 1997 and National Top 10 Honest Persons of Outstanding Ability in 2004. Mr. Zhang has been awarded as Influential Person to China Nonferrous Metal Industry in 2005. From 1982 to 1998, he held various senior positions in China Nonferrous Metal Industry Company. From 1998 to 2003, he acted as the chairman and the general manager of China Nonferrous Metal Construction Group Company Ltd.. From 2003 to 2005, he acted as the general manager of China Nonferrous Metal Mining & Construction (Group) Co., Ltd.. From July 2016 to July 2020, he was an independent non-executive director of Go Higher Environment Co., Ltd..



## BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

**Dr. Xia Xiaoning** (“Dr. Xia”), aged 61, was appointed as an independent non-executive director of the Company on 8 December 2016. Dr. Xia is an independent supervisor of Central China Securities Co., Ltd. (a company listed on the Main Board, stock code: 1375). He was a non-executive director of Mason Group Holdings Limited (a company listed on the Main Board, stock code: 273) from August 2015 to September 2016. Dr. Xia graduated from the electric engineering department of Harbin Institute of Technology in 1982 with a Bachelor’s Degree in Electric Engineering. He earned a Doctorate Degree from University Paris Dauphine in 1989. Dr. Xia is a Chartered Financial Analyst.

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

**Dr. Wong Wing Kuen, Albert** (“Dr. Wong”), aged 69, was appointed as an independent non-executive director of the Company on 6 December 2018. Dr. Wong holds a Doctor of Philosophy in Business Administration Degree from the Bulacan State University, Republic of the Philippines. He is a fellow member of The Institute of Chartered Secretaries and Administrators, The Hong Kong Institute of Chartered Secretaries, The Taxation Institute of Hong Kong, Association of International Accountants and Society of Registered Financial Planners and also a member of Hong Kong Securities and Investment Institute, The Chartered Institute of Arbitrators and The Chartered Institute of Bankers in Scotland and a full member of Macau Society of Certified Practising Accountants.

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

**Ms. Yang Lai Sum, Lisa** (“Ms. Yang”), aged 54, was appointed as an independent non-executive director of the Company on 6 December 2018. Ms. Yang graduated from the University of Sydney with a Bachelor’s Degree in Law and Economics and is also qualified as a solicitor in Australia and England. She is a practicing solicitor in Hong Kong and currently a consultant of ONC Lawyers. Ms. Yang is also an independent non-executive director of each of Allied Group Limited (a company listed on the Main Board, stock code: 373), Tian An China Investments Company Limited (a company listed on the Main Board, stock code: 28) and Asiasec Properties Limited (a company listed on the Main Board, stock code: 271).



## DIRECTORS' REPORT

The directors of the Company (the "Director(s)") present their annual report and the audited consolidated financial statements for the year ended 31 December 2020 (the "Year").

### PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 46 to the consolidated financial statements. Details and respective analysis of the main business segments of the Group during the Year are set out in note 6 to the consolidated financial statements.

### BUSINESS REVIEW

Further discussion and review on the business activities of the Group as required by Schedule 5 to the Companies Ordinance (Cap. 622) of Hong Kong, including a description of the principal risks and uncertainties facing the Group, material events that have occurred since the year-end date and an indication of likely future development in the Group's business are contained in the Chairman's Statement set out on pages 3 to 19 of this Annual Report. Those relevant contents form part of this Directors' Report. Details of the Group's financial risk management are disclosed in note 44 to the consolidated financial statements.

Discussions on the Group's compliance with the relevant laws and regulations that have a significant impact on the Group are set out in Corporate Governance Report on pages 32 to 48 and Environmental, Social and Governance Report on pages 49 to 61. The Directors were not aware of any non-compliance with the relevant laws and regulations that have a significant impact on the Group during the Year.

### RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of profit or loss on page 68.

The Directors do not recommend the payment of a final dividend (2019: nil) for the Year.

### ENVIRONMENTAL POLICIES AND PERFORMANCE

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

### SHARE CAPITAL

Details of movements during the Year in the share capital of the Company are set out in note 36 to the consolidated financial statements.

### DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company did not have any distributable reserves (2019: nil).

# DIRECTORS' REPORT

## DIRECTORS AND SERVICE CONTRACTS

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

### Executive Directors:

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

### Non-Executive Directors:

Mr. Zhou Liye (*Chairman*) (*resigned on 15 April 2021*)  
Dato' Wong Peng Chong  
Mr. Zheng Zhen (*appointed on 12 June 2020*)  
Mr. Lai Hin Wing Henry Stephen (*appointed on 11 November 2020*)  
Mr. Ma Jianting (*resigned on 12 June 2020*)

### Independent Non-Executive Directors:

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

Pursuant to Clause 99 of the Bye-Laws of the Company ("Bye-Laws"), Ms. Chong Sok Un, Mr. Guo Meibao, Mr. Zhang Jian and Dr. Xia Xiaoning shall retire from their office by rotation and being eligible, offer themselves for re-election at the forthcoming Annual General Meeting of the Company (the "AGM").

Pursuant to Clause 102 of the Bye-Laws, Mr. Zheng Zhen and Mr. Lai Hin Wing Henry Stephen shall retire and being eligible, offer themselves for re-election at the AGM.

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

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

## MANAGEMENT CONTRACT

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

## DIRECTORS' REPORT

### INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 31 December 2020, the interests and short positions of the Directors, the chief executive of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Hong Kong (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange were as follows:

#### Long positions in the shares of the Company

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

Note:

The percentage of shareholding is calculated on the basis of the Company's issued share capital of 14,480,072,773 shares as at 31 December 2020.

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

Save as disclosed above, as at 31 December 2020, none of the Directors, the chief executive of the Company nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

## DIRECTORS' REPORT

### INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSON'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2020, the following parties had interests or short positions in the shares or underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

#### Long positions in the shares of the Company

Name	Capacity		Number of ordinary shares held	Percentage of issued ordinary shares
Tsinghua Tongfang Co., Ltd. ("THTF")	Held by controlled corporation	(Note 1)	4,000,000,000	27.62%
Resuccess Investments Limited ("Resuccess")	Held by controlled corporation	(Note 1)	4,000,000,000	27.62%
Cool Clouds Limited ("Cool Clouds")	Beneficial owner	(Note 1)	4,000,000,000	27.62%
Ms. Chong Sok Un ("Ms. Chong")	Held by controlled corporation	(Note 2)	2,592,514,140	17.90%
China Spirit Limited ("China Spirit")	Held by controlled corporation	(Note 2)	2,592,514,140	17.90%
Vigor Online Offshore Limited ("Vigor")	Beneficial owner	(Note 2)	2,592,514,140	17.90%
China Minsheng Investment Group Corp., Ltd. 中國民生投資股份有限公司("CMI")	Held by controlled corporation	(Note 3)	2,000,000,000	13.81%
CMIG Asia Asset Management Co., Ltd. 中民投亞洲資產管理有限公司 ("CMIG")	Held by controlled corporation	(Note 3)	2,000,000,000	13.81%
CMI Financial Holding Corporation ("CMIF")	Held by controlled corporation	(Note 3)	2,000,000,000	13.81%
CMIG International Capital Limited 中民投國際資本有限公司 ("中民投國際資本")	Held by controlled corporation	(Note 3)	2,000,000,000	13.81%
CM International Capital Limited ("CMIC")	Held by controlled corporation	(Note 3)	2,000,000,000	13.81%
Victor Beauty Investments Limited ("Victor Beauty")	Beneficial owner	(Note 3)	2,000,000,000	13.81%

## DIRECTORS' REPORT

Name	Capacity		Number of ordinary shares held	Percentage of issued ordinary shares
Ms. Ding Moyan ("Ms. Ding")	Held by controlled corporation	(Note 4)	1,149,739,208	7.94%
Excellent Top Holdings Limited ("Excellent Top")	Held by controlled corporation	(Note 4)	1,149,739,208	7.94%
Greatime Management Corp. ("Greatime")	Beneficial owner	(Note 4)	1,149,739,208	7.94%
Mr. Lee Seng Hui	Held by controlled corporation	(Note 5)	3,142,468,833	21.70%
Ms. Lee Su Hwei	Held by controlled corporation	(Note 5)	3,142,468,833	21.70%
Mr. Lee Seng Huang	Held by controlled corporation	(Note 5)	3,142,468,833	21.70%
Allied Group Limited ("Allied Group")	Held by controlled corporation	(Note 5)	3,142,468,833	21.70%
Sun Hung Kai & Co. Limited ("SHK")	Held by controlled corporation	(Note 5)	1,284,939,208	8.87%
Shipshape Investments Limited ("Shipshape")	Held by controlled corporation	(Note 5)	1,284,939,208	8.87%
Itso Limited ("Itso")	Holder of security interest	(Note 5)	1,149,739,208	7.94%
Tian An China Investments Company Limited ("Tian An")	Held by controlled corporation	(Note 5)	1,857,529,625	12.82%

## DIRECTORS' REPORT

### Notes:

The percentage of shareholding is calculated on the basis of the Company's issued share capital of 14,480,072,773 shares as at 31 December 2020.

1. Cool Clouds, a wholly-owned subsidiary of Resuccess, owned 4,000,000,000 ordinary shares of the Company. THTF was the sole shareholder of Resuccess as at 31 December 2020. Accordingly, Resuccess and THTF were deemed to have interests in 4,000,000,000 ordinary shares of the Company in which Cool Clouds was interested.
2. Vigor, a wholly-owned subsidiary of China Spirit, owned 2,592,514,140 ordinary shares of the Company. Ms. Chong maintained 100% beneficial interests in China Spirit. Accordingly, Ms. Chong was deemed to have an interest of 2,592,514,140 ordinary shares of the Company.
3. Victor Beauty, a wholly-owned subsidiary of CMIC, owned 2,000,000,000 ordinary shares of the Company. CMIC was a wholly-owned subsidiary of 中民投國際資本 which in turn was a wholly-owned subsidiary of CMI held directly as to 22.6% interests and indirectly as to 77.4% interests through CMIF and CMIG. CMIF was a wholly-owned subsidiary of CMIG, which in turn was a wholly-owned subsidiary of CMI. Accordingly, CMIC, 中民投國際資本, CMIF, CMIG and CMI were deemed to have interests in 2,000,000,000 ordinary shares of the Company.
4. Greptime, a wholly-owned subsidiary of Excellent Top, owned 1,149,739,208 ordinary shares of the Company. Ms. Ding maintained 100% beneficial interests in Excellent Top. Accordingly, Ms. Ding was deemed to have an interest in 1,149,739,208 ordinary shares of the Company.
5. Fareast Global Limited, a wholly-owned subsidiary of Tian An, owned 1,857,529,625 ordinary shares of the Company and Tian An was owned as to approximately 48.86% by China Elite Holdings Limited which was in turn wholly-owned by Allied Group via its subsidiaries.

Itso, a wholly-owned subsidiary of Shipshape, held 1,149,739,208 ordinary shares of the Company as holder of securities and Sun Hung Kai Structured Finance Limited, a wholly-owned subsidiary of Shipshape, held 135,200,000 ordinary shares of the Company as holder of securities. Shipshape was a wholly-owned subsidiary of SHK. SHK was owned as to approximately 62.83% by Allied Group via its subsidiaries.

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

Save as disclosed above, as at 31 December 2020, there were no other parties who had interests or short positions in the shares or underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

## DIRECTORS' REPORT

### MAJOR CUSTOMERS AND SUPPLIERS

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

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

### INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

### EMOLUMENT POLICY

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

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

### PRE-EMPTIVE RIGHTS

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

### PERMITTED INDEMNITY

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

### SUFFICIENCY OF PUBLIC FLOAT

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

### DONATIONS

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

## DIRECTORS' REPORT

### AUDITOR

A resolution will be submitted to the AGM to re-appoint Deloitte Touche Tohmatsu as auditor of the Company.

### EVENTS AFTER THE REPORTING DATE

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

On behalf of the Board

**Chong Sok Un**

*Deputy Chairman*

Hong Kong, 30 March 2021



# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

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

Throughout the year ended 31 December 2020 (the “Year”), the Company has applied the principles and complied with the code provisions set out in the Corporate Governance Code (the “CG Code”) as listed out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules” and the “Stock Exchange” respectively). The current practices will be reviewed and continuously updated.

## BOARD OF DIRECTORS

During the Year under review and up to the date of this report, the Board comprised twelve directors of the Company (the “Directors”) in total, with four executive directors, four non-executive directors and four independent non-executive directors.

The composition of the Board is set out as follows:

### Executive Directors:

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

### Non-Executive Directors:

Mr. Zhou Liye (*Chairman*) (*resigned on 15 April 2021*)  
Dato’ Wong Peng Chong  
Mr. Zheng Zhen (*appointed on 12 June 2020*)  
Mr. Lai Hin Wing Henry Stephen (*appointed on 11 November 2020*)  
Mr. Ma Jianting (*resigned on 12 June 2020*)

### Independent Non-Executive Directors:

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

## CORPORATE GOVERNANCE REPORT

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

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

The Board has received from each INED an annual confirmation of his/her independence and considers that all the INEDs are independent under the guidelines set out in Rule 3.13 of the Listing Rules. The biographical details of the Directors are set out on pages 20 to 23 of this Annual Report.

During the Year, 8 Board meetings were held and the attendance of each Director at the Board meetings is set out as follows:

<b>Name of Directors</b>	<b>Number of Board meetings attended/held</b>
Ms. Chong Sok Un ( <i>Deputy Chairman</i> )	7/8
Mr. Kong Muk Yin	8/8
Mr. Guo Meibao	8/8
Mr. Zhou Haiying	8/8
Mr. Zhou Liye ( <i>Chairman</i> ) ( <i>resigned on 15 April 2021</i> )	7/8
Dato' Wong Peng Chong	7/8
Mr. Zheng Zhen ( <i>appointed on 12 June 2020</i> )	4/4
Mr. Lai Hin Wing Henry Stephen ( <i>appointed on 11 November 2020</i> )	2/2
Mr. Zhang Jian	8/8
Dr. Xia Xiaoning	8/8
Dr. Wong Wing Kuen, Albert	8/8
Ms. Yang Lai Sum, Lisa	7/8
Mr. Ma Jianting ( <i>resigned on 12 June 2020</i> )	4/4

## CORPORATE GOVERNANCE REPORT

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

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

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

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

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

### **Directors’ Continuous Professional Development**

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

During the Year, the Company has arranged training for Directors to provide regular updates relating to the roles, functions and duties, corporate governance and change in regulatory requirements so as to enable the Directors to properly discharge their duties under the code provision A.6.5 of the CG Code.

## CORPORATE GOVERNANCE REPORT

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

Name of Directors	Reading regulatory updates and other materials relating to directors' duties and responsibilities	Attending training/ briefings/ seminars/ conference relevant to Directors' duties
<b>Executive Directors</b>		
Ms. Chong Sok Un ( <i>Deputy Chairman</i> )	✓	✓
Mr. Kong Muk Yin	✓	✓
Mr. Guo Meibao	✓	✓
Mr. Zhou Haiying	✓	✓
<b>Non-Executive Directors</b>		
Mr. Zhou Liye ( <i>Chairman</i> ) ( <i>resigned on 15 April 2021</i> )	✓	
Dato' Wong Peng Chong	✓	✓
Mr. Zheng Zhen ( <i>appointed on 12 June 2020</i> )	✓	✓
Mr. Lai Hin Wing Henry Stephen ( <i>appointed on 11 November 2020</i> )	✓	✓
Mr. Ma Jianting ( <i>resigned on 12 June 2020</i> )		
<b>Independent Non-Executive Directors</b>		
Mr. Zhang Jian	✓	✓
Dr. Xia Xiaoning	✓	
Dr. Wong Wing Kuen, Albert	✓	✓
Ms. Yang Lai Sum, Lisa	✓	✓

## CORPORATE GOVERNANCE REPORT

### Directors' and Officers' Liabilities Insurance

As the Company's insurance policy with its service provider has expired, the Company is currently arranging appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against the Directors and officers of the Company and its subsidiaries arising out of corporate activities of the Group under the code provision A.1.8 of the CG Code. In the meantime, the Company has negotiated with its previous service provider to extend the reporting period for making claim under the previous policy from September 2020 to September 2021.

### Roles of Chairman and Chief Executive

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

The Chairman and the Deputy Chairman are responsible for the leadership and effective running of the Board. The functions of the chief executive are performed by the two Executive Directors, namely, Mr. Kong Muk Yin who is in charge of finance and accounts aspect of the Group and Mr. Guo Meibao who is in charge of day-to-day operation of healthcare and eldercare business in PRC. The functions and responsibilities between the Chairman or the Deputy Chairman and the two Executive Directors performing the functions of the chief executive are clearly segregated.

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

### Appointment and Re-election of Directors

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

### Board Diversity Policy

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

The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

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

### Corporate Governance Function

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

## CORPORATE GOVERNANCE REPORT

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

- i) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- ii) to review and monitor the training and continuous professional development of Directors and senior management of the Group (the "Senior Management");
- iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- v) to review the Company's compliance with the code provisions as set out in the CG Code and its disclosure requirements in the Corporate Governance Report.

### BOARD COMMITTEES

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

The list of the chairman and members of each Board committee is set out in Corporate Information on page 2.

#### Executive Committee

The Executive Committee was established on 23 May 1998 with its written terms of reference adopted on 21 July 2005. The Committee is composed of three Executive Directors. The Executive Committee is responsible for approving and monitoring the daily operations of the Group. The Executive Committee held 28 meetings during the Year.

#### Investment Committee

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

#### Remuneration Committee

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

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

## CORPORATE GOVERNANCE REPORT

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

Name of members	Number of meetings attended/held
Dr. Xia Xiaoning ( <i>Chairman</i> )	1/1
Mr. Kong Muk Yin	1/1
Dato' Wong Peng Chong	1/1
Mr. Zheng Zhen ( <i>appointed on 12 June 2020</i> )	–
Mr. Zhang Jian	1/1
Dr. Wong Wing Kuen, Albert	1/1
Ms. Yang Lai Sum, Lisa	1/1
Mr. Ma Jianting ( <i>resigned on 12 June 2020</i> )	1/1

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

At the meeting held during the Year, the overall pay trend in Hong Kong of 2021 was reviewed and noted.

The Remuneration Committee also made recommendations to the Board on the remuneration packages of the NEDs appointed during the Year.

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

- i) to review annually and recommend to the Board on the overall remuneration policy and structure for the Directors and Senior Management;
- ii) to review annually the performance of the Executive Directors and the Senior Management and recommend to the Board specific adjustments in remuneration and/or reward payments;
- iii) to review and approve the compensation payable to the Executive Directors relating to any loss or termination of their office or appointment;
- iv) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct; and
- v) to be responsible for establishing formal and transparent procedures for developing remuneration policy and structure to ensure no Director or any of his/her associates is involved in deciding his/her own remuneration.

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

# CORPORATE GOVERNANCE REPORT

## Nomination Committee

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

The Nomination Committee comprises one Executive Director, one NED and four INEDs.

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

<b>Name of members</b>	<b>Number of meetings attended/held</b>
Ms. Chong Sok Un ( <i>Chairman</i> )	1/1
Dato' Wong Peng Chong	1/1
Mr. Zhang Jian	1/1
Dr. Xia Xiaoning	1/1
Dr. Wong Wing Kuen, Albert	1/1
Ms. Yang Lai Sum, Lisa	1/1

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

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



## CORPORATE GOVERNANCE REPORT

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

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

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

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

- i) to review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- ii) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- iii) to assess the independence of INEDs;
- iv) to make recommendations to the Board on the appointment or re-appointment of the Directors and succession planning for Directors, in particular the Chairman and the chief executive; and
- v) to review and monitor policy concerning diversity of Board members and make recommendations on any proposed changes to the Board.

