盈健醫療
HUMAN HEALTH

# Human Health Holdings Limited
# 盈健醫療集團有限公司

*(Incorporated in the Cayman Islands with limited liability)*
*Stock Code: 1419*






# 2023
## Annual Report

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In case of any inconsistency, the English text of this annual report shall prevail over the Chinese text.

# Corporate Information

## EXECUTIVE DIRECTORS

Mr. Chan Kin Ping, BBS, JP
*(Chairman and Chief Executive Officer)*
Dr. Pang Lai Sheung
Mr. Poon Chun Pong
Dr. Sat Chui Wan (resigned on 1 March 2023)

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Lui Sun Wing
Mr. Chan Yue Kwong Michael
Mr. Sin Kar Tim

## AUDIT COMMITTEE

Mr. Sin Kar Tim *(Chairman)*
Dr. Lui Sun Wing
Mr. Chan Yue Kwong Michael

## REMUNERATION COMMITTEE

Dr. Lui Sun Wing *(Chairman)*
Mr. Chan Kin Ping, BBS, JP
Mr. Chan Yue Kwong Michael
Mr. Sin Kar Tim

## NOMINATION COMMITTEE

Mr. Chan Yue Kwong Michael *(Chairman)*
Dr. Lui Sun Wing
Mr. Chan Kin Ping, BBS, JP
Mr. Sin Kar Tim

## COMPANY SECRETARY

Ms. Man Ching Yan, *CFA ACG HKACG*

## AUTHORISED REPRESENTATIVES

Mr. Poon Chun Pong (appointed on 1 March 2023)
Ms. Man Ching Yan
Dr. Sat Chui Wan (resigned on 1 March 2023)

## REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

12th Floor
Enterprise Square Two
3 Sheung Yuet Road
Kowloon Bay, Kowloon
Hong Kong

## LEGAL ADVISER TO THE COMPANY AS TO HONG KONG LAW

Howse Williams
27th Floor, Alexandra House
18 Chater Road
Central, Hong Kong

## AUDITOR

Ernst & Young, Registered Public Interest
Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

## PRINCIPAL BANKERS

Hang Seng Bank
83 Des Voeux Road Central
Central, Hong Kong

Bank of China (Hong Kong) Limited
Bank of China Tower
1 Garden Road, Central
Hong Kong

## WEBSITE

www.humanhealth.com.hk

## SHARE INFORMATION

| | |
|---|---|
| Place of listing: | Main Board of The Stock Exchange of Hong Kong Limited |
| Stock code: | 01419 |
| Listing date: | 1 April 2016 |
| Board lot: | 2,000 ordinary shares |
| Financial year end: | 30 June |

# Chairman's Statement


Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Human Health Holdings Limited ("**Human Health**" or the "**Company**") and its subsidiaries (collectively the "**Group**", "**we**" or "**our**"), I am pleased to present the annual report of the Group for the year ended 30 June 2023 ("**FY2023**").

The global economy experienced a steady recovery from the impacts of the Coronavirus Disease 2019 ("**COVID-19**") pandemic during FY2023. The economy in Hong Kong rebounded as economic activities resumed and consumer confidence improved. The government's supportive fiscal policies and the gradual reopening of international borders also contributed to the positive momentum. Nevertheless, the gradual recovery from pandemic's impact was offset by ongoing challenges and uncertainty over the global economic outlook, which thus required businesses to navigate an evolving landscape and adapt their strategies accordingly.

## ENHANCED BUSINESS DIVERSIFICATION WITH SUSTAINABLE DEVELOPMENT

Throughout FY2023, despite the challenging economic landscape and the ever-evolving healthcare industry, our Group has demonstrated unremitting resilience and adaptability, solidifying our position as a leading provider of premium healthcare services. During the second half of FY2023, the Group encountered a decline in the provision of COVID-19 related services, which therefore diminished the revenue from general practices segment. However, the Group managed to swiftly adjust our operations to align with the changing circumstances, showcasing our agility and strategic prowess. As a result, our revenue for the year remained consistent with that of the year ended 30 June 2022 ("**FY2022**"), with noteworthy increases in revenue from the specialties and dental segments.

## PROACTIVE SERVICES EXPANSION AND NEW INITIATIVES IMPLEMENTATION

Our commitment to diversifying and reinforcing our medical services layout led us to take a momentous step during FY2023. We participated in the "Pilot Rehabilitation Programme for Employees Injured at Work" (the "**Pilot Programme**") launched by the Labour Department of Hong Kong. This strategic initiative not only provided a stable source of income but also enabled us to expand our range of services. Through a strategic partnership with CUHK Medical Centre Limited ("**CUHKMC**"), we have been able to deliver professional rehabilitation and case management services to injured employees under the Pilot Programme.

To further augment our capabilities and expand our specialties and dental services, we inaugurated a mega health hub – Healthy Square H2. This healthcare facility integrates a wide range of medical and health-tech services under one roof, exuding convenience and excellence for our customers. Moreover, it features a creative activity centre offering health lectures and activities, fostering a holistic approach to healthcare.

The sale of healthcare products and services has emerged as an area of business development for our Group during FY2023. In addition to extending our range of offerings, the Group launched varied membership programmes designed to enhance customer engagement and its satisfaction, offering exclusive discounts, promotions, and personalised recommendations. These initiatives are poised to provide valuable insights into customer preferences and behavior and thus, optimise customer relationships.

## ON-GOING STRATEGIC ALLIANCES

Along with unwavering collaborations with the Hong Kong Government, the alliances with strategic partners have played a pivotal role in our ongoing development. During FY2023, we forged strategic collaborations with partners such as UMP Healthcare Holdings Limited ("**UMP Healthcare**", a company listed on the main board of the Stock Exchange of Hong Kong Limited) and BioMed Technology Holdings Limited ("**BioMed**"), which are anticipated to bolster our long-term business operations, fortify our position in the healthcare industry, enhance the efficacy and efficiency of our medical facilities, and allow us to stay at the forefront of innovative healthcare solutions.

## RELENTLESS DIGITAL TRANSFORMATION COUPLED WITH ESTABLISHMENT OF REVOLUTIONARY WELLNESS ECOSYSTEM

Investment in the upgrade and enhancement of IT infrastructure and digital transformation has remained a top priority for the Group. Development of a next-generation integrated clinic operating platform, alongside with a digital registration program, to foster seamless interactions with consumers, corporate partners, and the Hong Kong Government. Additionally, we have introduced innovative digital systems at our medical centres, which leverage latest technology to provide customers with a seamless and efficient experience, reducing queuing time and amplifying overall customer satisfaction.

## RELENTLESS DIGITAL TRANSFORMATION COUPLED WITH ESTABLISHMENT OF REVOLUTIONARY WELLNESS ECOSYSTEM *(continued)*

Apart from digital investment, the Group is well-positioned and dedicated to forming a smart wellness ecosystem that revolutionises the approach to health and well-being. The Group recognises the value of collaborating with consumers, business partners as well as the government entities, this comprehensive network is expected to work harmoniously to empower individuals and communities, by leveraging the power of our platform, we are enabled to involve and engage these stakeholders more effectively, co-create innovative solutions, products, and services that cater to the diverse wellness needs of our community, and contribute to the formulation of policies that support our collective wellness objectives. Through the integration of advanced technology, data analytics, and community engagement, we are geared up to make a crucial impact on individual and societal well-being.

## OUTLOOK FOR FY2024

All in all, FY2023 has been a year of resilience and strategic advancements for the Group. We have navigated challenges with agility, capitalised on new opportunities, and expanded our service offerings to cater to the evolving needs of our customers. Our commitment to delivering exceptional healthcare services remains unwavering, and we are confident in our ability to drive sustainable growth and create long-term value for our shareholders.

Looking forward to the year ending 30 June 2024 ("**FY2024**"), while an adverse impact on the revenue from general practices segment is expected, we stay steadfast in our commitment to delivering exceptional and comprehensive healthcare services to our esteemed customers. We will continue to explore new business opportunities that align with evolving customer needs, expand our market share, and fortify stakeholder engagement. Digitisation and automation will remain key focal points as we strive to improve operational efficiency and streamline costs. Our pursuit of excellence will be further bolstered by our plans to expand eye healthcare services along with continuous engagement of top-tier medical team members.

## APPRECIATION

On behalf of the Board of Directors and the management team, I would like to extend my deepest gratitude to our shareholders and business partners for their unwavering support and trust, and to express my appreciation to our dedicated professional team and staff members, whose hard work, professionalism, and unwavering commitment have been instrumental in our success. Together, we will continue to shape the future of healthcare in Hong Kong and beyond.

**Chan Kin Ping, BBS, JP**
*Chairman and Chief Executive Officer*

Hong Kong, 26 September 2023

## FINANCIAL REVIEW

### Financial Performance for FY2023

#### Revenue

Our revenue represents the value of healthcare services and comprises revenue from general practice services, specialties services and dental services. The following table sets forth the breakdown of our revenue by service type:

| | 2023<br>HK$'000 | 2022<br>HK$'000 | % of change |
|---|---|---|---|
| General practice services | **819,067** | 954,143 | -14.2% |
| Specialties services | **115,413** | 104,419 | 10.5% |
| Dental services | **67,266** | 63,231 | 6.4% |
| | **1,001,746** | 1,121,793 | -10.7% |

In FY2023, our Group recorded revenue amounted to approximately HK$1,001.7 million, representing a decrease of approximately 10.7% as compared with that for FY2022.

Our revenue from general practice services decreased by approximately HK$135.1 million or 14.2% from FY2022 to approximately HK$819.1 million for FY2023. The decrease was mainly attributed to the decrease in demand for COVID-19 related preventive, testing, vaccination and outreach services.