### **Audit Committee**

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

## CORPORATE GOVERNANCE REPORT

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

The Audit Committee shall meet at least twice a year. 4 meetings were held during the Year. The minutes of the Audit Committee meetings were tabled to the Board for noting and for action by the Board where appropriate. The attendance of each member is set out as follows:

Name of members	Number of meetings attended/held
Dr. Wong Wing Kuen, Albert ( <i>Chairman</i> )	4/4
Mr. Zheng Zhen ( <i>appointed on 12 June 2020</i> )	2/2
Mr. Zhang Jian	4/4
Dr. Xia Xiaoning	4/4
Ms. Yang Lai Sum, Lisa	4/4
Mr. Ma Jianting ( <i>resigned on 12 June 2020</i> )	2/2

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

- i) reviewed the financial reports for the eighteen months ended 31 December 2019, for the six months ended 30 June 2020 and for the year ended 31 December 2020;
- ii) reviewed the statutory audit plan and engagement letter of the external auditor of the Group (the "External Auditor");
- iii) reviewed the management letter from the External Auditor in relation to the audit of the Group for the year ended 31 December 2020;
- iv) reviewed and recommended for the Board's approval the audit scope and fees for the six months ended 30 June 2020 and for the year ended 31 December 2020; and
- v) reviewed and recommended for the Board's annual review of the Group's risk management and the internal control systems.

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

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

## CORPORATE GOVERNANCE REPORT

- ii) to discuss the nature and scope of the audit with the External Auditor;
- iii) to review the interim and annual financial statements before submission to the Board;
- iv) to discuss problems and reservations arising from the interim review and final audit, and any matters the External Auditor may wish to discuss;
- v) to review the External Auditor's management letter and Management's response; and to ensure that the Board will provide a timely response to the issues raised in the External Auditor's management letter;
- vi) to review the Group's financial controls, internal control and risk management systems to ensure that they are appropriate and functioning properly; and
- vii) to consider any findings of major investigations of internal control and risk management matters and Management's response.

### AUDITOR'S REMUNERATION

During the Year under review, the remuneration paid or payable to the External Auditor, Messrs. Deloitte Touche Tohmatsu, is set out as follows:

<b>Services rendered</b>	<b>Fees paid/payable</b> HK\$'000
Audit services	3,332
Non-audit services	<u>255</u>
	<u><b>3,587</b></u>

### RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

## CORPORATE GOVERNANCE REPORT

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

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

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

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

- a) The Executive Committee was established to ensure the effectiveness of the Group's daily operations and that the Group's operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved.
- b) The Audit Committee reviews internal control issues identified by internal control consultant, regulatory authorities and the Management, and evaluates the adequacy and effectiveness of the Group's risk management and internal control systems. To further enhance control awareness, the Group has also approved launching a whistleblowing policy for employees to raise any concerns about possible improprieties in any matter related to the Group.
- c) The Investment Committee was established to monitor the Group's investment related activities and respective operating and financial policies.
- d) The Remuneration Committee was established to ensure all the Directors and the Senior Management are remunerated in line with market terms and individual performance.
- e) The corporate reporting functions are delegated to the accounting department in terms of proper and regular reviews on the deployment of resources and financial reporting systems. The corporate governance practices and compliance with the Listing Rules, the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") and other applicable regulations are delegated to the company secretarial department. The Management reviews the system of internal controls and briefs the reporting systems with the Executive Directors regularly and the Audit Committee annually.
- f) Every newly appointed Director was provided with a comprehensive handout detailing the responsibilities and duties of being a director. In particular highlighting the respective applicable rules and regulations, including the Listing Rules, which a Director should aware and be informed on the first occasion of his/her appointment with the Company.

## CORPORATE GOVERNANCE REPORT

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

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

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

The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

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

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

### **ACCOUNTABILITY AND AUDIT**

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

### **SHAREHOLDERS' COMMUNICATION**

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

## CORPORATE GOVERNANCE REPORT

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

Name of Directors	Number of AGM attended/held
Ms. Chong Sok Un ( <i>Deputy Chairman</i> )	1/1
Mr. Kong Muk Yin	1/1
Mr. Guo Meibao	0/1
Mr. Zhou Haiying	0/1
Mr. Zhou Liye ( <i>Chairman</i> ) ( <i>resigned on 15 April 2021</i> )	0/1
Dato' Wong Peng Chong	1/1
Mr. Zheng Zhen ( <i>appointed on 12 June 2020</i> )	–
Mr. Lai Hin Wing Henry Stephen ( <i>appointed on 11 November 2020</i> )	–
Mr. Ma Jianting ( <i>resigned on 12 June 2020</i> )	1/1
Mr. Zhang Jian	1/1
Dr. Xia Xiaoning	0/1
Dr. Wong Wing Kuen, Albert	1/1
Ms. Yang Lai Sum, Lisa	1/1

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

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

The Company's last AGM was held on 11 June 2020 and the Securities Repurchase Circular was sent to the Shareholders at least 20 clear business days prior to the meeting, setting out details of each proposed resolution, voting procedures (including the procedures for conducting a poll) and other relevant information. The Deputy Chairman explained the procedures for conducting a poll again at the beginning of the meeting and revealed the level of proxies voted in respect of each resolution. All Shareholders are encouraged to attend the general meetings or to appoint proxies to attend and vote at the meetings on their behalf if they are unable to attend the meetings.

The next AGM will be held on 10 June 2021, the notice of which will be sent to the Shareholders at least 20 clear business days before the meeting. An explanation of the detailed procedures for conducting a poll will be provided to the Shareholders at the commencement of the meeting. The Chairman will answer any questions from the Shareholders regarding voting by way of a poll. The poll results will be published in accordance with the requirements of the Listing Rules.

## CORPORATE GOVERNANCE REPORT

### SHAREHOLDERS' RIGHTS

#### Right to put enquiries to the Board

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

#### Right to convene special general meeting

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

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

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

#### Right to put forward proposals at general meetings

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

- a) give to the Shareholders entitled to receive notice of the next AGM notice of any resolution which may properly be moved and is intended to be moved at that meeting; and
- b) circulate to the Shareholders entitled to have notice of any general meeting sent to them any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

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

# CORPORATE GOVERNANCE REPORT

## INVESTOR RELATIONS

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

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

## DIVIDEND POLICY

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

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

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



## CORPORATE GOVERNANCE REPORT

### COMPANY SECRETARY

Ms. Fung Ching Man, Ada (“Ms. Fung”) is the Company Secretary. All Directors have access to the advice and services of the Company Secretary. The Company Secretary reports to the Chairman on board governance matters, and is responsible for ensuring that Board procedures are followed and for facilitating communications among Directors as well as with the Shareholders and the Management.

Ms. Fung is an associate, a Chartered Secretary and a Chartered Governance Professional of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) and The Hong Kong Institute of Chartered Secretaries. During the Year, Ms. Fung undertook over 15 hours of relevant professional training to update her skills and knowledge.

### HONG KONG MARKET MISCONDUCT TRIBUNAL PROCEEDINGS

As announced by the Company on 1 November 2019, the Securities and Futures Commission of Hong Kong (the “SFC”) instituted disclosure proceedings (the “Proceedings”) in the Market Misconduct Tribunal of Hong Kong relating to the Company, Ms. Chong Sok Un (“Ms. Chong”), Dato’ Wong Peng Chong (“Dato’ Wong”), Mr. Kong Muk Yin (“Mr. Kong”), Mr. Zhang Jian (“Mr. Zhang”) and two former directors of the Company (the “Former Directors”).

In the Proceedings, the SFC alleges that, in the year 2014, the Company, Ms. Chong, Dato’ Wong, Mr. Kong, Mr. Zhang and the two Former Directors may have breached the relevant disclosure requirement within the meaning of sections 307B and 307G (as the case may be) of Part XIVA of the SFO. The Proceedings are ongoing.

On behalf of the Board

**China Medical & HealthCare Group Limited**

**Chong Sok Un**

*Deputy Chairman*

Hong Kong, 30 March 2021

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This Report is prepared in accordance with the Environmental, Social and Governance (“ESG”) Reporting Guide as set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and summarized the ESG-related policies, initiatives and performances of the Group’s principal business segments of investment in and management and operations of healthcare and hospital businesses, eldercare businesses, trading of medical equipment and related supplies and property investment and development in the People’s Republic of China (“PRC”), for the period from 1 January 2020 to 31 December 2020 (the “Year”) together with the comparative figures for the eighteen months from 1 July 2018 to 31 December 2019.

The board of directors (the “Board” and “Directors” respectively) is responsible for our ESG strategy and reporting, while the management of the Company focuses on monitoring and managing the Company’s ESG risks and management effectiveness. We have engaged our management and employees across all functions to understand our stakeholders’ concerns and identify relevant ESG issues for our businesses.

Based on our internal assessment, the material ESG issues of the Company to be covered in this Report, together with the aspects on the ESG Guide to which they relate, are summarized in the table below:

## *ESG aspects as set out in ESG Guide*

### **A. Environmental**

A1 Emissions

A2 Use of Resources

A3 The Environment and Natural Resources

### **B. Social**

B1 Employment

B2 Health and Safety

B3 Development and Training

B4 Labour Standards

B5 Supply Chain Management

B6 Product Responsibility

B7 Anti-corruption

B8 Community Investment

## *Material ESG issues for the Company*

- Sewage Treatment
- Medical Wastes Treatment
- General Wastes Management
- Greenhouse Gas Emissions
- Energy Consumption
- Water Consumption
- Renovation Work Management
- Employment Practices and Relations
- Workplace Health and Safety
- Professional Training
- Anti-Child and Forced Labour
- Supplier Identification, Evaluation and Selection
- Supplier Monitoring
- Supplier Relationship Management
- Products Safety
- Services Quality
- Eldercare Services
- Data Privacy
- Anti-Bribery and Corruption and Anti-Money Laundering
- Corporate Responsibility

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## A. ENVIRONMENTAL

### A1 Emissions

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

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

#### Sewage Treatment

During the Year, medical sewage generated by the hospitals of the Group was about 225,118 m<sup>3</sup> (2019: 339,470 m<sup>3</sup>).

Our hospitals follow three major principles in sewage treatment:

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

According to the above principles, our hospitals have been equipped with highly efficient sewage treatment systems. All of our medical sewage and patients' excrements have been properly treated according to the Level 3 Standard of the Integrated Wastewater Discharge Standard (GB8978-1996) of the PRC and discharged into designated municipal drainage systems, thereby reducing health risk in the community from sewage discharge. During the Year, the Group has upgraded the system by adding an additional biochemical treatment process in order to achieve an even higher environmental standard for sewage discharge and protect the surrounding ecological systems. Furthermore, a real-time monitoring equipment has been installed to oversee the operating effectiveness of the sewage system, and it is linked to the local environmental authorities in accordance with the regulatory requirement. Regular testing and maintenance works have been performed to ensure proper functioning of such systems. In addition, the sewage treatment equipment in the hospitals have been tested and accredited by relevant government authorities before deployment.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

### Medical Waste Treatment

The hospitals of the Group generate certain biological and chemical waste which are regarded as hazardous and require special handling to reduce risks to the public health and the environment. About 241.18 tonnes of such wastes were generated during the Year (2019: 338.79 tonnes).

The Group adopts a three-tier approach with designated staff to manage medical wastes. Firstly, staff who generate the wastes will perform simple treatment such as sterilization using disinfectant. Secondly, professional staff categorize medical wastes in accordance with relevant laws and regulations and store the wastes at designed isolated locations with properly labelled packaging and containers. Lastly, we have engaged qualified contractors to collect the waste on a regular basis. After the collection, cleaning and disinfection work are performed at the storage locations timely. Records are maintained to keep track of the whole process. In addition, the Group has provided trainings to relevant staff responsible to enhance the awareness and knowledge of hazardous waste management. Clear instructions and procedures regarding classification and collection of medical wastes have also been communicated through posters and written policies.

### General Wastes Management

Besides medical waste, another major type of waste generated by the Group was paper, which was amounted to 5.17 tonnes during the Year (2019: 8.33 tonnes).

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

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

<i>Type</i>	<i>Unit</i>	<i>2020 Amount</i>	<i>2019 Amount</i>
<i>Plastic bag</i>	tonnes	8.80	11.16
<i>Plastic bottle</i>	tonnes	23.00	36.59
<i>Paper box</i>	tonnes	13.18	20.75

Total packaging materials used was 44.98 tonnes during the Year (2019: 68.50 tonnes).

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

### Greenhouse Gas Emissions

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

In total there were 11,486 tonnes of the energy-related carbon dioxide equivalent (CO<sub>2</sub>e) generated from our direct operations during the Year (2019: 15,222 tonnes), with the intensity of 0.041 tonnes CO<sub>2</sub>e per gross floor area (GFA) in m<sup>2</sup>. We have a series of initiatives in place to help reduce our carbon footprint. Please refer to the A2 Use of Resources section below.

### **A2 Use of Resources**

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

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Energy Consumption

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

<i>Type of Energy</i>	<i>Unit</i>	<i>2020 Amount</i>	<i>2019 Amount</i>	<i>2020 Intensity (unit per GFA in m<sup>2</sup>)</i>
<b><i>Electricity</i></b>	kWh	16,794,365	22,401,515	59.96
<b><i>Petrol</i></b>	Litre	74,450	97,883	0.27
<b><i>Natural gas</i></b>	m <sup>3</sup>	126,269	149,511	0.45

During the Year, electricity consumption was 16,794,365 kWh (2019: 22,401,515 kWh), whereas petrol consumption was 74,450 litres (2019: 97,883 litres). On the other hand, natural gas consumption was 126,269 m<sup>3</sup> during the Year (2019: 149,511 m<sup>3</sup>).

We have implemented the following measures during the Year to help reduce our energy consumption:

### ***Healthcare and Eldercare Segments***

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

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### *Healthcare Segment*

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

### *Eldercare Segment*

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

### Water Consumption

During the Year, 296,326 m<sup>3</sup> of water was consumed for business operations in our healthcare and eldercare segments, with intensity of 1.06 m<sup>3</sup> per GFA in m<sup>2</sup> (2019: 443,589 m<sup>3</sup>).

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

### *Healthcare and Eldercare Segments*

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

### *Healthcare Segment*

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

### *Eldercare Segment*

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

### **A3 The Environment and Natural Resources**

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

#### Renovation Work Management

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



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B. SOCIAL

### B1 Employment

#### Employment Practices and Relations

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

The Group is committed to providing a discrimination-free work environment to staff. Such principle covers all human resources aspects including recruitment, transfer, promotion, training, salary and welfare, to ensure all staff or job applicants are treated equally.

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

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

### B2 Health and Safety

#### Workplace Health and Safety

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

Safety policies have been established based on relevant laws and regulations for specific positions (such as radiotherapists), and we require all our frontline nursing staff to equip with sufficient knowledge and qualifications. On-boarding training and regular courses have been provided to raise their safety awareness.

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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## **B3 Development and Training**

### Professional Training

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

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

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

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

## **B4 Labour Standards**

### Anti-Child and Forced Labour

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

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

## **B5 Supply Chain Management**

Supply chain management directly affects the reliability and smoothness of our operations as well as the quality of our products and services. A comprehensive procurement management policy has been established to govern the procurement processes and maintain long term partnering relationship with strategic suppliers, thus enhancing our competitive edges.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Supplier Identification, Evaluation and Selection

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

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

### Supplier Monitoring

Annual supplier evaluation has been performed to assess the performance of the authorized suppliers. For strategic suppliers, a detailed performance evaluation has been conducted to assess its price, quality of work, project management, personnel qualification and environmental performance. Suppliers which are unable to pass the evaluation will be removed from the authorized supplier list.

Meanwhile, in case of significant quality incidents in relation to products and services, cooperation relationship with the concerned suppliers will be terminated immediately and the suppliers will be removed from the authorized supplier list as well. An incident classification mechanism has been established so as to ensure prompt reaction to mitigate the crisis.

### Supplier Relationship Management

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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B6 Product Responsibility

### Products Safety

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

### Services Quality

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

### Eldercare Services

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

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

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

### Data Privacy

Protecting data privacy of customers is one of the Group's priorities. We strictly comply with applicable standards, laws and regulations as well as internal policies relating to data privacy. Our hospitals have implemented a number of measures in regard to data privacy. Firstly, each consultation room only allows one patient a time in order to protect the patient's privacy. Secondly, a designated area has been set up exclusively for female patients. Thirdly, signs reminding patients and staff not to discuss private health conditions publicly have been displayed at corridors and in elevators. As for the retirement village project, the Membership Information Confidentiality Policy 《會員中心信息保密制度》 has been established to govern the management of membership data. No disclosure or transfer of customers' personal information is allowed without consent or authorization by the information owner.

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

## **B7 Anti-corruption**

### Anti-Bribery and Corruption and Anti-Money Laundering

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

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

During the Year, the Group did not note any cases of bribery, extortion, fraud and money laundering.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B8 Community Investment

### Corporate Responsibility

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

#### **Healthcare Segment**

- Organized Artificial cochlea implant surgery, Cleft lip and cleft palate repair surgery and Congenital heart disease surgery projects for the patients in need
- The Congenital heart disease surgery project has conducted screening for more than 164,928 children in the poverty area in Yunnan, China and offered free surgery to 415 children
- Participated in a clinical study on treatment of spinal cord injury launched by Hong Kong Spinal Cord Injury Fund
- Offered free medical and health consultations and body check-ups on a regular basis to the surrounding neighbourhoods
- Organized blood donation events periodically to collect blood from hundreds of people every year for medical use

#### **Eldercare Segment**

- Coordinated with local community to organize poverty alleviation activities with Xinjian Village (新建村) in Qingpu district (青浦区)
- Provided venues for Communist Party members to hold public and social welfare activities for local community

## INDEPENDENT AUDITOR'S REPORT

# Deloitte.

# 德勤

### TO THE SHAREHOLDERS OF CHINA MEDICAL & HEALTHCARE GROUP LIMITED

中國醫療網絡有限公司

*(incorporated in Bermuda with limited liability)*

### OPINION

We have audited the consolidated financial statements of China Medical & HealthCare Group Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 68 to 184, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

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

### KEY AUDIT MATTERS

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

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# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS *(continued)*

### Key audit matter

#### *Valuation of investment properties*

We identified the valuation of investment properties as a key audit matter due to significance of the balance to the consolidated financial statements, combined with the fact that significant judgment and estimation are required by management in determining the fair value.

As disclosed in Note 15 to the consolidated financial statements, the fair value of the investment properties amounted to approximately HK\$783,576,000 as at 31 December 2020 with net decrease in fair value of approximately HK\$34,722,000 recorded in profit or loss for the year.

The investment properties are stated at fair value based on the valuations carried out by the independent qualified professional valuer. Details of the valuation techniques and inputs are disclosed in Note 15 to the consolidated financial statements.

The valuations of investment properties are dependent on certain assumptions and inputs, including capitalisation rates, market unit rate and market rents.

### How our audit addressed the key audit matter

Our procedures in relation to the valuation of investment properties included:

- Evaluating the professional competence, capabilities and objectivity of the independent qualified professional valuer;
- Obtaining an understanding from the independent qualified professional valuer about the valuation methodologies used and the assumptions adopted in the valuation model and assess their appropriateness with reference to market data; and
- Checking the inputs used in the valuation, including rental income, tenancy schedules, capital expenditure details, acquisition cost schedules and square meter details to source documents on a sample basis.



## INDEPENDENT AUDITOR'S REPORT

### KEY AUDIT MATTERS *(continued)*

#### Key audit matter

##### *Valuation of leasehold land and buildings*

We identified the valuation of leasehold land and buildings (including leasehold land and buildings in Hong Kong, hospital buildings and other buildings in the People's Republic of China (excluding Hong Kong)) as included in property, plant and equipment as a key audit matter due to the significance of the balance to the consolidated financial statements, combined with the fact that significant judgment and estimation are required by management in determining the fair value.

As disclosed in Note 16 to the consolidated financial statements, the fair value of the leasehold land and buildings amounted to approximately HK\$968,993,000 as at 31 December 2020 with the revaluation increase of the leasehold land and buildings for the year of approximately HK\$32,568,000 recorded in other comprehensive income.

The leasehold land and buildings are stated at fair value based on the valuations carried out by the independent qualified professional valuer. Details of the valuation technique and inputs are disclosed in Note 16 to the consolidated financial statements.

The valuations of leasehold land and buildings are dependent on certain assumptions and inputs, including depreciated replacement cost and market unit rate.

#### How our audit addressed the key audit matter

Our procedures in relation to the valuation of leasehold land and buildings included:

- Evaluating the professional competence, capabilities and objectivity of the independent qualified professional valuer;
- Obtaining an understanding from the independent qualified professional valuer about the valuation methodologies used and the assumptions adopted in the valuation model and assess their appropriateness with reference to market data; and
- Checking the inputs used in the valuation, including depreciated replacement cost schedules and square meter details to source documents on a sample basis.

# INDEPENDENT AUDITOR'S REPORT

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

## RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

## INDEPENDENT AUDITOR'S REPORT

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

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

## INDEPENDENT AUDITOR'S REPORT

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Lin Sze Wai.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

30 March 2021

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2020

	NOTES	1.1.2020 to 31.12.2020 HK\$'000	1.7.2018 to 31.12.2019 HK\$'000
Revenue	5	<b>1,194,148</b>	1,841,346
Gross proceeds from sales of investments held for trading		<b>3,248</b>	200,744
Total		<b>1,197,396</b>	2,042,090
Revenue	5		
Goods and services from contracts with customers		<b>1,186,660</b>	1,776,824
Rental		<b>7,460</b>	12,181
Interest		–	50,966
Others		<b>28</b>	1,375
Cost of goods and services		<b>1,194,148</b> <b>(973,416)</b>	1,841,346 (1,479,613)
Gross profit		<b>220,732</b>	361,733
Other gains and losses, and other income	7	<b>(39,289)</b>	51,069
Selling and distribution costs		<b>(3,352)</b>	(6,518)
Administrative expenses		<b>(224,731)</b>	(357,307)
Finance costs	8	<b>(49,922)</b>	(77,788)
Loss before taxation		<b>(96,562)</b>	(28,811)
Taxation (expense) credit	11	<b>(8,577)</b>	38,611
(Loss) profit for the year/period	12	<b>(105,139)</b>	9,800
(Loss) profit for the year/period attributable to:			
Owners of the Company		<b>(111,928)</b>	2,176
Non-controlling interests		<b>6,789</b>	7,624
		<b>(105,139)</b>	9,800
(Loss) earnings per share	14		
Basic		<b>HK (0.773) cents</b>	HK 0.015 cents
Diluted		<b>N/A</b>	HK 0.015 cents

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME****FOR THE YEAR ENDED 31 DECEMBER 2020**

	<b>1.1.2020 to 31.12.2020 HK\$'000</b>	1.7.2018 to 31.12.2019 HK\$'000
(Loss) profit for the year/period	<u><b>(105,139)</b></u>	<u>9,800</u>
Other comprehensive income (expense)		
Items that will be reclassified subsequently to profit or loss:		
Net change on debt instruments at fair value through other comprehensive income	<b>166</b>	854
Exchange gain (loss) arising from translation of foreign operations	<u><b>70,720</b></u>	<u>(40,971)</u>
	<u><b>70,886</b></u>	<u>(40,117)</u>
Items that will not be reclassified to profit or loss:		
Gain on revaluation of leasehold land and buildings	<b>32,568</b>	36,542
Deferred tax arising from revaluation of leasehold land and building included in property, plant and equipment	<u><b>(8,142)</b></u>	<u>(9,136)</u>
	<u><b>24,426</b></u>	<u>27,406</u>
Other comprehensive income (expense) for the year/period	<u><b>95,312</b></u>	<u>(12,711)</u>
Total comprehensive expense for the year/period	<u><b>(9,827)</b></u>	<u>(2,911)</u>
Total comprehensive (expense) income for the year/period attributable to:		
Owners of the Company	<b>(19,552)</b>	(9,408)
Non-controlling interests	<u><b>9,725</b></u>	<u>6,497</u>
	<u><b>(9,827)</b></u>	<u>(2,911)</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2020

	NOTES	31.12.2020 HK\$'000	31.12.2019 HK\$'000
<b>Non-current assets</b>			
Investment properties	15	783,576	772,520
Property, plant and equipment	16	1,433,064	1,318,031
Right-of-use assets	17	102,166	–
Prepaid lease payments	18	–	93,418
Loan receivable	27	68,846	–
Interests in associates	19	–	–
Financial assets at fair value through profit or loss	20	802	802
Goodwill	22	32,931	30,821
Deposits for acquisition of property, plant and equipment		8,996	7,031
		<b>2,430,381</b>	<b>2,222,623</b>
<b>Current assets</b>			
Inventories	23	21,142	21,138
Properties under development for sale	24	6,324	5,927
Properties held for sale	24	142,294	163,369
Prepaid lease payments	18	–	2,746
Financial assets at fair value through profit or loss	20	–	98
Debt instruments at fair value through other comprehensive income	21	4,602	4,634
Investments held for trading	25	21,759	36,451
Debtors, deposits and prepayments	26	149,059	96,806
Loan receivable	27	–	91,314
Pledged bank deposits	28	12,670	9,119
Restricted bank deposits	28	20,469	5,607
Bank balances and cash	28	616,474	643,177
		<b>994,793</b>	<b>1,080,386</b>
<b>Current liabilities</b>			
Creditors, deposits, receipts in advance and accrued charges	29	424,841	433,015
Deposits received on sales of properties		6,021	12,039
Other contract liabilities	31	34,602	50,374
Amount due to an associate	32	6,555	6,144
Borrowings – due within one year	33	538,845	444,068
Lease liabilities	30	2,534	–
Obligations under finance leases – due within one year	34	–	5,405
Taxation payable		114,326	114,802
		<b>1,127,724</b>	<b>1,065,847</b>



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2020

	NOTES	31.12.2020 HK\$'000	31.12.2019 HK\$'000
<b>Net current (liabilities) assets</b>		<b>(132,931)</b>	14,539
<b>Total assets less current liabilities</b>		<b>2,297,450</b>	2,237,162
<b>Non-current liabilities</b>			
Deferred tax liabilities	35	45,800	41,150
Borrowings – due after one year	33	432,534	349,295
Creditors, deposits, receipts in advance and accrued charges	29	–	30,818
Other contract liabilities	31	18,482	5,438
		<b>496,816</b>	426,701
		<b>1,800,634</b>	1,810,461
<b>Capital and reserves</b>			
Share capital	36	7,240	7,240
Reserves	37	1,777,834	1,797,386
Equity attributable to owners of the Company		<b>1,785,074</b>	1,804,626
Non-controlling interests	38	15,560	5,835
<b>Total equity</b>		<b>1,800,634</b>	1,810,461

The financial statements on pages 68 to 184 were approved and authorised for issue by the Board of Directors on 30 March 2021 and are signed on its behalf by:

**Chong Sok Un**  
DIRECTOR

**Guo Meibao**  
DIRECTOR



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Attributable to owners of the Company									Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Properties revaluation reserve HK\$'000 (note 37)	Investment revaluation reserve HK\$'000 (note 37)	Capital redemption reserve HK\$'000	Other reserve HK\$'000 (Note)	Translation reserve HK\$'000 (note 37)	Accumulated losses HK\$'000	Sub-total HK\$'000		
At 1 July 2018	7,240	2,621,374	27,875	-	2,496	(796,531)	22,218	(93,526)	1,791,146	22,226	1,813,372
Profit for the period	-	-	-	-	-	-	-	2,176	2,176	7,624	9,800
Other comprehensive income (expenses) for the period	-	-	27,406	854	-	-	(39,844)	-	(11,584)	(1,127)	(12,711)
Total comprehensive income (expenses) for the period	-	-	27,406	854	-	-	(39,844)	2,176	(9,408)	6,497	(2,911)
Cancellation of share options	-	-	-	-	-	-	-	22,888	22,888	(22,888)	-
At 31 December 2019	7,240	2,621,374	55,281	854	2,496	(796,531)	(17,626)	(68,462)	1,804,626	5,835	1,810,461
(Loss) profit for the year	-	-	-	-	-	-	-	(111,928)	(111,928)	6,789	(105,139)
Other comprehensive income for the year	-	-	24,426	166	-	-	67,784	-	92,376	2,936	95,312
Total comprehensive income (expenses) for the year	-	-	24,426	166	-	-	67,784	(111,928)	(19,552)	9,725	(9,827)
At 31 December 2020	7,240	2,621,374	79,707	1,020	2,496	(796,531)	50,158	(180,390)	1,785,074	15,560	1,800,634

Note: Other reserve arisen from the effect of changes in the Group's ownership interests in subsidiaries without losing control.

**CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED 31 DECEMBER 2020

	1.1.2020 to 31.12.2020 HK\$'000	1.7.2018 to 31.12.2019 HK\$'000
<b>OPERATING ACTIVITIES</b>		
Loss before taxation	(96,562)	(28,811)
Adjustments for:		
Interest income	(4,076)	(9,064)
Depreciation of property, plant and equipment	108,455	157,770
Depreciation of right-of-use assets	7,976	–
Impairment loss under expected credit loss model	26,206	5,062
Gain on disposal of property, plant and equipment	(15)	(27)
Finance costs	49,922	77,788
Net unrealised loss on fair value of investments held for trading	11,837	31,346
Fair value changes on investment properties	34,722	(18,245)
Release of prepaid lease payments	–	4,135
Operating cash flow before movements in working capital	138,465	219,954
Decrease (increase) in inventories	1,333	(3,954)
Decrease in properties under development for sale and properties held for sale	29,862	90,341
Decrease in investments held for trading	2,856	70,972
Decrease (increase) in derivative financial instruments	81	(1,129)
(Increase) decrease in debtors, deposits and prepayments	(48,718)	68,471
Increase in loans receivable	–	(95,215)
Decrease in creditors and accrued charges	(110,373)	(36,215)
(Decrease) increase in deposits received on sale of properties	(6,444)	604
Increase in customers' deposits and receipts in advance	39,550	18,202
(Decrease) increase in other contract liabilities	(6,105)	19,845
Cash from operating activities	40,507	351,876
Interest paid	(49,405)	(76,247)
Tax paid	(6,344)	(11,077)
<b>NET CASH (USED IN) FROM OPERATING ACTIVITIES</b>	<b>(15,242)</b>	<b>264,552</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	1.1.2020 to 31.12.2020 HK\$'000	1.7.2018 to 31.12.2019 HK\$'000
<b>INVESTING ACTIVITIES</b>		
Disposal of		
– financial assets at fair value through profit or loss	17	18
– debt instruments at fair value through other comprehensive income	–	18,782
Placement of pledged bank deposits/restricted bank deposits	<b>(33,139)</b>	(14,726)
Withdrawal of pledged bank deposits/restricted bank deposits	<b>16,682</b>	28,236
Interest received	<b>4,076</b>	9,064
Additions of investment properties	<b>(12,382)</b>	(5,353)
Additions of property, plant and equipment	<b>(91,972)</b>	(136,509)
Deposits paid for acquisition of property, plant and equipment	<b>(8,495)</b>	(7,031)
Proceeds from disposal of property, plant and equipment	<b>1,985</b>	3,158
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(123,228)</b>	(104,361)
<b>FINANCING ACTIVITIES</b>		
New borrowings raised	<b>586,606</b>	806,716
Repayments of borrowings	<b>(468,671)</b>	(796,947)
Repayment of lease liabilities	<b>(8,966)</b>	–
Repayments of consideration payable	–	(55,318)
Repayments of obligations under finance leases	–	(15,075)
<b>NET CASH FROM (USED IN) FINANCING ACTIVITIES</b>	<b>108,969</b>	(60,624)
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(29,501)</b>	99,567
<b>EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES</b>	<b>2,798</b>	(482)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD</b>	<b>643,177</b>	544,092
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, Representing bank balances and cash</b>	<b>616,474</b>	643,177

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 1. GENERAL INFORMATION

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

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

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 46.

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

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

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and 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 period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to Hong Kong Accounting Standard (“HKAS”) 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current year and prior periods and/or on the disclosures set out in these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

**New and Amendments to HKFRSs that are mandatorily effective for the current year (continued)**

### **HKFRS 16 “Leases” (“HKFRS 16”)**

The Group has applied HKFRS 16 for the first time in the current period. HKFRS 16 superseded HKAS 17 “Leases” (“HKAS 17”), and the related interpretations.

#### *Definition of a lease*

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2020, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

#### *As a lessee*

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2020.

As at 1 January 2020, the Group recognised lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

New and Amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 16 “Leases” (“HKFRS 16”) (continued)

As a lessee (continued)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 3% per annum.

	Notes	At 1 January 2020 HK\$'000
Operating lease commitments disclosed as at 31 December 2019		24,466
Lease liabilities discounted at relevant incremental borrowing rates		(908)
Less: Recognition exemption – short-term leases		(350)
Practical expedient – leases with lease term ending within 12 months from the date of initial application		(17,992)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16		5,216
Add: Obligations under finance leases recognised at 31 December 2019	(b)	5,405
Lease liabilities as at 1 January 2020		10,621
Analysed as		
Current		6,566
Non-current		4,055
		10,621

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

**New and Amendments to HKFRSs that are mandatorily effective for the current year (continued)**

**HKFRS 16 “Leases” (“HKFRS 16”) (continued)**

*As a lessee (continued)*

The carrying amount of right-of-use assets for own use as at 1 January 2020 comprises the following:

	Notes	<b>Right-of-use assets</b> HK\$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		5,216
Reclassified from prepaid lease payments	(a)	96,164
Amounts included in property, plant and equipment under HKAS 17		
– Assets previously under finance leases	(b)	<u>23,721</u>
		<u>125,101</u>

Notes:

- (a) Upfront payments for leasehold lands in the People’s Republic of China (excluding Hong Kong) (the “PRC”) for own used properties were classified as prepaid lease payments as at 31 December 2019. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK\$2,746,000 and HK\$93,418,000 respectively were reclassified to right-of-use assets.
- (b) In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 January 2020 amounting to HK\$23,721,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of HK\$5,405,000 to lease liabilities as current liabilities at 1 January 2020.

*As a lessor*

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Based on the assessment by the directors of the Company, there is no material impact of transition to HKFRS 16 on accumulated losses at 1 January 2020.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

New and Amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 16 "Leases" ("HKFRS 16") (continued)

As a lessor (continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2020. Line items that were not affected by the changes have not been included.

		Carrying amounts previously reported at 31 December 2019	Adjustments	Carrying amounts under HKFRS 16 at 1 January 2020
	Note	HK\$'000	HK\$'000	HK\$'000
<b>Non-current assets</b>				
Right-of-use assets		–	125,101	125,101
Property, plants and equipments	(b)	1,318,031	(23,721)	1,294,310
Prepaid lease payments	(a)	93,418	(93,418)	–
<b>Current asset</b>				
Prepaid lease payments	(a)	2,746	(2,746)	–
<b>Current liabilities</b>				
Lease liabilities		–	6,566	6,566
Obligations under finance leases – due within one year	(b)	5,405	(5,405)	–
<b>Non-current liability</b>				
Lease liabilities		–	4,055	4,055

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2020, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2020 as disclosed above.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

### New and Amendments to HKFRSs that are mandatorily effective for the current year (continued)

#### Impacts on application of Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

#### 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>1</sup>
Amendment to HKFRS 16	Covid-19-Related Rent Concessions <sup>4</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>5</sup>
Amendments to HKFRS 10 and HKAS28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 Cycle <sup>2</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

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

<sup>4</sup> Effective for annual periods beginning on or after 1 June 2020.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2021.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

**New and amendments to HKFRSs in issue but not yet effective (continued)**

### ***Amendment to HKFRS 16 “Covid-19-Related Rent Concessions”***

The amendment is effective for annual reporting periods beginning on or after 1 June 2020.

The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application is not expected to have impact on the Group’s financial position and performance as the Group does not intend to apply the practical expedient.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

**New and amendments to HKFRSs in issue but not yet effective (continued)**

***Amendments to HKAS 1 “Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)”***

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
  - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
  - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 “Financial Instruments: Presentation”.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group’s outstanding liabilities as at 31 December 2020, the application of the amendments will not result in reclassification of the Group’s liabilities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Basis of preparation of consolidated financial statements

Pursuant to a resolution passed at the meeting of the board of directors of the Company held on 6 December 2018, the Company's financial year end date has been changed from 30 June to 31 December commencing from financial year of 2019. These consolidated financial statements now presented cover a period of twelve months from 1 January 2020 to 31 December 2020. The comparative figures presented for the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows, consolidated statement of changes on equity and related notes cover the figures of the financial period of eighteen months from 1 July 2018 to 31 December 2019 and therefore may not be comparable with amounts shown for the current reporting period.

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

#### *Going concern assessment*

As at 31 December 2020, the Group has net current liabilities of HK\$132,931,000 and it incurred loss of HK\$105,139,000 for the year ended 31 December 2020. The directors of the Company have given careful consideration to the future liquidity of the Group when preparing the consolidated financial statements. Taking into account the ongoing availability of finance to the Group, including the cash flows generated from its principal operations, existing banking facilities, successful refinancing of certain bank borrowings of HK\$382,601,000 and the utilisation of the standby loan facility from a financial institution amounting to HK\$200,000,000, if necessary subsequent to the reporting period, the directors of the Company are of the opinion that the Group has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly these consolidated financial statements have been prepared on a going concern basis.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 3.1 Basis of preparation of consolidated financial statements *(continued)*

#### *Going concern assessment (continued)*

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

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the assets in its highest and best use.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 3.2 Significant accounting policies

#### *Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 3.2 Significant accounting policies *(continued)*

#### *Business combinations*

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting issued in October 2010).

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 “Income Taxes” (“HKAS 12”) and HKAS 19 “Employee Benefits” respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which the lease term ends within 12 months of the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 3.2 Significant accounting policies *(continued)*

#### *Business combinations (continued)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net of amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 3.2 Significant accounting policies *(continued)*

#### ***Goodwill***

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") (or groups of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

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

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

The Group's policy for goodwill arising on the acquisition of an associate is described below.

#### ***Investments in associates***

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 3.2 Significant accounting policies *(continued)*

#### *Investments in associates (continued)*

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 3.2 Significant accounting policies *(continued)*

#### *Investments in associates (continued)*

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

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

#### *Revenue from contracts with customers*

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 3.2 Significant accounting policies *(continued)*

#### *Revenue from contracts with customers (continued)*

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

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

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

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. The Group presented contract liabilities as sales of properties under "Deposits received on sales of properties" and presented contract liabilities on other type of services and goods under "other contract liabilities".

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 3.2 Significant accounting policies *(continued)*

#### ***Revenue from contracts with customers (continued)***

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

#### Output method

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

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Interest income from a loan receivable is accrued on a time apportionment basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

#### ***Refund liabilities***

The Group recognises a refund liability if the Group expects to refund some or all of the consideration received from customers. The Group presents refunds liabilities related to eldercare related services as "deposits and receipts in advance" under "creditors, deposits, receipts in advance and accrued charges".

#### ***Government subsidies***

Government subsidies are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government subsidies related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Government subsidies relating to compensation of expenses are deducted from the related expenses, other grants are presented under "other income".

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 3.2 Significant accounting policies *(continued)*

#### *Investment properties*

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

#### *Property, plant and equipment*

Property, plant and equipment are tangible asset that are held for use in the supply of goods or services, or for administrative purpose (other than leasehold land and buildings and construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

#### *Ownership interests in leasehold land and buildings*

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 3.2 Significant accounting policies *(continued)*

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

##### *Ownership interests in leasehold land and buildings (continued)*

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as “right-of-use assets” (upon application of HKFRS 16) or prepaid lease payments (before application of HKFRS 16) in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group’s accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost or valuation of items of property, plant and equipment (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 3.2 Significant accounting policies *(continued)*

#### *Financial instruments*

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

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

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

#### *Financial assets*

##### Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 3.2 Significant accounting policies *(continued)*

#### *Financial instruments (continued)*

##### *Financial assets (continued)*

##### Classification and subsequent measurement of financial assets *(continued)*

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income (“FVTOCI”):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 3.2 Significant accounting policies *(continued)*

#### *Financial instruments (continued)*

##### *Financial assets (continued)*

##### Amortised cost and interest income

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

##### Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of investment revaluation reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

##### Financial assets at FVTPL

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 3.2 Significant accounting policies *(continued)*

#### *Financial instruments (continued)*

##### *Financial assets (continued)*

##### Impairment of financial assets

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including debt instruments at FVTOCI, debtors, deposits, loans receivable, pledged bank deposits and bank balance) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 3.2 Significant accounting policies *(continued)*

#### *Financial instruments (continued)*

#### *Financial assets (continued)*

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

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

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

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 3.2 Significant accounting policies *(continued)*

#### *Financial instruments (continued)*

##### *Financial assets (continued)*

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

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

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

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower; or
- (b) a breach of contract, such as a default or past due event; or
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 3.2 Significant accounting policies *(continued)*

#### *Financial instruments (continued)*

#### *Financial assets (continued)*

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

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of accounts receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries made are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 3.2 Significant accounting policies *(continued)*

#### *Financial instruments (continued)*

##### *Financial assets (continued)*

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

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

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve without reducing the carrying amounts of these instruments. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 3.2 Significant accounting policies *(continued)*

#### *Financial instruments (continued)*

##### *Financial assets (continued)*

##### Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

##### Classification as debt or equity

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

##### Equity instruments

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

##### Financial liabilities at amortised cost

Financial liabilities including creditors and accrued charges, amount due to an associate and borrowings are subsequently measured at amortised cost, using the effective interest method.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 3.2 Significant accounting policies *(continued)*

#### *Financial instruments (continued)*

##### Derecognition of financial liabilities *(continued)*

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

#### *Taxation*

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 3.2 Significant accounting policies *(continued)*

#### *Taxation (continued)*

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

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale, except for freehold land, which is always presumed to be recovered entirely through sale. If the presumption is rebutted, deferred tax for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

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

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

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

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 3.2 Significant accounting policies *(continued)*

#### ***Borrowing costs***

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

#### ***Leases***

*Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)*

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

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

#### Allocation of consideration to components of a contract

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

#### Short-term leases

The Group applies the short-term lease recognition exemption to leases including office premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 3.2 Significant accounting policies *(continued)*

#### *Leases (continued)*

##### Right-of-use assets

*The cost of right-of-use asset includes the amount of the initial measurement of the lease liability and any lease payments made at or before the commencement date, less any lease incentives received.*

*Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.*

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

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

##### Refundable rental deposits

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

##### Lease liabilities

*At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.*

*The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable;*

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

*The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.*

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 3.2 Significant accounting policies *(continued)*

#### *Leases (continued)*

##### Lease modifications

The Group accounts for a lease modification as a separate lease if:

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

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

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

##### *The Group as lessee (prior to application of HKFRS 16)*

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy above).

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 3.2 Significant accounting policies *(continued)*

#### *Leases (continued)*

*The Group as a lessor*

#### Classification and measurement of leases

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

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

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

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

*The Group as a lessor (upon application of HKFRS 16 in accordance with transitions in note 2)*

#### Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

#### Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 3.2 Significant accounting policies *(continued)*

#### ***Leases (continued)***

*The Group as a lessor (upon application of HKFRS 16 in accordance with transitions in note 2)  
(continued)*

#### Lease modification

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

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

#### *Sale and leaseback transactions (upon application of HKFRSs since 1 January 2020)*

The Group applies the requirements of HKFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group.

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

#### ***Impairment on property, plant and equipment and right-of-use assets other than goodwill (see the accounting policy in respect of goodwill above)***

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

In testing a cash-generating unit for impairment, if impairment indication exists, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 3.2 Significant accounting policies *(continued)*

#### ***Impairment on property, plant and equipment and right-of-use assets other than goodwill (see the accounting policy in respect of goodwill above) (continued)***

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or a group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

#### ***Employee benefits***

##### Retirement benefits scheme

Payments to defined contribution retirement benefits schemes, state-managed retirement benefit schemes and Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 3.2 Significant accounting policies *(continued)*

#### *Employee benefits (continued)*

##### Short-term employee benefits

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

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

#### *Inventories*

Inventories, which comprise drugs, other medical and general consumable for hospital operations, are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all costs necessary to make the sale.

#### *Properties under development for sale*

Properties under development for sale are stated at lower of cost and net realisable value. Cost comprises both the acquisition cost of land use rights and development cost of the property. Net realisable value takes into account the price ultimately expected to be realised, less the anticipated costs to completion.

Development cost of property comprises construction costs, borrowing costs capitalised according to the Group's accounting policy and directly attributable cost incurred during the development period. On completion, the properties are transferred to properties held for sale.

#### *Properties held for sale*

Properties held for sale are stated at the lower of cost and net realisable value.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 3.2 Significant accounting policies *(continued)*

#### *Foreign currencies*

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

### **Key sources of estimation uncertainty**

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

### ***Fair value of investment properties***

At 31 December 2020, the Group's investment properties are stated at fair value of HK\$783,576,000 (2019: HK\$772,520,000) based on an external valuation performed by the independent qualified professional valuer. In determining the fair value, the valuer has applied investment approach and direct comparison approach which involves, inter alia, certain estimates, including appropriate capitalisation rates, market unit rate and market rents. Note 15 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of the investment properties.

In relying on the valuation, management of the Group has exercised judgment and made estimation and is satisfied that the method of valuation is reflective of the current market conditions.

### ***Fair value of leasehold land and buildings***

At 31 December 2020, the Group's leasehold land and buildings (including leasehold land and buildings in Hong Kong, hospital buildings and other buildings in the PRC) are stated at fair value of HK\$968,993,000 (2019: HK\$941,955,000) based on an external valuation performed by the independent qualified professional valuer. In determining the fair value, the valuer has applied direct comparison approach or depreciated replacement cost approach which involves, inter alia, certain estimates, including appropriate depreciated replacement cost and market unit rate. Note 16 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of the leasehold land and buildings.

In relying on the valuation, management of the Group has exercised judgment and made estimation and is satisfied that the method of valuation is reflective of the current market conditions.

### ***Provision of ECL for loan receivable***

As at 31 December 2020, the Group's loan receivable with carrying amount of HK\$68,846,000 (2019: HK\$91,314,000) is measured at amortised cost. The Group performs impairment assessment under ECL model on the loan receivable. The Group has a policy for assessing the impairment on loan receivable on an individual basis. The assessment includes evaluation of collectability and aged analysis of the loan receivable and on management's judgement on creditworthiness, collateral and past collection history of each borrower. In determining the recoverability of the loan receivable, the Group will consider the change in the credit quality of the loan receivable, if any, from the date the loan was initially granted up to the reporting date. This includes assessing the credit history of the borrower, such as past experience of financial difficulties or default in payments, and current market conditions. The provision of ECL is sensitive to changes in estimates, the management of the Group has exercised judgment and made such estimation and is satisfied that the estimations is reflective of the current market and the loan receivable specific conditions. The information about the ECL and the Group's loan receivable are disclosed in note 44.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 5. REVENUE

	1.1.2020 to 31.12.2020 HK\$'000	1.7.2018 to 31.12.2019 HK\$'000
Hospital fees and charges	<b>1,093,752</b>	1,622,141
Revenue from provision of eldercare related services and sales of nutritions	<b>37,345</b>	54,993
Rental income from eldercare segment	<b>1,335</b>	2,915
Revenue from sale of properties related to eldercare segment	<b>43,712</b>	92,364
Revenue from sale of properties related to property development segment	<b>11,851</b>	7,326
Rental income from property investment segment	<b>6,125</b>	9,266
Interest income from loan receivable	–	50,966
Dividend income from listed investments	<b>28</b>	1,375
	<b>1,194,148</b>	1,841,346

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

### 5. REVENUE (continued)

Disaggregation of revenue from contracts with customers

Segments	From 1 January 2020 to 31 December 2020			Total HK\$'000
	Healthcare HK\$'000	Eldercare HK\$'000	Property development HK\$'000	
<b>Types of goods or services</b>				
<b>Healthcare</b>				
Inpatient health services	433,505	–	–	433,505
Outpatient healthcare services	276,689	–	–	276,689
Other healthcare services	1,418	–	–	1,418
Physical examination services	173,867	–	–	173,867
Sales of pharmaceutical	208,273	–	–	208,273
	<u>1,093,752</u>	<u>–</u>	<u>–</u>	<u>1,093,752</u>
<b>Eldercare</b>				
Eldercare related services	–	36,055	–	36,055
Sales of nutritions	–	1,290	–	1,290
Sales of properties	–	43,712	–	43,712
	<u>–</u>	<u>81,057</u>	<u>–</u>	<u>81,057</u>
<b>Property development</b>				
Sales of properties	–	–	11,851	11,851
	<u>–</u>	<u>–</u>	<u>11,851</u>	<u>11,851</u>
Total	<u>1,093,752</u>	<u>81,057</u>	<u>11,851</u>	<u>1,186,660</u>
<b>Timing of revenue recognition</b>				
A point in time	1,066,099	59,343	11,851	1,137,293
Overtime	27,653	21,714	–	49,367
	<u>1,093,752</u>	<u>81,057</u>	<u>11,851</u>	<u>1,186,660</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 5. REVENUE (continued)

### Disaggregation of revenue from contracts with customers (continued)

Segments	From 1 July 2018 to 31 December 2019			Total HK\$'000
	Healthcare HK\$'000	Eldercare HK\$'000	Property development HK\$'000	
<b>Types of goods or services</b>				
<b>Healthcare</b>				
Inpatient health services	604,586	–	–	604,586
Outpatient healthcare services	414,698	–	–	414,698
Other healthcare services	3,169	–	–	3,169
Physical examination services	166,029	–	–	166,029
Sales of pharmaceutical	433,659	–	–	433,659
	<u>1,622,141</u>	<u>–</u>	<u>–</u>	<u>1,622,141</u>
<b>Eldercare</b>				
Eldercare related services	–	46,028	–	46,028
Sales of nutritions	–	8,965	–	8,965
Sales of properties	–	92,364	–	92,364
	<u>–</u>	<u>147,357</u>	<u>–</u>	<u>147,357</u>
<b>Property development</b>				
Sales of properties	–	–	7,326	7,326
Total	<u>1,622,141</u>	<u>147,357</u>	<u>7,326</u>	<u>1,776,824</u>
<b>Time of revenue recognition</b>				
A point in time	1,581,901	115,341	7,326	1,704,568
Overtime	40,240	32,016	–	72,256
Total	<u>1,622,141</u>	<u>147,357</u>	<u>7,326</u>	<u>1,776,824</u>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

### 5. REVENUE (continued)

#### Disaggregation of revenue from contracts with customers (continued)

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

	From 1 January 2020 to 31 December 2020		
	Healthcare HK\$'000	Eldercare HK\$'000	Property development HK\$'000
Revenue disclosed in segment information	1,093,752	82,392	11,851
Less: Rental income	–	(1,335)	–
Revenue from contracts with customers	<u>1,093,752</u>	<u>81,057</u>	<u>11,851</u>
	From 1 July 2018 to 31 December 2019		
	Healthcare HK\$'000	Eldercare HK\$'000	Property development HK\$'000
Revenue disclosed in segment information	1,622,141	150,272	7,326
Less: Rental income	–	(2,915)	–
Revenue from contracts with customers	<u>1,622,141</u>	<u>147,357</u>	<u>7,326</u>

#### Performance obligations for contracts with customers

##### Revenue from healthcare services

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

##### Revenue from eldercare related services

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 5. REVENUE *(continued)*

### Performance obligations for contracts with customers *(continued)*

#### *Revenue from sales of pharmaceutical and nutritions*

Revenue from sales of pharmaceutical and nutritions is recognised at the point when the control of the goods has transferred on receipt by the customer.

#### *Revenue from sales of properties*

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

### Transaction price allocated to the remaining performance obligation for contracts with customers

The Group’s all contracts with customers in relation to healthcare services, eldercare related services, sales of pharmaceutical and nutritions and property development are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

## 6. SEGMENT INFORMATION

Information regularly reviewed by the chief operating decision maker (“CODM”), represented by the executive directors of the Company, for the purpose of allocating resources to segments and assessing their performance focuses on the types of goods or services delivered or provided. No operating segments identified by the CODM have been aggregated in arriving at the reporting segments of the Group.

The Group is organised into six operating and reportable segments as follows:

Healthcare – operations of hospitals in the PRC.

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

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

Property investment – leasing of residential and office properties.

Financial services – provision of loan financial services.

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

### 6. SEGMENT INFORMATION (continued)

#### Segment revenues and results

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

For the year ended 31 December 2020

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 6. SEGMENT INFORMATION *(continued)*

### Segment revenues and results *(continued)*

For the period from 1 July 2018 to 31 December 2019

	Healthcare HK\$'000	Eldercare HK\$'000	Property development HK\$'000	Property investment HK\$'000	Financial services HK\$'000	Securities trading and investments HK\$'000	Consolidated HK\$'000
Gross proceeds from sale of investments held for trading	-	-	-	-	-	200,744	200,744
Revenue	1,622,141	150,272	7,326	9,266	50,966	1,375	1,841,346
Segment profit (loss)	35,733	(44,322)	(5,031)	15,434	46,669	14,474	62,957
Other gains and losses and other income							12,763
Net foreign exchange loss							(5,712)
Central corporate expenses							(95,634)
Finance costs							(3,185)
Loss before taxation							(28,811)

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

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit earned/losses incurred by each segment without allocation of certain other gains and losses and other income, certain net foreign exchange loss, central corporate expenses and certain finance costs.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

### 6. SEGMENT INFORMATION (continued)

#### Segment assets and liabilities

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

#### At 31 December 2020

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

#### At 31 December 2019

	Healthcare HK\$'000	Eldercare HK\$'000	Property development HK\$'000	Property investment HK\$'000	Financial services HK\$'000	Securities trading and investments HK\$'000	Consolidated HK\$'000
Segment assets	1,327,251	872,452	29,264	260,579	91,314	43,301	2,624,161
Corporate assets							678,848
Consolidated assets							3,303,009
Segment liabilities	705,198	371,436	84,973	1,974	-	-	1,163,581
Corporate liabilities							328,967
Consolidated liabilities							1,492,548

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 6. SEGMENT INFORMATION (continued)

### Segment assets and liabilities (continued)

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

- all assets are allocated to operating and reportable segments other than certain property, plant and equipment, right-of-use assets, prepaid lease payments, interests in associates, deposits and prepayments, pledged and restricted bank deposits and bank balances and cash.
- all liabilities are allocated to operating and reportable segments other than certain creditors and accrued charges, certain borrowings, deferred tax liabilities, taxation payable and amount due to an associate.

### Other segment information

For the year ended 31 December 2020

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

### 6. SEGMENT INFORMATION (continued)

#### Other segment information (continued)

For the period from 1 July 2018 to 31 December 2019

	Healthcare HK\$'000	Eldercare HK\$'000	Property development HK\$'000	Property investment HK\$'000	Financial services HK\$'000	Securities trading and investments HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts (credited) charged included in the measure of segment results or segment assets								
Interest income (include interest income from loan receivable)	-	-	-	-	(50,966)	(1,528)	(7,536)	(60,030)
Finance costs	55,270	19,319	-	-	-	14	3,185	77,788
Depreciation of property, plant and equipment	145,561	9,874	-	46	-	-	2,289	157,770
Addition to deposits for acquisition of property, plant and equipment	7,031	-	-	-	-	-	-	7,031
Additions to property, plant and equipment	136,408	273	-	-	-	-	-	136,681
Addition to investment properties	-	5,353	-	-	-	-	-	5,353
Fair value changes on investment properties	-	(9,025)	-	(9,220)	-	-	-	(18,245)
Gain in fair value change of investments held for trading	-	-	-	-	-	(15,078)	-	(15,078)
Loss in fair value change of derivative financial instruments	-	-	-	-	-	4	-	4
Impairment loss recognised on expected credit loss model	1,101	60	-	-	3,901	-	-	5,062
Net foreign exchange loss	-	-	-	-	34	1,661	9,608	11,303
Release of prepaid lease payments	2,162	-	-	-	-	-	1,973	4,135
Net gain on disposal of property, plant and equipment	-	-	-	-	-	-	(27)	(27)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 6. SEGMENT INFORMATION *(continued)*

### Geographical information

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

None of the customers contributed over 10% of total revenue of the Group.

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

	Revenue from external customers		Non-current assets	
	1.1.2020 to 31.12.2020 HK\$'000	1.7.2018 to 31.12.2019 HK\$'000	At 31.12.2020 HK\$'000	At 31.12.2019 HK\$'000
Hong Kong	5,265	55,279	233,243	240,246
The PRC	1,188,883	1,786,067	2,127,490	1,981,575
	<b>1,194,148</b>	<b>1,841,346</b>	<b>2,360,733</b>	<b>2,221,821</b>

Note: Non-current assets excluded financial instruments.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

### 6. SEGMENT INFORMATION (continued)

#### Revenue from major products and services

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

	1.1.2020 to 31.12.2020 HK\$'000	1.7.2018 to 31.12.2019 HK\$'000
Revenue from medical and consultation services (Note)	<b>989,904</b>	1,473,571
Revenue from health screening services	<b>103,848</b>	148,570
Revenue from elderly care related services	<b>37,345</b>	54,993
Revenue from rendering financial services	–	50,966
Revenue from rental services from property, investment segment	<b>6,125</b>	9,266
Revenue from rental services from eldercare segment	<b>1,335</b>	2,915
Sales of properties related to property development segment	<b>11,851</b>	7,326
Sales of properties related to eldercare segment	<b>43,712</b>	92,364
	<b>1,194,120</b>	1,839,971

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 7. OTHER GAINS AND LOSSES, AND OTHER INCOME

	1.1.2020 to 31.12.2020 HK\$'000	1.7.2018 to 31.12.2019 HK\$'000
(Loss) gain in fair value of investments held for trading	(11,445)	15,078
Loss in fair value of derivative financial instruments	–	(4)
Fair value changes on investment properties	(34,722)	18,245
Net foreign exchange gain (loss)	16,382	(11,303)
Impairment loss under expected credit loss model	(26,206)	(5,062)
Net gain on disposal of property, plant and equipment	15	27
Government subsidies (Note)	1,016	4,468
Interest income from:		
– Debt instruments at fair value through profit or loss	216	1,528
– Bank deposits	3,860	7,536
Early settlement discount of consideration payable	–	1,500
Sale of vision-aid products	2,409	3,810
Clinical training services	2,698	3,087
Subcontracting income from car parking spaces and canteen	481	1,179
Rental income from shopping and other areas of the hospitals	982	820
Forfeiture of customers' deposits	436	997
Other sundry income	4,589	9,163
	<b>(39,289)</b>	<b>51,069</b>

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

## 8. FINANCE COSTS

The finance costs represent interest as follows:

	1.1.2020 to 31.12.2020 HK\$'000	1.7.2018 to 31.12.2019 HK\$'000
Interest on:		
Bank and other borrowings	49,405	76,247
Lease liabilities	321	–
Obligations under finance leases	196	1,541
	<b>49,922</b>	<b>77,788</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

### 9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The directors' and the chief executive's emoluments are analysed as follows:

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

For the period from 1 July 2018 to 31 December 2019

	Directors' fees	Salaries and other benefits	Retirement benefits scheme contributions	Total emoluments
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Executive directors (Note a)</b>				
Ms. Chong Sok Un	–	700	27	727
Mr. Kong Muk Yin	–	2,897	27	2,924
Mr. Guo Meibao (Note f)	–	1,900	144	2,044
Mr. Zhou Haiying (Note g&q)	–	–	–	–
<b>Non-executive directors (Note b)</b>				
Mr. Zhou Liye (Note h&q)	–	–	–	–
Dato' Wong Peng Chong (Note i)	208	527	3	738
Mr. Ma Jianting (Note j)	60	–	–	60
Dr. Luo Guorong (Note k)	63	–	–	63
Mr. Liao Feng (Note l)	116	–	–	116
Dr. Jonathan Weiyang Seah (Note m)	–	–	–	–
<b>Independent non-executive directors (Note c)</b>				
Mr. Zhang Jian	204	–	–	204
Dr. Xia Xiaoning	256	–	–	256
Dr. Wong Wing Kuen, Albert (Note n)	193	–	–	193
Ms. Yang Lai Sum, Lisa (Note o)	161	–	–	161
Mr. Lau Siu Ki (Note p)	96	–	–	96
	<u>1,357</u>	<u>6,024</u>	<u>201</u>	<u>7,582</u>

Notes:

- The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.
- The non-executive directors' emoluments shown above were mainly for their services as directors of the Company or its subsidiaries.
- The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.
- Mr. Zheng Zhen has been appointed as non-executive director on 12 June 2020.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

Notes: *(continued)*

- (e) Mr. Lai Hin Wing Henry Stephen has been appointed as non-executive director on 11 November 2020.
- (f) Mr. Guo Meibao has been appointed as executive director on 22 September 2018.
- (g) Mr. Zhou Haiying has been appointed as executive director on 6 December 2018.
- (h) Mr. Zhou Liye has been appointed as non-executive director and the Chairman of the Company on 6 December 2018.
- (i) Dato' Wong Peng Chong has been re-designated from executive director to non-executive director of the Company on 1 September 2018.
- (j) Mr. Ma Jianting has been appointed as non-executive director on 8 August 2019 and resigned on 12 June 2020.
- (k) Dr. Luo Guorong has been appointed as non-executive director on 8 March 2019 and resigned on 8 August 2019.
- (l) Mr. Liao Feng resigned as non-executive director on 8 March 2019.
- (m) Dr. Jonathan Weiyan Seah resigned as non-executive director and ceased as the Chairman of the Company on 22 September 2018.
- (n) Dr. Wong Wing Kuen, Albert has been appointed as independent non-executive director on 6 December 2018.
- (o) Ms. Yang Lai Sum, Lisa has been appointed as independent non-executive director on 6 December 2018.
- (p) Mr. Lau Siu Ki retired on 6 December 2018.
- (q) Under the service agreements for Mr. Zhou Haiying and Mr. Zhou Liye, they will not receive the director's remuneration.

During the year/period, no remuneration was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived any remuneration during the year/period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 10. FIVE HIGHEST PAID INDIVIDUALS

During the year, the five highest paid individuals included two directors of the Company (during the period ended 31 December 2019: two), details of their emoluments are set out in note 9. The emoluments for the remaining three (during the period ended 31 December 2019: three) highest paid individuals of the Group are as follows:

	1.1.2020 to 31.12.2020 HK\$'000	1.7.2018 to 31.12.2019 HK\$'000
Salaries and other benefits	4,069	7,544
Retirement benefits scheme contributions	194	331
	<b>4,263</b>	<b>7,875</b>

The emoluments are within the following bands:

	1.1.2020 to 31.12.2020 Number of employees	1.7.2018 to 31.12.2019 Number of employees
HK\$1,000,001 to HK\$1,500,000	1	–
HK\$1,500,001 to HK\$2,000,000	2	1
HK\$2,000,001 to HK\$2,500,000	–	1
HK\$3,000,001 to HK\$4,000,000	–	1

## 11. TAXATION (EXPENSE) CREDIT

	1.1.2020 to 31.12.2020 HK\$'000	1.7.2018 to 31.12.2019 HK\$'000
Current tax credit (expense):		
– Enterprise Income Tax (“EIT”) in the PRC	(7,491)	(11,473)
– Land appreciation tax (“LAT”) in the PRC	(5,609)	(17,608)
– Deferred tax credit (note 35)	4,523	5,167
Overprovision in prior years	–	62,525
	<b>(8,577)</b>	<b>38,611</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 11. TAXATION (EXPENSE) CREDIT *(continued)*

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%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both year/period.

No tax is payable as the assessable profits arising in Hong Kong for each of the year/period ended 31 December 2020 and 31 December 2019 are wholly absorbed by tax losses brought forward.

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 year/period.

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

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

	<b>1.1.2020</b> <b>to</b> <b>31.12.2020</b> <b>HK\$'000</b>	1.7.2018 to 31.12.2019 HK\$'000
Loss before taxation	<u>(96,562)</u>	<u>(28,811)</u>
Taxation at the domestic income tax rate of 16.5%	<b>15,933</b>	4,754
Tax effect of expenses that are not deductible	<b>(21,715)</b>	(10,924)
Tax effect of income that is not taxable	<b>6,781</b>	8,002
Tax effect of utilisation of tax losses previously not recognised	<b>10,586</b>	4,442
Tax effect of tax losses not recognised	<b>(18,925)</b>	(22,307)
LAT	<b>(5,609)</b>	(17,608)
Income tax effect of LAT	<b>1,402</b>	4,402
Overprovision in prior years	–	62,525
Effect of different tax rates of subsidiaries operating in other jurisdictions	<u><b>2,970</b></u>	<u>5,325</u>
Tax (expense) credit for the year/period	<u><b>(8,577)</b></u>	<u>38,611</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 12. (LOSS) PROFIT FOR THE YEAR/PERIOD

	1.1.2020 to 31.12.2020 HK\$'000	1.7.2018 to 31.12.2019 HK\$'000
(Loss) profit for the year/period has been arrived at after charging (crediting):		
Auditor's remuneration	2,946	3,307
Depreciation of property, plant and equipment	108,455	157,770
Depreciation of right-of-use assets	7,976	–
Release of prepaid lease payments	–	4,135
Staff costs, inclusive of directors' emoluments	350,364	546,036
Gross rental income from properties	(7,460)	(12,181)
Less: Direct operating expenses that generated rental income	523	1,116
Direct operating expenses that did not generate rental income	16	17
Net rental income	(6,921)	(11,048)
Cost of inventories and properties held for sale recognised as an expense (included in cost of goods and services)	478,202	732,675

## 13. DIVIDENDS

No final dividend was proposed during the year ended 31 December 2020 (for the period from 1 July 2018 to 31 December 2019: nil), nor has any dividend been proposed since the end of the reporting period.

## 14. (LOSS) EARNINGS PER SHARE

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

### (Loss) profit

	1.1.2020 to 31.12.2020 HK\$'000	1.7.2018 to 31.12.2019 HK\$'000
(Loss) profit for the purpose of basic and diluted (loss) earnings per share for the year/period attributable to owners of the Company	(111,928)	2,176

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

### 14. (LOSS) EARNINGS PER SHARE (continued)

	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic and diluted (loss) earnings per share	<b>14,480,072,773</b>	14,480,072,773

The computations of diluted earnings per share for the period from 1 July 2018 to 31 December 2019 did not assume the exercise of share options granted by a subsidiary since the relevant subsidiary was loss making for the period and such assumed exercise would be anti-dilutive.

No diluted loss per share for the year ended 31 December 2020 have been presented as there are no potential ordinary shares in issue during the year.

### 15. INVESTMENT PROPERTIES

	Completed investment properties HK\$'000	Investment properties under construction HK\$'000	Total HK\$'000
<b>FAIR VALUE</b>			
At 1 July 2018	500,923	274,753	775,676
Additions	–	5,353	5,353
Net increase (decrease) in fair value recognised in profit or loss	18,371	(126)	18,245
Exchange difference	(12,774)	(13,980)	(26,754)
At 31 December 2019	506,520	266,000	772,520
Additions	–	12,382	12,382
Transfer	123,096	(123,096)	–
Decrease in fair value recognised in profit or loss	(12,526)	(22,196)	(34,722)
Exchange difference	27,034	6,362	33,396
<b>At 31 December 2020</b>	<b>644,124</b>	<b>139,452</b>	<b>783,576</b>
		<b>2020</b>	2019
		<b>HK\$'000</b>	HK\$'000

Net unrealised (loss) profit on property valuation included in profit or loss (included in other gains and losses)	<b>(34,722)</b>	18,245
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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 15. INVESTMENT PROPERTIES *(continued)*

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

The fair values of the Group's investment properties at 31 December 2020 and 31 December 2019 were arrived at on the basis of valuations carried out on that date by Norton Appraisals Holdings Limited ("Norton Appraisals"), independent qualified professional valuer not connected with the Group.

The fair value was arrived at using: (i) investment approach where the market rentals are assessed by considering the income derived from existing tenancies with due provision for any reversionary income potential of the properties and discounted at the market yield; (ii) direct comparison approach for completed properties assuming sale of each of these properties in existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market and adjusted for differences in the nature and location; or (iii) Direct comparison approach for properties under construction assuming sale of each of these properties in existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market and also taken into account of the understanding construction cost for the portion which is under construction as at the date of valuation.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

At the end of the reporting period, management of the Group works closely with the independent qualified professional valuer to establish and determine the appropriate valuation techniques and inputs. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to management of the Group.

There were no transfers into or out of Level 3 during both the year/period.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 15. INVESTMENT PROPERTIES (continued)

Information about fair value measurements using significant unobservable inputs

The following table shows the valuation techniques used in the determination of fair values for investment properties and key unobservable inputs used in the valuation models.

	Fair value HK\$'000	Fair value hierarchy	Valuation techniques	Unobservable inputs	Range of significant inputs	Relationship of inputs to fair value
<b>As at 31 December 2020</b>						
Industrial property units located in Hong Kong	<b>196,200</b>	Level 3	Investment approach	(i) Capitalisation rate	3.15%	The higher the capitalisation rate, the lower the fair value.
				(ii) Monthly market rent per square feet	HK\$14 – HK\$17 per square feet	The higher the market rent, the higher the fair value.
Land in Hong Kong	<b>13,500</b>	Level 3	Direct comparison approach for completed properties	Market unit rate	HK\$255 per square feet	A significant increase in the market unit rate would result in a significant increase in fair value, and vice versa.
Commercial property units located in the PRC	<b>38,260</b>	Level 3	Investment approach	(i) Capitalisation rate	6.5%	The higher the capitalisation rate, the lower the fair value.
				(ii) Monthly market rent per square meter	RMB145 per square meter	The higher the market rent, the higher the fair value.
Residential property units located in the PRC	<b>5,221</b>	Level 3	Direct comparison approach for completed properties	Market unit rate	RMB4,300 – RMB7,000 per square meter	A significant increase in the market unit rate would result in a significant increase in fair value, and vice versa.
Commercial and residential property units located in the PRC	<b>390,943</b>	Level 3	Investment approach	(i) Capitalisation rate	2.5% – 4.5%	The higher the capitalisation rate, the lower the fair value.
				(ii) Monthly market rent per square meter	RMB17 to RMB33 per square meter	The higher the market rent, the higher the fair value.
Commercial and residential properties under construction located in the PRC	<b>139,452</b>	Level 3	Direct comparison approach for property under construction	Market unit rate	RMB13,437 per square meter	A significant increase in the market unit rate would result in a significant increase in fair value, and vice versa.
	<b>783,576</b>					



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 15. INVESTMENT PROPERTIES (continued)

	Fair value HK\$'000	Fair value hierarchy	Valuation techniques	Unobservable inputs	Range of significant inputs	Relationship of inputs to fair value
As at 31 December 2019						
Industrial property units located in Hong Kong	205,400	Level 3	Investment approach	(i) Capitalisation rate	3.25%	The higher the capitalisation rate, the lower the fair value.
				(ii) Monthly market rent per square feet	HK\$14 – HK\$17 per square feet	The higher the market rent, the higher the fair value.
Land in Hong Kong	12,500	Level 3	Direct comparison approach for completed properties	Market unit rate	HK\$230 per square feet	A significant increase in the market unit rate would result in a significant increase in fair value, and vice versa.
Commercial property units located in the PRC	37,400	Level 3	Investment approach	(i) Capitalisation rate	6.5%	The higher the capitalisation rate, the lower the fair value.
				(ii) Monthly market rent per square meter	RMB150 per square meter	The higher the market rent, the higher the fair value.
Residential property units located in the PRC	5,220	Level 3	Direct comparison approach for completed properties	Market unit rate	RMB4,500 – RMB7,500 per square meter	A significant increase in the market unit rate would result in a significant increase in fair value, and vice versa.
Commercial and residential property units located in the PRC	246,000	Level 3	Investment approach	(i) Capitalisation rate	3% – 4.5%	The higher the capitalisation rate, the lower the fair value.
				(ii) Monthly market rent per square meter	RMB18 to RMB35 per square meter	The higher the market rent, the higher the fair value.
Commercial and residential properties under construction located in the PRC	266,000	Level 3	Direct comparison approach for properties under construction	Market unit rate	RMB14,453 per square meter	A significant increase in the market unit rate would result in a significant increase in fair value, and vice versa.
	<u>772,520</u>					

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings in Hong Kong HK\$'000	Leasehold improvement HK\$'000	Hospital buildings in the PRC HK\$'000	Other buildings in the PRC HK\$'000	Construction in progress HK\$'000	Computer, medical and electronic equipment HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>COST OR VALUATION</b>										
At 1 July 2018	20,667	448	716,873	106,748	369,905	265,587	25,764	16,807	2,976	1,525,775
Additions	-	-	11,388	-	76,075	44,369	474	4,096	279	136,681
Transfer	-	-	93,940	104,206	(198,146)	-	-	-	-	-
Disposals	-	-	-	-	-	(11,901)	(4)	(1,899)	(607)	(14,411)
Revaluation increase (decrease)	1,093	-	(95,456)	22,243	-	-	-	-	-	(72,120)
Exchange differences	-	-	(36,415)	(3,332)	(12,749)	(14,278)	(519)	(910)	(57)	(68,260)
<b>At 31 December 2019</b>	<b>21,760</b>	<b>448</b>	<b>690,330</b>	<b>229,865</b>	<b>235,085</b>	<b>283,777</b>	<b>25,715</b>	<b>18,094</b>	<b>2,591</b>	<b>1,507,665</b>
Adjustments upon application of HKFRS 16 (note 2)	-	-	-	-	-	(45,933)	-	-	-	(45,933)
<b>At 1 January 2020 (restated)</b>	<b>21,760</b>	<b>448</b>	<b>690,330</b>	<b>229,865</b>	<b>235,085</b>	<b>237,844</b>	<b>25,715</b>	<b>18,094</b>	<b>2,591</b>	<b>1,461,732</b>
Additions	-	-	-	-	42,007	56,634	634	4,369	87	103,731
Transfer	-	-	9,202	-	(9,202)	-	-	-	-	-
Transfer from right-of-use assets (Note)	-	-	-	-	-	46,279	-	-	-	46,279
Disposals	-	-	-	-	-	(13,788)	(27)	(1,383)	(234)	(15,432)
Revaluation decrease	(850)	-	(33,268)	(7,785)	-	-	-	-	-	(41,903)
Exchange differences	-	-	44,806	14,933	17,250	30,290	896	1,413	84	109,672
<b>At 31 December 2020</b>	<b>20,910</b>	<b>448</b>	<b>711,070</b>	<b>237,013</b>	<b>285,140</b>	<b>357,259</b>	<b>27,218</b>	<b>22,493</b>	<b>2,528</b>	<b>1,664,079</b>
Comprising:										
At cost – 2020	-	448	-	-	285,140	357,259	27,218	22,493	2,528	695,086
At valuation – 2020	20,910	-	711,070	237,013	-	-	-	-	-	968,993
	<b>20,910</b>	<b>448</b>	<b>711,070</b>	<b>237,013</b>	<b>285,140</b>	<b>357,259</b>	<b>27,218</b>	<b>22,493</b>	<b>2,528</b>	<b>1,664,079</b>
Comprising:										
At cost – 2019	-	448	-	-	235,085	283,777	25,715	18,094	2,591	565,710
At valuation – 2019	21,760	-	690,330	229,865	-	-	-	-	-	941,955
	<b>21,760</b>	<b>448</b>	<b>690,330</b>	<b>229,865</b>	<b>235,085</b>	<b>283,777</b>	<b>25,715</b>	<b>18,094</b>	<b>2,591</b>	<b>1,507,665</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 16. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold land and buildings in Hong Kong HK\$'000	Leasehold improvement HK\$'000	Hospital buildings in the PRC HK\$'000	Other buildings in the PRC HK\$'000	Construction in progress HK\$'000	Computer, medical and electronic equipment HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>DEPRECIATION</b>										
At 1 July 2018	-	448	-	-	-	137,675	14,318	5,984	1,816	160,241
Provided for the period	912	-	96,241	11,509	-	42,645	2,314	3,528	621	157,770
Eliminated on revaluation	(912)	-	(96,241)	(11,509)	-	-	-	-	-	(108,662)
Eliminated on disposal	-	-	-	-	-	(8,317)	(1,190)	(1,226)	(547)	(11,280)
Exchange difference	-	-	-	-	-	(7,569)	(423)	(336)	(107)	(8,435)
<b>At 31 December 2019</b>	<b>-</b>	<b>448</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>164,434</b>	<b>15,019</b>	<b>7,950</b>	<b>1,783</b>	<b>189,634</b>
Adjustments upon application of HKFRS 16 (note 2)	-	-	-	-	-	(22,212)	-	-	-	(22,212)
<b>At 1 January 2020 (restated)</b>	<b>-</b>	<b>448</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>142,222</b>	<b>15,019</b>	<b>7,950</b>	<b>1,783</b>	<b>167,422</b>
Provided for the year	675	-	67,544	6,252	-	28,029	1,407	4,208	340	108,455
Transfer from right-of-use assets (Note)	-	-	-	-	-	24,866	-	-	-	24,866
Eliminated on revaluation	(675)	-	(67,544)	(6,252)	-	-	-	-	-	(74,471)
Eliminated on disposal	-	-	-	-	-	(11,941)	(27)	(1,270)	(224)	(13,462)
Exchange difference	-	-	-	-	-	16,310	783	483	629	18,205
<b>At 31 December 2020</b>	<b>-</b>	<b>448</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>199,486</b>	<b>17,182</b>	<b>11,371</b>	<b>2,528</b>	<b>231,015</b>
<b>CARRYING VALUES</b>										
<b>At 31 December 2020</b>	<b>20,910</b>	<b>-</b>	<b>711,070</b>	<b>237,013</b>	<b>285,140</b>	<b>157,773</b>	<b>10,036</b>	<b>11,122</b>	<b>-</b>	<b>1,433,064</b>
At 31 December 2019	21,760	-	690,330	229,865	235,085	119,343	10,696	10,144	808	1,318,031

Note: Upon expiry of finance lease, the relevant assets recognised as right-of-use assets in accordance with HKFRS 16 were transferred back to property, plant and equipment.

The above items of property, plant and equipment other than construction in progress are depreciated on a straight-line basis at the following rates per annum:

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 16. PROPERTY, PLANT AND EQUIPMENT (continued)

The construction in progress represents hospital buildings and elderly nursing home under construction which are situated in the PRC.

A revaluation surplus on leasehold land and buildings of HK\$32,568,000 (2019: HK\$36,542,000) has been credited to the properties revaluation reserve.

If the leasehold land and buildings in Hong Kong and in the PRC had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation of HK\$496,000 (2019: HK\$520,000) and HK\$611,159,000 (2019: HK\$655,731,000) respectively at 31 December 2020.

Details of pledged property, plant and equipment are set out in note 39.

Leasehold land and buildings in Hong Kong and hospital buildings and other buildings in the PRC were valued on 31 December 2020 and 31 December 2019 by Norton Appraisals. The fair value was arrived using comparison approach as described in note 15 and where appropriate, depreciated replacement cost approach by reference to the construction costs required to rebuild the buildings and deducting for physical deterioration and all relevant forms of obsolescence and optimisations.

In estimating the fair value of the buildings, the highest and best use of the buildings is their current use.

There were no transfers into or out of Level 3 during both the year/period.

### Fair value measurements using significant unobservable inputs

The following table shows the valuation techniques used in the determination of fair values for buildings and unobservable inputs used in the valuation models.

	Fair value HK\$'000	Fair value hierarchy	Valuation techniques	Unobservable inputs	Range of significant inputs	Relationship of inputs to fair value
<b>As at 31 December 2020</b>						
Industrial property units located in Hong Kong	20,910	Level 3	Direct comparison approach for completed properties	Market unit rate	HK\$2,300 – HK\$4,571 per square feet	A significant increase in the market unit rate would result in a significant increase in fair value, and vice versa.
Hospital buildings located in the PRC	711,070	Level 3	Depreciated replacement cost approach	Depreciated replacement cost per square meter	RMB7,185 – RMB9,147 per square meter (Note)	The higher the depreciated replacement cost per square meter, the higher the fair value
Other buildings located in the PRC	237,013	Level 3	Depreciated replacement cost approach	Depreciated replacement cost per square meter	RMB4,154 – RMB12,344 per square meter (Note)	The higher the depreciated replacement cost per square meter, the higher the fair value
	<b>968,993</b>					

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 16. PROPERTY, PLANT AND EQUIPMENT (continued)

### Fair value measurements using significant unobservable inputs (continued)

	Fair value HK\$'000	Fair value hierarchy	Valuation techniques	Unobservable inputs	Range of significant inputs	Relationship of inputs to fair value
As at 31 December 2019						
Industrial property units located in Hong Kong	21,760	Level 3	Direct comparison approach for completed properties	Market unit rate	HK\$2,400 – HK\$4,800 per square feet	A significant increase in the market unit rate would result in a significant increase in fair value, and vice versa.
Hospital buildings located in the PRC	690,330	Level 3	Depreciated replacement cost approach	Depreciated replacement cost per square meter	RMB7,185 – RMB9,147 per square meter (Note)	The higher the depreciated replacement cost per square meter, the higher the fair value
Other buildings located in the PRC	229,865	Level 3	Depreciated replacement cost approach	Depreciated replacement cost per square meter	RMB4,699 – RMB12,500 per square meter (Note)	The higher the depreciated replacement cost per square meter, the higher the fair value
	<u>941,955</u>					

Note: Depreciated replacement cost per square meter is determined by reference to market comparables of construction works, taking into account of use, location and other individual factors such as total floor level and type of structure.

### Sale and leaseback transactions – seller-lessee

To better manage the Group's capital structure and financing needs, the Group enters into sale and leaseback arrangements in relation to medical equipment leases. These legal transfers do not satisfy the requirements of HKFRS 15 to be accounted for as a sale of the machinery. During the year ended 31 December 2020, the Group has raised HK\$112,500,000 (2019: nil) borrowings in respect of such sale and leaseback arrangements.

Details of the lease maturity analysis of borrowings are set out in note 33.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

### 17. RIGHT-OF-USE ASSETS

	Computer, medical and electronic equipment HK\$'000	Leasehold land HK\$'000	Leased Property HK\$'000	Total HK\$'000
As at 1 January 2020				
Carrying amount	23,721	96,164	5,216	125,101
As at 31 December 2020				
Carrying amount	–	99,671	2,495	102,166
For the year ended 31 December 2020				
Depreciation charge	2,487	2,768	2,721	7,976
Transfer to property, plant and equipment upon expiry of finance lease	21,413	–	–	21,413
				<b>2020</b>
				<b>HK\$'000</b>
Expense relating to short-term leases with lease terms and within 12 months of the date of initial application of HKFRS 16				17,303
Total cash outflow for leases				8,966

For the current year, the Group leases an office for its operations. Lease contracts are entered into for fixed term of 3 years, but may have extension and termination options as described below. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

#### Restrictions or covenants on leases

In addition, lease liabilities of HK\$5,216,000 are recognised with related right-of-use assets of HK\$2,495,000 as at 31 December 2020. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 18. PREPAID LEASE PAYMENTS

2019  
HK\$'000

The Group's prepaid lease payments being analysed for reporting purpose as:

Non-current assets	93,418
Current assets	2,746
	96,164

The prepaid lease payments were amortised over the terms of the lease from 40 to 45 years.

## 19. INTERESTS IN ASSOCIATES

2020  
HK\$'000

2019  
HK\$'000

Cost of investments in associates Unlisted	199,197	199,197
Share of post-acquisition losses and other comprehensive income, net of dividends received	(126,180)	(126,180)
Less: Impairment loss	(73,017)	(73,017)
	-	-

As at 31 December 2020 and 31 December 2019, the Group had interests in the following associates:

Name of entity	Form of business structure	Country/ place of incorporation/ registration	Principal place of operation	Class of share held	Number of shares/paid-up capital held by the Group as at 31 December 2020	Proportion of nominal value of issued capital held by the Group		Proportion of voting power held		Principal activities
						2020 %	2019 %	2020 %	2019 %	
Essence International Holdings Limited	Incorporated	Hong Kong	Hong Kong/ PRC	Ordinary	4,500,000 (2019: 4,500,000)	30	30	30	30	Ceased business
Printronic Electronics Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	2 (2019: 2)	40	40	40	40	Inactive
Jiaozuo Tongren Medical Industry Company Limited (焦作同仁醫療實業有限公司)	Incorporated	PRC	PRC	Registered	RMB13,000,000 (2019: RMB13,000,000)	21.67	21.67	21.67	21.67	Operation of a hospital in Jiaozuo



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

### 19. INTERESTS IN ASSOCIATES *(continued)*

#### Aggregate information of associates that are not individually material

	1.1.2020 to 31.12.2020 HK\$'000	1.7.2018 to 31.12.2019 HK\$'000
The Group's share of loss and total comprehensive expense	—	—
	<b>31.12.2020</b> <b>HK\$'000</b>	31.12.2019 HK\$'000

Aggregate carrying amount of the Group's interest in these associates

—	—
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#### Unrecognised share of losses of associates

	1.1.2020 to 31.12.2020 HK\$'000	1.7.2018 to 31.12.2019 HK\$'000
The unrecognised share of loss of the associates for the year/period	<b>2,417</b>	<b>2,931</b>
	<b>31.12.2020</b> <b>HK\$'000</b>	31.12.2019 HK\$'000

Cumulative share of loss of the associates

<b>38,773</b>	<b>36,356</b>
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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK\$'000	2019 HK\$'000
Financial assets designated at FVTPL:		
Club debentures	802	802
Investments in unlisted unit trusts, with fixed distribution per share	—	98
	<u>802</u>	<u>900</u>
Analysed for reporting purposes as:		
Current assets	—	98
Non-current assets	802	802
	<u>802</u>	<u>900</u>

## 21. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 HK\$'000	2019 HK\$'000
United State bonds with fixed interest of 4.65% and maturity date on September 2022	<u>4,602</u>	<u>4,634</u>

Details of impairment assessment are set out in note 44.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

### 22. GOODWILL

	COST HK\$'000
At 1 July 2018	33,207
Exchange adjustments	<u>(2,386)</u>
At 31 December 2019	30,821
Exchange adjustments	<u>2,110</u>
At 31 December 2020	<u><u>32,931</u></u>

Goodwill of HK\$32,931,000 (2019: HK\$30,821,000) as at 31 December 2020 has been allocated to the Group's business of the provision of elderly care and health services on the retirement community. The recoverable amount has been determined based on value in use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period and a pre-tax discount rate of 12% (2019: 7%). Cashflows for further five years are extrapolated at 2.7% (2019: 3%) which is based on consumer price index. Another key assumption for the value in use calculation is the budgeted revenue and gross margin, which is determined based on management's expectation for the market development.

### 23. INVENTORIES

	2020 HK\$'000	2019 HK\$'000
Medical consumables	6,225	6,393
Medicines	<u>14,917</u>	<u>14,745</u>
	<u><u>21,142</u></u>	<u><u>21,138</u></u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 24. PROPERTIES UNDER DEVELOPMENT FOR SALE AND PROPERTIES HELD FOR SALE

### Properties under development for sale

	2020 HK\$'000	2019 HK\$'000
<b>COST</b>		
At the beginning of the year/period	5,927	6,243
Exchange adjustments	397	(316)
At the end of the year/period	<u>6,324</u>	<u>5,927</u>
Properties under development for sales of which:		
– expected to be realised over 12 months	<u>6,324</u>	<u>5,927</u>
	<u>6,324</u>	<u>5,927</u>

The properties under development for sale of the Group are situated in the PRC.

### Properties held for sale

The Group's properties held for sale are situated in the PRC. All the properties held for sale are stated at cost. In the opinion of the directors of the Company, properties held for sales will be realised within twelve months.

## 25. INVESTMENTS HELD FOR TRADING

Investments held for trading include:

	2020 HK\$'000	2019 HK\$'000
Listed securities:		
– Equity securities listed in Australia	1,592	2,215
– Equity securities listed in Hong Kong	18,682	30,058
– Equity securities listed elsewhere (Note)	1,485	4,178
	<u>21,759</u>	<u>36,451</u>

Note: The equity securities listed elsewhere are denominated in Philippine Peso ("PHP") of HK\$1,485,000 (2019: PHP of HK\$1,322,000 and Japanese Yen ("JPY") of HK\$2,856,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

### 26. DEBTORS, DEPOSITS AND PREPAYMENTS

	2020 HK\$'000	2019 HK\$'000
Trade receivables		
Debtors from securities trading	943	877
Debtors from leasing of property	648	–
Trade receivables arising from hospital operation and eldercare related services operation	<u>136,301</u>	<u>94,744</u>
	<b>137,892</b>	95,621
Less: Allowance for credit losses	<u>(10,368)</u>	<u>(6,630)</u>
	<b>127,524</b>	88,991
Deposits with and receivables from the financial institutions	491	439
Prepayments, other debtors and deposits	<u>21,044</u>	<u>7,376</u>
	<b><u>149,059</u></b>	<b><u>96,806</u></b>

As at 1 July 2018, trade receivables from contracts with customers amounted to HK\$132,756,000.

As at 31 December 2020 and 31 December 2019, trade receivables from contracts with customers amounted to HK\$136,301,000 and HK\$94,744,000 respectively.

The settlement terms of debtors from securities trading are 2-3 days after trade date and they are aged within 2-3 days as at 31 December 2020 and 31 December 2019.

The settlement term of debtors from leasing of property are before the 10th of each month and they are aged within 91-365 days.

The customers of hospital operation and eldercare related services operation are either settled by cash, credit card or governments' social insurance schemes. For credit card payment, the banks will pay the Group usually 7 days after the trade date. Payments by governments' social insurance schemes will normally be settled by the local social insurance bureau or similar government departments which are responsible for the reimbursement of medical expenses for patients who are covered by the government medical insurance schemes 90 days from the invoice date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 26. DEBTORS, DEPOSITS AND PREPAYMENTS (continued)

The following is an aged analysis of trade receivables from hospital operation and eldercare related services operation presented based on the invoice date (approximate the date of revenue recognition) as at 31 December 2020 and 31 December 2019:

	2020 HK\$'000	2019 HK\$'000
0 – 30 days	99,790	69,222
31 – 60 days	31,561	15,263
61 – 90 days	1,555	5,589
91 – 365 days	2,551	2,704
More than 365 days	844	1,966
	<b>136,301</b>	<b>94,744</b>

As at 31 December 2020, included in the Group's trade receivables balance are receivables with aggregate carrying amount of HK\$4,950,000 (2019: HK\$10,259,000) which are past due as at the reporting date. Out of the past due balances, HK\$3,395,000 (2019: HK\$4,670,000) has been past due 90 days or more and is not considered as in default because the receivables were related to a number of independent customers that have good repayment records with the Group.

Details of impairment assessment of debtors are set out in note 44.

## 27. LOAN RECEIVABLE

	2020 HK\$'000	2019 HK\$'000
Fixed-rate loan	95,215	95,215
Less: Allowance for credit losses	(26,369)	(3,901)
	<b>68,846</b>	<b>91,314</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

### 27. LOAN RECEIVABLE *(continued)*

Pursuant to the loan agreement dated 10 September 2018 entered by a subsidiary of the Company (the "Subsidiary") as lender and the borrower, the shares of which are listed on the Stock Exchange (the "Borrower"), a loan with principal amount of HK\$95,215,000 as at 31 December 2020 and 31 December 2019 ("Loan") is secured by: (i) a debenture created by the chargor, a wholly owned subsidiary of the Borrower (the "Chargor") in favour of the Subsidiary by way of a first fixed and floating charge over all the undertaking, property and assets of the Chargor; (ii) a share mortgage in favour of the Subsidiary by way of a first fixed mortgage of the 75% of the entire issued share capital of the Chargor; (iii) an additional deed of assignment of shareholder's loan held by the Borrower; and (iv) a deed of assignment of shareholder's loan owed by Chargor and held by the Borrower.

As at 31 December 2020, based on the assessment of the directors of the Company, the loan receivable is expected to be settled after 1.5 years and therefore classified as non-current asset.

Details of impairment assessment are set out in note 44.

### 28. PLEDGED BANK DEPOSITS, RESTRICTED BANK DEPOSITS AND BANK BALANCES AND CASH

#### Pledged bank deposits

Pledged bank deposits amounting to HK\$12,670,000 (2019: HK\$9,119,000) are used to secure the short-term general banking facilities granted to the Group. Accordingly, the pledged bank deposits are classified as current assets. During the year, the pledged bank deposits carried interest at 1.5% (for the period from 1 July 2018 to 31 December 2019: 0.3% to 4.5%) per annum.

#### Restricted bank deposits

As at 31 December 2020, in accordance with the applicable government regulations, HK\$20,469,000 (2019: HK\$5,607,000) were placed in bank deposits which could only be used in the designated property development projects. During the year, the deposits carried interest at average market rates of 0.35% (for the period from 1 July 2018 to 31 December 2019: 0.35%) per annum.

#### Bank balances and cash

Bank balances and cash comprise cash and bank balances held by the Group with original maturity of three months or less. During the year, they carried interest at a range from 0.001% to 0.15% (for the period from 1 July 2018 to 31 December 2019: 0.001% to 1.5%) per annum.

Details of impairment assessment are set out in note 44.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 29. CREDITORS, DEPOSITS, RECEIPTS IN ADVANCE AND ACCRUED CHARGES

	2020 HK\$'000	2019 HK\$'000
Trade payables of hospital operation, of eldercare related services operation and to construction contractors	148,635	194,441
Accrued compensation for late delivery of properties held for sale	6,178	5,790
Accrued construction cost for properties under development for sale	33,698	31,584
Construction cost payable for hospital buildings classified as property, plant and equipment	6,183	1,508
Deposits and receipts in advance	116,208	69,660
Other payables and accrued charges	113,939	160,850
	<b>424,841</b>	<b>463,833</b>
Less: Amount due after one year shown under non-current liabilities	–	(30,818)
	<b>424,841</b>	<b>433,015</b>

Trade payables of hospital operation and eldercare related services operation principally comprise amounts outstanding for trade purchases. Trade payables to construction contractors comprise construction costs for property development and other projects. The normal credit period taken for these trade payables is 30 – 90 days.

Deposits and receipts in advance mainly represent refundable deposits from eldercare related services.

The following is an aged analysis of trade payables of hospital operations, of eldercare related services operation and to construction contractors presented based on the invoice date as at 31 December 2020 and 31 December 2019:

	2020 HK\$'000	2019 HK\$'000
0 – 30 days	53,026	105,076
31 – 60 days	44,587	38,713
61 – 90 days	18,494	12,881
91 – 365 days	23,643	28,081
Over 1 year but not exceeding 2 years	3,489	4,839
Over 2 years but not exceeding 5 years	5,396	4,851
	<b>148,635</b>	<b>194,441</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

### 30. LEASE LIABILITIES

	2020 HK\$'000
<b>Lease liabilities payable as at 31 December:</b>	
Within 1 year	<b>2,534</b>

The Group's weighted average incremental borrowing rate for lease liabilities as at 31 December 2020 is 3%.

### 31. OTHER CONTRACT LIABILITIES

	2020 HK\$'000	2019 HK\$'000
Healthcare and eldercare services	<b>53,084</b>	55,812
Current	<b>34,602</b>	50,374
Non-current	<b>18,482</b>	5,438
	<b>53,084</b>	55,812

At 1 July 2018, contract liabilities amounted to HK\$37,114,000.

Out of HK\$55,812,000 as at 1 January 2020, HK\$50,374,000 has been recognised as revenue in the current year.

Typical payment term which impacts on the amount of contract liabilities recognised is as follows:

– Healthcare and eldercare services

When the Group receives the advance payment before the healthcare and eldercare service commences, this will give rise to contract liabilities at the start of the relevant services, until the revenue recognised and the services rendered. The Group typically receives the advance payment based on the estimated fee quote on admission of customers.

### 32. AMOUNT DUE TO AN ASSOCIATE

The amount is unsecured, interest-free and repayable on demand.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 33. BORROWINGS

The following table provides an analysis of the bank and other borrowings:

	2020 HK\$'000	2019 HK\$'000
Unsecured term loans (Note a)	214,542	177,598
Secured bank borrowings (Note b)	204,828	191,972
Unsecured bank borrowings (Note b)	445,592	423,793
Secured other borrowings (Note c)	106,417	–
	<b>971,379</b>	<b>793,363</b>

Carrying amount repayable based on scheduled repayment dates set out in the loan agreements:

	2020 HK\$'000	2019 HK\$'000
On demand or within one year	538,845	444,068
Over one year but not exceeding two years	261,207	320,641
Over two years but not exceeding five years	171,327	28,654
	<b>971,379</b>	<b>793,363</b>
Less: Amount due within one year shown under current liabilities	<b>(538,845)</b>	<b>(444,068)</b>
Amount shown under non-current liabilities	<b>432,534</b>	<b>349,295</b>

Notes:

(a) Unsecured term loans

As at 31 December 2020, included in unsecured term loans is an amount of HK\$214,542,000 (equivalent to RMB180,000,000) (2019: HK\$177,598,000 (equivalent to RMB159,000,000)) which is denominated in RMB, which is the foreign currency of respective entities of the Group. The unsecured term loans bear fixed interest ranged from 5.65% to 8% per annum.

(b) Bank borrowings

Bank borrowings are denominated in RMB, which is the functional currency of respective entities of the Group. As at 31 December 2020, bank borrowings of HK\$373,899,000 (2019: HK\$240,199,000) bear variable interest from 4.79% to 5.94% (2019: 4.79% to 5.27%) per annum. The interest rates (which are also equal to contracted interest rates) of the remaining fixed rate bank borrowings are ranged from 4.35% to 5.27% (2019: 3.92% to 5.89%) per annum.

The secured borrowings are secured by the Group's assets as disclosed in note 39.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

### 33. BORROWINGS (continued)

Notes: (continued)

(c) Secured other borrowings

Secured borrowings are denominated in RMB, which is functional currency of respective entities of the Group. As at 31 December 2020, secured borrowings of HK\$106,417,000 bear fixed interest from 10.40% to 11.36% per annum.

The secured borrowings are secured by the Group's assets as disclosed in notes 16 and 39.

### 34. OBLIGATIONS UNDER FINANCE LEASES

	2019 HK\$'000	
Analysed for reporting purpose as current liabilities		5,405
	<b>Minimum lease payments</b>	<b>Present value of minimum lease payments</b>
	<b>31.12.2019</b>	<b>31.12.2019</b>
	HK\$'000	HK\$'000
Amount payable under finance leases within one year	5,560	5,405
Less: Future finance charges	(155)	N/A
Present value of lease obligations	5,405	5,405
Less: Amount due for settlement within one year (shown under current liabilities)	(5,405)	(5,405)
Amount due for settlement after one year	–	–

As at 31 December 2019, the Group leased certain of its medical equipment under finance leases. The lease term was five years. Interest rates underlying all obligations under finance leases was fixed at 7.62% per annum. No arrangement was entered into for contingent rental payments.

The Group's obligations under finance leases were secured by the lessor's charge over the leased assets (note 39).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 35. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised and movements thereon during the current year and prior period:

	Revaluation of leasehold land and buildings HK\$'000	Withholding tax in respect of undistributed earnings of PRC subsidiaries HK\$'000	Fair value adjustment on business combination HK\$'000	Total HK\$'000
At 1 July 2018	–	7,327	30,910	38,237
Credit to profit or loss for the period	–	(1,514)	(3,653)	(5,167)
Change to property revaluation reserve	9,136	–	–	9,136
Exchange difference	–	(213)	(843)	(1,056)
	<u>9,136</u>	<u>(1,787)</u>	<u>(4,496)</u>	<u>3,853</u>
At 31 December 2019	9,136	5,600	26,414	41,150
Credit to profit or loss for the year	–	(2,976)	(1,547)	(4,523)
Change to property revaluation reserve	8,142	–	–	8,142
Exchange difference	–	59	972	1,031
	<u>8,142</u>	<u>(2,917)</u>	<u>1,429</u>	<u>6,654</u>
<b>At 31 December 2020</b>	<b><u>17,278</u></b>	<b><u>2,683</u></b>	<b><u>25,839</u></b>	<b><u>45,800</u></b>

At 31 December 2020, the Group had estimated unused tax losses of approximately HK\$2,560 million (2019: HK\$2,509 million) for offset against future profits. No deferred tax asset has been recognised in respect of estimated tax losses due to the unpredictability of future profit streams. The estimated tax losses of HK\$1,913 million (2019: HK\$1,921 million) may be carried forward indefinitely. Unused tax losses of HK\$647 million (2019: HK\$588 million) will expire between 2021 and 2024 (2019: between 2020 and 2023).

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK\$53 million (2019: HK\$31 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

### 36. SHARE CAPITAL

	Number of shares		Carrying value	
	2020	2019	2020 HK\$'000	2019 HK\$'000
Ordinary shares of HK\$0.0005 each				
Authorised:				
At beginning of the year/period and at end of the year/period	<u>600,000,000,000</u>	<u>600,000,000,000</u>	<u>300,000</u>	<u>300,000</u>
Issued and fully paid:				
At beginning of the period/year and at end of the year/period	<u>14,480,072,773</u>	<u>14,480,072,773</u>	<u>7,240</u>	<u>7,240</u>

### 37. RESERVES

#### Properties revaluation reserve

	HK\$'000	HK\$'000
Items that will not be reclassified to profit or loss:		
At 1 January 2020/1 July 2018	55,281	27,875
Gain on revaluation of leasehold land and buildings	32,568	36,542
Deferred tax liability arising on revaluation of leasehold land and buildings	<u>(8,142)</u>	<u>(9,136)</u>
At 31 December 2020/31 December 2019	<u>79,707</u>	<u>55,281</u>

At 31 December 2020, the balance of properties revaluation reserve included surplus of HK\$5,456,000 (2019: HK\$5,456,000), arising from revaluation of leasehold land and buildings on transfer of leasehold land and buildings to investment properties carried at fair value in prior year/period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 37. RESERVES (continued)

### Investment revaluation reserve

	HK\$'000	HK\$'000
Items that will be reclassified subsequently to profit or loss:		
At 1 January 2020/1 July 2018	854	–
Net change on debt instruments at fair value through other comprehensive income	166	854
At 31 December 2020/31 December 2019	<u>1,020</u>	<u>854</u>

### Translation reserve

	HK\$'000	HK\$'000
Items that will be reclassified subsequently to profit or loss:		
At 1 January 2020/1 July 2018	(17,626)	22,218
Exchange gain (loss) arising from translation of foreign operations	67,784	(39,844)
At 31 December 2020/31 December 2019	<u>50,158</u>	<u>(17,626)</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

### 38. NON-CONTROLLING INTERESTS

	Share of net assets of subsidiaries HK\$'000	Share options reserve of subsidiaries HK\$'000	Total HK\$'000
At 1 July 2018	(662)	22,888	22,226
Share of profit for the period	7,624	–	7,624
Share of other comprehensive expense for the period	(1,127)	–	(1,127)
Share of total comprehensive income for the period	6,497	–	6,497
Cancellation of share options (note 43)	–	(22,888)	(22,888)
At 31 December 2019	5,835	–	5,835
Share of profit for the year	6,789	–	6,789
Share of other comprehensive expense for the year	2,936	–	2,936
Share of total comprehensive income for the year	9,725	–	9,725
<b>At 31 December 2020</b>	<b>15,560</b>	<b>–</b>	<b>15,560</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 39. PLEDGE OF ASSETS

At the end of the reporting period, the following assets of the Group were pledged to banks, financial institution, securities brokers houses and finance lease provider to secure credit facilities granted to the Group:

	2020 HK\$'000	2019 HK\$'000
Investments held for trading	21,759	36,451
Buildings (included in property, plant and equipment)	175,209	169,000
Investment properties	502,792	484,054
Properties held for sale	37,545	35,189
Pledged bank deposits	12,670	9,119
Medical equipment	91,022	23,721
	<b>840,997</b>	<b>757,534</b>

At 31 December 2019, the Group's obligations under finance leases are secured by the Group's charge over the leased assets. At 31 December 2019, the carrying amount of the Group's medical equipment included an amount of HK\$23,721,000 in respect of assets held under finance leases.

## 40. OPERATING LEASING ARRANGEMENTS AND CAPITAL COMMITMENTS

### Operating leasing arrangements

#### *The Group as lessee*

As at 31 December 2019, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2019 HK\$'000
Within one year	18,522
In the second to fifth year inclusive	5,944
	<b>24,466</b>

As at 31 December 2019, operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated and rentals are fixed for a lease term of one to three years.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

### 40. OPERATING LEASING ARRANGEMENTS AND CAPITAL COMMITMENTS *(continued)*

#### Operating leasing arrangements *(continued)*

##### *The Group as lessor*

Property rental income earned during the year was HK\$7,460,000 (for the period ended 31 December 2019: HK\$12,181,000). The properties held have committed tenants for a lease term ranging from one to three years (2019: from one to three years).

At 31 December 2020, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2020 HK\$'000	2019 HK\$'000
Within one year	7,853	8,420
In the second to fifth year inclusive	8,821	10,951
	<b>16,674</b>	<b>19,371</b>

#### Capital commitments

	2020 HK\$'000	2019 HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statement in respect of:		
– Property, plant and equipment	28,720	51,203
– Investment properties	25,387	69,732
	<b>54,107</b>	<b>120,935</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 41. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme (“MPF Scheme”) for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Both the Group and the employees contribute a fixed percentage of the relevant payroll to the MPF Scheme. The cap of contribution amount is HK\$1,500 per employee per month. The only obligation of the Group with respect of the MPF Scheme is to make the required contributions under the scheme.

According to the relevant laws and regulations in the PRC, the Group are required to participate in defined contribution retirement schemes administered by the local municipal governments. The Group contributes funds which are calculated on certain percentage of the average employees salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees. The principal obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the scheme.

During the year ended 31 December 2020, the retirement benefits scheme contributions charged to consolidated statement of profit or loss were HK\$18,880,000 (for the period from 1 July 2018 to 31 December 2019: HK\$24,095,000).

## 42. RELATED PARTY TRANSACTIONS

The Group has following balance with a related party:

Relationships	Nature of balance	2020 HK\$'000
A partnership of which a non-executive director of the Company is a partner	– Other payable (Note)	<u>512</u>

Note: Amount payable as at 31 December 2020 represents the legal and professional services rendered to the Group before appointment of the relevant non-executive director.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 42. RELATED PARTY TRANSACTIONS (continued)

### Compensation of key management personnel

The remuneration of directors of the Company, who are the key management of the Group during the year/period was as follows:

	1.1.2020 to 31.12.2020 HK\$'000	1.7.2018 to 31.12.2019 HK\$'000
Salaries and other short-term employee benefits	4,773	7,381
Retirement benefits costs	112	201
	<b>4,885</b>	<b>7,582</b>

The remuneration of directors of the Company is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

## 43. SHARE-BASED PAYMENT TRANSACTIONS

In March 2013, Lianyungang Jiatai Construction Co., Ltd. 連雲港嘉泰建設工程有限公司 (“Jiatai Construction”), signed a cooperative agreement with a doctor so as to employ the doctor to be the hospital in-charge in 南京同仁醫院 (“Nanjing Tongren Hospital”) for ten years. At the same time, Jiatai Construction has granted a call option to the doctor so as to provide an incentive to the doctor to serve the Group for the benefit of the development of Nanjing Tongren Hospital. The call option can be exercised within six months upon the completion of five years employment and the satisfaction of the performance targets. The performance targets are based on: i) revenue amounting of RMB600 million; and ii) profit excluding finance costs of RMB90 million in Nanjing Tongren Hospital in the fifth year commencing on the date of the employment of the doctor (i.e. from May 2018 to April 2019) as per the management account of Nanjing Tongren Hospital from May 2018 to April 2019.

An option of acquiring RMB30,000,000 registered capital of Jiatai Construction is granted. The exercise price is RMB1 per unit capital of the registered capital of Jiatai Construction. The call option may be exercisable based on the factors as follows:

1. If both performance targets reach 90%, 100% of call option can be exercised;
2. If both performance targets reach 80%, 90% of call option can be exercised;
3. If both performance targets reach 70%, 80% of call option can be exercised;
4. If either one of both the performance targets reach below 70%, no call option can be exercised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 43. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Based on the current registered paid up capital of Jiatai Construction, and assuming no increase in the registered paid up capital of Jiatai Construction until the exercise of the call option, the doctor will be interested in 3.7% of the registered capital of Jiatai Construction upon full exercise of the call option.

On 18 October 2018, the parties to the cooperative agreement entered into a termination agreement whereby the parties have mutually agreed to terminate the cooperative agreement and to release and discharge each other from its respective obligations under the cooperative agreement with effect from 31 October 2018.

## 44. FINANCIAL INSTRUMENTS

### Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior period.

The capital structure of the Group consists of net debt, which includes borrowings, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure by considering the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

### Categories of financial instruments

	2020 HK\$'000	2019 HK\$'000
Financial assets		
Investments held for trading	21,759	36,451
Financial assets at amortised cost	862,966	849,898
Financial assets at FVTPL	802	900
Debt instruments at FVTOCI	4,602	4,634
Financial liabilities		
Amortised cost	1,353,785	1,142,584
Lease liabilities	2,534	–
Obligations under finance leases	–	5,405

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 44. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies

The Group's major financial instruments include investments held for trading, financial assets at FVTPL, debt instruments at FVTOCI, amount due to an associate, loan receivable, debtors, other receivables and deposits, creditors and accrued charges, borrowings, obligations under finance leases, lease liabilities, pledged bank deposits, restricted bank deposits, and bank balances and cash. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

### Market risk

#### Currency risk

Foreign exchange risk is the risk of loss due to adverse movement in foreign exchange rate relating to foreign currency denominated loan receivable, bank balances, other debtors, other borrowings from financial institution and foreign currency denominated unlisted investments in unit trusts for the period/year. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
RMB	1,573	2,279	129,917	177,598
USD	21,616	311	–	–
Australian Dollars ("AUD")	155,518	143,559	–	–

The carrying amounts of inter-company balances of certain group entities which are foreign currency denominated monetary assets at the end of the reporting period are as follows:

	Assets		Liabilities	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
RMB	534,743	494,386	3,506	–

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 44. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### Market risk (continued)

##### Sensitivity analysis

As HK\$ is pegged to USD, the Group does not expect any significant movements in the USD/HK\$ exchange rates and thus USD is not included in sensitivity analysis.

The following table details the Group's sensitivity to a 10% (2019: 10%) increase and decrease in HK\$ against relevant foreign currencies and all other variables were held constant. 10% (2019: 10%) is the sensitivity rate used by management in the assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items and adjusts its translation at the year end for a 10% (2019: 10%) change in foreign currencies rates. A positive number below indicates a decrease in post-tax loss (2019: an increase in post-tax profit) for the year where foreign currencies strengthen 10% (for the period from 1 July 2018 to 31 December 2019: 10%) against HK\$. For a 10% (2019: 10%) weakening of foreign currencies against HK\$ there would be an equal and opposite impact on the result for the year.

	AUD Impact		RMB Impact	
	1.1.2020 to 31.12.2020 HK\$'000	1.7.2018 to 31.12.2019 HK\$'000	1.1.2020 to 31.12.2020 HK\$'000	1.7.2018 to 31.12.2019 HK\$'000
Profit or loss	<b>12,986</b>	11,987	<b>33,642</b>	26,642

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 44. FINANCIAL INSTRUMENTS *(continued)*

### Financial risk management objectives and policies *(continued)*

#### *Market risk (continued)*

##### *Other price risk*

##### *(i) Equity price risk*

The Group is exposed to equity price risk through its financial assets at FVTPL and investments held for trading. The Group's financial assets at FVTPL and investments held for trading have significant concentration of price risk in Hong Kong, Philippines, Japan and Australian stock markets. Management manages the exposure by maintaining a portfolio of equity investments of the Group with different risk profiles.

##### Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting period. For sensitivity analysis purpose, the sensitivity rate remains at 30% in the current period.

If the prices of the respective equity instruments had been 30% (31 December 2019: 30%) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2020 (for the period from 1 July 2018 to 31 December 2019: post-tax profit) would decrease/increase (for the period from 1 July 2018 to 31 December 2019: increase/decrease) by HK\$5,652,000 (for the period from 1 July 2018 to 31 December 2019: HK\$10,935,000) as a result of the changes in fair value of held for trading investments.

##### *(ii) Foreign currencies risk on non-monetary items*

The Group is engaged in securities trading and investments which are denominated in foreign currencies and is therefore exposed to foreign currency price risk. Approximately 29% (2019: 26%) of the Group's equity investments are denominated in currencies other than the functional currency of the group entities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 44. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### Market risk (continued)

#### Other price risk (continued)

#### (ii) Foreign currencies risk on non-monetary items (continued)

The carrying amounts of the Group's foreign currency denominated equity investments held for trading, financial assets at FVTPL and debt instruments at FVTOCI (2019: investments held for trading, financial assets at FVTPL and debt instruments at FVTOCI) at the reporting date are as follows:

	Assets	
	2020 HK\$'000	2019 HK\$'000
USD	4,602	4,732
AUD	1,592	2,215
JPY	–	2,856
PHP	1,485	1,322

#### Sensitivity analysis

The following table details the Group's sensitivity to a 10% (2019: 10%) increase and decrease in HK\$ against foreign currencies and all other variables were held constant. USD is not included in sensitivity analysis, as HK\$ is pegged to USD, the Group does not expect any significant movements in the USD/HK\$ exchange rate. 10% (2019: 10%) is the sensitivity rate used by management in the assessment of the reasonably possible change in foreign exchange rates. A positive number below indicates a decrease in post-tax loss (for the period from 1 July 2018 to 31 December 2019: an increase in post-tax profit) for the year where foreign currencies strengthen 10% (for the period from 1 July 2018 to 31 December 2019: 10%) against HK\$. For a 10% (for the period from 1 July 2018 to 31 December 2019: 10%) weakening of foreign currencies against HK\$ there would be an equal and opposite impact on the result for the year.

	1.1.2020 to 31.12.2020 HK\$'000	1.7.2018 to 31.12.2019 HK\$'000
(Decrease) increase in post-tax (loss) profit for the year/ period	(257)	534



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 44. FINANCIAL INSTRUMENTS *(continued)*

### Financial risk management objectives and policies *(continued)*

#### *Market risk (continued)*

##### *Interest rate risk*

The Group's fair value interest rate risk relates primarily to fixed rate obligations under finance lease, fixed rate pledged bank deposits, fixed-rate restricted bank deposits, fixed-rate loan receivable, lease liabilities and fixed rate borrowings. The Group's cash flow interest rate risk relates to its bank balances and variable-rate borrowings.

The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of prime rate arising from the Group's variable interest rate instruments.

Management considers that the Group's exposure to future cash flow risk on variable-rate bank balances as a result of the change of market interest rate is insignificant and thus variable-rate bank balances are not included in the sensitivity analysis.

A 100 basis point change is used which represents management's assessment of the reasonably possible change in interest rates. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year.

If the interest rate of variable-rate borrowings had been 100 basis point higher/lower and all other variables were held constant, the Group's post-tax loss (for the period from 1 July 2018 to 31 December 2019: post-tax profit) for the year would increase/decrease (for the period from 1 July 2018 to 31 December 2019: decrease/increase) by HK\$2,804,000 (for the period from 1 July 2018 to 31 December 2019: HK\$2,402,000).

In management's opinion, the sensitivity analyses prepared on currency risk, other price risk and interest rate risk are unrepresentative of respective inherent risk as the year end exposure does not reflect the exposure during the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 44. FINANCIAL INSTRUMENTS *(continued)*

### Financial risk management objectives and policies *(continued)*

#### *Credit risk and impairment assessment*

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group as at 31 December 2020. The Group's credit risk exposures are primarily attributable to trade receivables arising from contracts with customers, other receivables and deposits, pledged/restricted bank deposits, bank balances, loan receivable and debt instruments at FVTOCI. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risks associated with loans receivable is mitigated because they are secured over the assets of 75% issued shares of the pledged company.

#### *Trade receivables arising from contracts with customers*

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade balances with significant balances and credit-impaired based on individual assessment. The remaining trade receivables are grouped based on provision matrix by reference to the Group's aging of outstanding balances. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Other than concentration of credit risk on trade receivables from top 4 clients of HK\$113,991,000, 83% (2019: top 4 clients of HK\$67,520,000, 71%) located in PRC, the Group does not have any other significant concentration of credit risk.

#### *Other receivables and deposits*

The management of the Group makes periodic collective assessment or individual assessment for debtors with significant balances on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable, supportive and forward looking information that is available without under cost or effect. The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balance of deposits and other receivables. ECL on deposits and other receivables is insignificant at 31 December 2020 and 2019 as the exposure of deposits and other receivables is insignificant.

#### *Debt instruments at FVTOCI*

The Group only invests in debt securities with low credit risk. The Group's debt instruments at FVTOCI mainly comprise listed bonds that are graded in the top investment grade as per globally understood definitions and therefore are considered to be low credit risk investments. During the year ended 31 December 2020, expected credit losses on debt instruments at FVTOCI is insignificant.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 44. FINANCIAL INSTRUMENTS *(continued)*

### Financial risk management objectives and policies *(continued)*

#### *Credit risk and impairment assessment (continued)*

##### *Loan receivable*

The Group has a policy for assessing the impairment on loan receivable on an individual basis. The assessment includes evaluation of collectability and aged analysis of the loans receivable and on management's judgement on creditworthiness, collateral and past collection history of each borrower.

In determining the recoverability of the loan receivables, the Group will consider the change in the credit quality of the loan receivable, if any, from the date the loan was initially granted up to the reporting date. This includes assessing the credit history of the borrowers, such as past experience of financial difficulties or default in payments, and current market conditions.

The Borrower did not settle the interest receivable due on 11 March 2020 amounting to approximately HK\$3.8 million. The Group has issued demand letter and final notice to the Borrower, appointed receivers for enforcement of securities of the Loan, and has been in discussion with the Borrower and its joint provisional liquidators for the settlement of the total outstanding amount. The Borrower and its joint provisional liquidators are in the process of executing certain plans for asset realisation and/or financing to settle the Loan. The Group and the receivers will continue to negotiate with the Borrower and its joint provisional liquidators, closely monitor the progress of settlement, re-assess the value of collaterals from time to time and shall take all appropriate further actions as and when appropriate. Nevertheless, the remaining amount is considered recoverable given there are sufficient collaterals to cover the entire balance.

As at 31 December 2020, based on the assessment of the directors of the Company, the loan receivable is expected to be settled after 1.5 years and therefore classified as non-current asset. The loan receivable is discounted at an effective interest rate of 24.1% per annum and the difference between the carrying amount and the present value of estimated cash flow of HK\$22,468,000 was charged to profit or loss during the year ended 31 December 2020.

The total carrying amount of the loan receivable amounted to HK\$68,846,000 (2019: HK\$91,314,000) at the reporting date.

The Group is exposed to credit risk in respect of its loan receivable. At 31 December 2020, the carrying amount of loan receivable was HK\$68,846,000 (2019: HK\$91,314,000), the Group had concentration of credit risk as 100% (2019: 100%) of the total loan receivables at 31 December 2020 was due from one borrower (2019: one). The Group seeks to maintain strict control over its outstanding loan receivable to minimise credit risk. The management has a credit policy in place and the exposures to the credit risk are monitored on an ongoing basis. Impairment allowances on outstanding loan receivables are determined by an evaluation of financial background, as well as financial condition of the borrower, valuation of collateral and the anticipated receipts for that individual loan, at the end of the reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 44. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### Credit risk and impairment assessment (continued)

##### *Pledged bank deposits, restricted bank deposits and bank balances*

The credit risks on pledged bank deposits restricted bank deposits and bank balances are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. No loss allowance provision for pledged bank deposits restricted bank deposits and bank balances was recognised as the amount is insignificant. The Group has limited exposure to any single financial institution.

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 44. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### Credit risk and impairment assessment (continued)

##### Pledged bank deposits and bank balances (continued)

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12 month or lifetime ECL	Gross carrying amounts	
					2020 HK\$'000	2019 HK\$'000
<b>Debt instruments at FVTOCI</b>						
Investments in listed bonds	21	A1	N/A	12m ECL	<b>4,602</b>	4,634
<b>Financial assets at amortised cost</b>						
Debtors from securities trading	26	N/A	N/A	Lifetime ECL	<b>943</b>	877
Debtors from leasing of properties	26	N/A	N/A	Lifetime ECL	<b>648</b>	–
Debtors arising from contracts with customers	26	N/A	(Note (ii))	Lifetime ECL Lifetime ECL (provision matrix)	<b>100,547</b> <b>35,754</b>	67,520 27,224
Loan receivable	27	N/A	Loss (Note i)	Lifetime ECL - credit impaired	<b>95,215</b>	95,215
Other receivables and deposits	26	N/A	(Note (i))	12m ECL	<b>16,983</b>	5,060
Pledged bank deposits	28	Ba2 – Baa1	N/A	12m ECL	<b>12,670</b>	9,119
Restricted bank deposits	28	Ba2 – A1	N/A	12m ECL	<b>20,469</b>	5,607
Bank balances	28	Ba2 – A1	N/A	12m ECL	<b>616,474</b>	643,177

For the purpose of ECL assessment, the Group considers the gross principal amount and the related contractual interests of the debt instruments. As at 31 December 2020 and 2019, the gross principal amount of these debt instruments amounted to HK\$4,680,000.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 44. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### Credit risk and impairment assessment (continued)

##### Pledged bank deposits and bank balances (continued)

Notes:

- (i) For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.
- (ii) For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance on lifetime ECL basis. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix, grouped by internal credit rating.

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its hospital and eldercare operation. The following table provides information about the exposure to credit risk for trade receivables from hospital related services operation which are assessed based on provision matrix as at 31 December 2020 within lifetime ECL (not credit-impaired).

##### Gross carrying amount

	Trade receivables from hospital and eldercare related services operation	
	2020 HK\$'000	2019 HK\$'000
0 - 90 days	22,744	17,141
>90 days	13,010	10,083
	<b>35,754</b>	<b>27,224</b>

The estimated loss rate is estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2020, the Group recognised impairment allowance for trade receivables of HK\$3,738,000 (for the period from 1 July 2018 to 31 December 2019: HK\$1,161,000) based on the provision matrix.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

### 44. FINANCIAL INSTRUMENTS *(continued)*

**Financial risk management objectives and policies *(continued)***

***Credit risk and impairment assessment (continued)***

*Gross carrying amount (continued)*

The following table shows the movement in lifetime ECL that has been recognised for debtors under the simplified approach.

	<b>Lifetime ECL (not credit- impaired)</b> HK\$'000
<b>As at 1 July 2018</b>	5,469
Changes due to financial instruments recognised as at 1 July 2018:	
– Impairment losses reversed	(4,120)
New financial assets originated	5,281
<b>As at 31 December 2019</b>	6,630
Changes due to financial instruments recognised as at 1 January 2020:	
– Impairment losses reversed	(6,420)
New financial assets originated	10,158
<b>As at 31 December 2020</b>	<b>10,368</b>

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. No trade receivables was written off by the Group for both year/period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 44. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### Credit risk and impairment assessment (continued)

##### Gross carrying amount (continued)

The following tables show reconciliation of loss allowances that has been recognised for loan receivable.

	<b>12m ECL for loan receivable</b>
	HK\$'000
As at 1 July 2018	–
New financial assets originated	3,901
As at 31 December 2019	3,901
New financial assets originated	22,468
<b>As at 31 December 2020</b>	<b>26,369</b>

#### Liquidity risk

As at 31 December 2020, the Group has net current liabilities of HK\$132,931,000 and it incurred loss of HK\$105,139,000 for the year ended 31 December 2020. The directors of the Company have given careful consideration to the future liquidity of the Group when preparing the consolidated financial statements. Taking into account the ongoing availability of finance to the Group, including the cash flows generated from its principal operations, existing banking facilities, successful refinancing of certain bank borrowings of HK\$382,601,000 and the utilisation of the standby loan facility from a financial institution amounting to HK\$200,000,000 if necessary subsequent to the reporting period, the directors of the Company are of the opinion that the Group has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly these consolidated financial statements have been prepared on a going concern basis.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

### 44. FINANCIAL INSTRUMENTS (continued)

#### Financial risk management objectives and policies (continued)

#### Liquidity risk (continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate %	Repayable on demand HK\$'000	Less than 3 months HK\$'000	3 months to 1 year HK\$'000	1 to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at the end of the reporting period HK\$'000
<u>As at 31 December 2020</u>							
<b>Non-derivative financial liabilities</b>							
Creditors and accrued charges	-	-	375,851	-	-	375,851	375,851
Amount due to an associate	-	6,555	-	-	-	6,555	6,555
Borrowings							
- variable rates	4.79 – 5.94	-	54,491	233,724	107,623	395,838	373,899
- fixed rates	4.35 – 11.36	-	92,805	173,568	410,555	676,928	597,480
Lease liabilities	3	-	2,573	-	-	2,573	2,534
		<u>6,555</u>	<u>525,720</u>	<u>407,292</u>	<u>518,178</u>	<u>1,457,745</u>	<u>1,356,319</u>
<u>As at 31 December 2019</u>							
<b>Non-derivative financial liabilities</b>							
Creditors and accrued charges	-	-	343,077	-	-	343,077	343,077
Amount due to an associate	-	6,144	-	-	-	6,144	6,144
Borrowings							
- variable rates	4.79 – 5.27	-	73,555	171,965	-	245,520	240,199
- fixed rates	3.92 – 8	-	4,620	214,761	372,850	592,231	553,164
Obligations under finance leases	7.62	-	2,723	2,783	-	5,506	5,405
		<u>6,144</u>	<u>423,975</u>	<u>389,509</u>	<u>372,850</u>	<u>1,192,478</u>	<u>1,147,989</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 44. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### Liquidity risk (continued)

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

### Fair values measurements of financial instruments

#### Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

#### Financial assets/financial liabilities

in the consolidation statement of financial position	Fair value as at 31 December 2020	Fair value as at 31 December 2019	Fair value hierarchy	Valuation techniques and key inputs
1) Investments in listed equity securities classified as investments held for trading	Listed equity securities: – Hong Kong HK\$18,682,000 – Overseas HK\$3,077,000	Listed equity securities: – Hong Kong HK\$30,058,000 – Overseas HK\$6,393,000	Level 1	Quoted bid prices in active markets
2) Investments in listed bond classified as debt instruments at FVTOCI	Assets – HK\$4,602,000	Assets – HK\$4,634,000	Level 1	Quoted bid prices in active markets
3) Investments in unlisted unit trusts classified as financial assets at FVTPL	Assets – nil	Assets – HK\$98,000	Level 2	Quoted prices from financial institutions

There are no transfers between level 1 and level 2 for the year/period.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

### 44. FINANCIAL INSTRUMENTS (continued)

Fair values measurements of financial instruments (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Fair value hierarchy as at 31 December 2020

	Level 1 HK\$'000	Level 2 HK\$'000	Total HK\$'000
Financial assets at FVTPL			
Held for trading-listed equity securities	21,759	–	21,759
Club debentures	–	802	802
Debt instruments at FVTOCI			
Listed bonds	4,602	–	4,602
Total	26,361	802	27,163

Fair value hierarchy as at 31 December 2019

	Level 1 HK\$'000	Level 2 HK\$'000	Total HK\$'000
Financial assets at FVTPL			
Held for trading-listed equity securities	36,451	–	36,451
Unlisted unit trusts	–	98	98
Club membership	–	802	802
Debt instruments at FVTOCI			
Listed bonds	4,634	–	4,634
Total	41,085	900	41,985

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 44. FINANCIAL INSTRUMENTS (continued)

Fair values measurements of financial instruments (continued)

Reconciliation of Level 3 fair value measurements of financial assets and financial liabilities

	Derivative financial instruments	
	HK\$'000	HK\$'000
At 1 January 2020/1 July 2018	–	(1,129)
Total gain in profit or loss	–	(4)
Settlement	–	1,133
	<u>–</u>	<u>1,133</u>
At 31 December 2020/31 December 2019	<u>–</u>	<u>–</u>

## 45. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities is that for which cash flows were, or future cash flow will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities HK\$'000	Consideration payable HK\$'000	Borrowings HK\$'000	Obligations under finance leases HK\$'000	Total HK\$'000
As at 1 July 2018	–	57,300	825,503	19,712	902,515
Financing cash flows	–	(55,318)	9,769	(15,075)	(60,624)
Finance cost	–	–	–	1,541	1,541
Exchange realignment	–	(1,982)	(41,909)	(773)	(44,664)
	<u>–</u>	<u>–</u>	<u>793,363</u>	<u>5,405</u>	<u>798,768</u>
As at 31 December 2019	–	–	793,363	5,405	798,768
Adjustment upon application of HKFRS 16 (note 2)	10,621	–	–	(5,405)	5,216
	<u>10,621</u>	<u>–</u>	<u>793,363</u>	<u>–</u>	<u>803,984</u>
Financing cash flows	(8,966)	–	117,935	–	108,969
Finance cost	517	–	–	–	517
Exchange realignment	362	–	60,081	–	60,443
	<u>362</u>	<u>–</u>	<u>60,081</u>	<u>–</u>	<u>60,443</u>
As at 31 December 2020	<u>2,534</u>	<u>–</u>	<u>971,379</u>	<u>–</u>	<u>973,913</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 46. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2020 and 31 December 2019 are as follows:

Name of subsidiaries	Country/ place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Proportion of capital/registered capital held by the Group		Principal activities
			31 December 2020	31 December 2019	
<b>Directly held by the Company</b>					
Jiatai Construction*	PRC	Registered US\$116,790,000	100%	100%	Investment holding
<b>Indirectly held by the Company</b>					
Forepower Limited	British Virgin Islands ("BVI")	Ordinary US\$1	100%	100%	Property investment in Hong Kong
Focus Clear Limited	BVI	Ordinary US\$1	100%	100%	Securities trading and investment in Hong Kong
Fortune Team Investment Limited	Hong Kong	Ordinary HK\$1	100%	100%	Money lending
Future Rise Investments Limited	BVI	Ordinary US\$1	100%	100%	Trading of securities listed in overseas exchange
Genwo Limited	Hong Kong	Ordinary HK\$200,000	100%	100%	Property investment
Honest Opportunity Limited	BVI	Ordinary US\$1	100%	100%	Securities trading and investment in Hong Kong and overseas
Join Capital Limited	Hong Kong	Ordinary HK\$2	100%	100%	Investment holding
Kintic Limited	Hong Kong	Ordinary HK\$2	100%	100%	Property investment

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 46. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiaries	Country/ place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Proportion of capital/registered capital held by the Group		Principal activities
			31 December 2020	31 December 2019	
<b>Indirectly held by the Company (continued)</b>					
Sparkling Summer Limited	BVI	Ordinary US\$6,500,000	<b>100%</b>	100%	Securities trading in Hong Kong
Star Telecom Properties Limited	Hong Kong	Ordinary HK\$200	<b>100%</b>	100%	Investment and property holding
Widerich Limited	Hong Kong	Ordinary HK\$2	<b>100%</b>	100%	Property investment
Nanjing Tongren Industrial Co., Ltd.** (南京同仁實業有限公司) ("Nanjing Tongren Industrial")	PRC	Registered RMB80,000,000	<b>80%#</b>	80%#	Property development
Nanjing Tongren Hospital Co., Ltd.** (南京同仁醫院有限公司) ("Nanjing Tongren Hospital")	PRC	Registered RMB50,000,000	<b>80%#</b>	80%#	Operation of a hospital in Nanjing
Kunming Tongren Industrial Development Co., Ltd.** (昆明同仁實業開發有限公司) ("Kunming Tongren Industrial")	PRC	Registered RMB80,000,000	<b>100%#</b>	100%#	Property development
Kunming Tongren Hospital Co., Ltd.** (昆明同仁醫院有限公司) ("Kunming Tongren Hospital")	PRC	Registered RMB80,000,000	<b>100%#</b>	100%#	Operation of a hospital in Kunming
Aveo China	BVI	Ordinary US\$4,000	<b>100%</b>	100%	Investment holding

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

### 46. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiaries	Country/ place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Proportion of capital/registered capital held by the Group		Principal activities
			31 December 2020	31 December 2019	
<b>Indirectly held by the Company (continued)</b>					
Tide Properties Development (Shanghai) Co., Ltd.** (德地置業發展(上海)有限公司) ("Tide Properties")	PRC	Registered RMB388,000,000	<b>100%#</b>	100%##	Property development and property investment for eldercare operation
Shanghai Tide Healthcare Management Co., Ltd.** (上海德地健康管理有限公司) ("Tide Healthcare")	PRC	Registered RMB2,000,000	<b>100%#</b>	100%##	Elderly house operation and provision of healthcare
Shanghai Tide Nursing Hospital Co., Ltd.** (上海德頤護理院有限公司) ("Tide Nursing Hospital")	PRC	Registered RMB100,000	<b>100%#</b>	100%##	Provision of healthcare
Nanjing Banmi Cosmetic & Plastic Surgery Clinic Co., Ltd.** (南京博安美醫療美容診所 有限公司)	PRC	Registered RMB3,000,000	<b>65%</b>	65%	Provision of healthcare

\* Wholly foreign-owned enterprise.

\*\* Domestic owned enterprise.

# These companies are held indirectly by Jiatai Construction. The Company has effective interests of 80%, 80%, 100% and 100% in Nanjing Tongren Industrial, Nanjing Tongren Hospital, Kunming Tongren Industrial and Kunming Tongren Hospital respectively as at 31 December 2020 and 31 December 2019.

## Tide Properties, Tide Healthcare and Tide Nursing Hospital are held indirectly by Aveo China. The Company has effective interests of 100%, 100% and 100% in Tide Properties, Tide Nursing Hospital and Tide Healthcare as at 31 December 2020 and 31 December 2019 respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 46. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results of the period or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

All subsidiaries operate principally in their places of incorporation unless specified otherwise under "Principal activities".

None of the subsidiaries had any debts securities subsisting at 31 December 2020 and 31 December 2019 or at any time during the respective year/period.

At the end of the reporting period the Company has other subsidiaries that are not material to the Group. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries	
		31.12.2020	31.12.2019
Securities trading and investments	Hong Kong	2	2
Property development	PRC	1	1
Investing holding	Hong Kong/PRC/BVI	47	52
		<b>50</b>	<b>55</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

### 47. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2020 HK\$'000	2019 HK\$'000
<b>Non-current Asset</b>		
Interests in subsidiaries	<u>1,018,603</u>	<u>1,337,771</u>
<b>Current Assets</b>		
Debtors and prepayments	4,940	1,007
Amounts due from subsidiaries	1,353,964	3,034,499
Bank balances and cash	<u>450,169</u>	<u>453,175</u>
	<u>1,809,073</u>	<u>3,488,681</u>
<b>Current Liabilities</b>		
Creditors and accruals	7,594	5,376
Amounts due to subsidiaries	<u>1,353,766</u>	<u>3,051,936</u>
	<u>1,361,360</u>	<u>3,057,312</u>
<b>Net Current Assets</b>	<u>447,713</u>	<u>431,369</u>
<b>Total Assets less Current Liabilities</b>	<u>1,466,316</u>	<u>1,769,140</u>
<b>Capital and Reserves</b>		
Share capital (note 36)	7,240	7,240
Reserves (Note)	<u>1,459,076</u>	<u>1,761,900</u>
<b>Total equity</b>	<u>1,466,316</u>	<u>1,769,140</u>

Note: As at 31 December 2020, reserves of the Company included share premium of HK\$2,621,374,000 (2019: HK\$2,621,374,000), capital redemption reserve of HK\$2,496,000 (2019: HK\$2,496,000) and accumulated losses of HK\$1,164,794,000 (2019: HK\$861,970,000). Movements of the Company's share capital, share premium and capital redemption reserve are disclosed in the consolidated statement of changes in equity. The movements of the Company's accumulated losses is attributable to losses for the respective financial period.

## FINANCIAL SUMMARY

The results and the assets and liabilities of the Group for the past five financial years, as extracted from the Group's published audited consolidated financial statements and reclassified as appropriate, are set out below:

### RESULTS

	For the year ended 30 June			For the period from 1 July 2018 to 31 December	For the year ended 31 December
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Revenue	2,399,736	1,284,342	1,100,641	1,841,346	<b>1,194,148</b>
Gross proceeds from sale of investments held for trading	586,191	547,852	1,217,518	200,744	<b>3,248</b>
	<b>2,985,927</b>	<b>1,832,194</b>	<b>2,318,159</b>	<b>2,042,090</b>	<b>1,197,396</b>
(Loss) profit before taxation	(774,649)	(16,133)	(133,449)	(28,811)	<b>(96,562)</b>
Taxation (charge) credit	(115,651)	(65,371)	(14,379)	38,611	<b>(8,577)</b>
(Loss) profit for the period	<b>(890,300)</b>	<b>(81,504)</b>	<b>(147,828)</b>	<b>9,800</b>	<b>(105,139)</b>
Attributable to:					
Owners of the Company	(783,160)	(71,813)	(137,110)	2,176	<b>(111,928)</b>
Non-controlling interests	(107,140)	(9,691)	(10,718)	7,624	<b>6,789</b>
	<b>(890,300)</b>	<b>(81,504)</b>	<b>(147,828)</b>	<b>9,800</b>	<b>(105,139)</b>

### ASSETS AND LIABILITIES

	As at 30 June			As at 31 December	
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Total assets	5,947,249	4,726,246	3,493,130	3,303,009	<b>3,425,174</b>
Total liabilities	(3,868,938)	(2,684,218)	(1,674,289)	(1,492,548)	<b>(1,624,540)</b>
	<b>2,078,311</b>	<b>2,042,028</b>	<b>1,818,841</b>	<b>1,810,461</b>	<b>1,800,634</b>
Equity attributable to owners of the Company	1,993,207	1,957,412	1,796,615	1,804,626	<b>1,785,074</b>
Non-controlling interests	85,104	84,616	22,226	5,835	<b>15,560</b>
	<b>2,078,311</b>	<b>2,042,028</b>	<b>1,818,841</b>	<b>1,810,461</b>	<b>1,800,634</b>



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