Our revenue from specialties services increased by approximately HK$11.0 million or 10.5% from FY2022 to approximately HK$115.4 million for FY2023. The increase was mainly attributable to the increase in patient visits and the increase in average spending per visit of the specialties services.

Our revenue from dental services increased by approximately HK$4.0 million or 6.4% from FY2022 to approximately HK$67.3 million for FY2023. The increase was mainly attributable to the increase in average spending per visit of the dental services.

## FINANCIAL REVIEW *(continued)*

### Financial Performance for FY2023 *(continued)*

#### Cost of services rendered

Our cost of services rendered represents cost in relation to our healthcare services provided including fees payable to doctors and dentists, other direct cost, cost of pharmaceutical supplies and laboratory expenses. The following table sets forth the breakdown of our cost of services rendered:

| | **2023** | 2022 | **% of change** |
|---|---|---|---|
| | ***HK$'000*** | *HK$'000* | |
| Fees payable to doctors and dentists | **189,307** | 167,231 | 13.2% |
| Other direct cost | **130,846** | 150,099 | -12.8% |
| Cost of pharmaceutical supplies | **83,417** | 140,899 | -40.8% |
| Laboratory expenses | **5,020** | 3,821 | 31.4% |
| (Reversal of write-down)/write-down of inventories to net realisable value | **(80)** | 58 | -237.9% |
| | **408,510** | 462,108 | -11.6% |

Our cost of services rendered decreased by approximately HK$53.6 million or 11.6% from FY2022 to approximately HK$408.5 million for FY2023. The decrease was mainly due to the decrease in other direct cost such as hiring of contract professional staff and the decrease in cost of pharmaceutical supplies due to the decrease in revenue generated from COVID-19 related preventive, testing, vaccination and outreach services.

#### Gross profit and gross profit margin

Our gross profit decreased by approximately HK$66.4 million or 10.1% from FY2022 to approximately HK$593.2 million for FY2023 as a result of the decrease in revenue of general practice services. Our gross profit margin slightly increased from approximately 58.8% for FY2022 to approximately 59.2% for FY2023.

## FINANCIAL REVIEW *(continued)*

### Financial Performance for FY2023 *(continued)*

#### Gross profit and gross profit margin *(continued)*

The following table sets forth breakdown of our gross profit and gross profit margin by service types:

| | Year ended 30 June | | | |
|---|---|---|---|---|
| | **2023** | | 2022 | |
| | **HK$'000** | **Gross profit margin %** | *HK$'000* | *Gross profit margin %* |
| General practice services | **523,872** | **64.0%** | 595,608 | 62.4% |
| Specialties services | **42,428** | **36.8%** | 38,623 | 37.0% |
| Dental services | **26,936** | **40.0%** | 25,454 | 40.3% |
| | **593,236** | **59.2%** | 659,685 | 58.8% |

Our gross profit margin for general practice services increased from approximately 62.4% for FY2022 to approximately 64.0% for FY2023 mainly as a result of the percentage decrease in cost of general practice services rendered being higher than the percentage decrease in revenue of general practice services.

Our gross profit margin for specialties services remained stable and slightly decreased from approximately 37.0% for FY2022 to approximately 36.8% for FY2023.

Our gross profit margin for dental services slightly decreased from approximately 40.3% for FY2022 to approximately 40.0% for FY2023.

#### Other income and gains, net

Our other income and gains, net decreased by approximately HK$28.9 million from approximately HK$32.3 million for FY2022 to approximately HK$3.4 million for FY2023 mainly due to the net fair value changes on the Group's financial assets at fair value through profit or loss and investment properties which turned from a net fair value gain of approximately HK$26.5 million for FY2022 to a net fair value loss of approximately HK$7.6 million for FY2023, and offset by the increase in bank interest income of approximately HK$7.8 million.

#### Administrative expenses

Our administrative expenses increased by approximately HK$106.1 million or 43.9% from approximately HK$241.8 million for FY2022 to approximately HK$348.0 million for FY2023 mainly due to (i) the increase in impairment of property, plant and equipment of approximately HK$50.8 million owing to the under-expected performance of our facilities management related businesses; (ii) the increase in staff costs of approximately HK$25.1 million; and (iii) the increase in depreciation and amortisation of right-of-use assets of approximately HK$11.7 million.

# Management Discussions and Analysis

## FINANCIAL REVIEW *(continued)*

### Financial Performance for FY2023 *(continued)*

#### Finance costs

Our finance costs were approximately HK$8.3 million for FY2023 (FY2022: approximately HK$2.9 million).

#### Share of losses of associates

Our share of losses of associates was approximately HK$1.5 million (FY2022: approximately HK$2.0 million).

#### Income tax expense

Our income tax expense decreased by approximately HK$12.0 million from approximately HK$70.0 million for FY2022 to approximately HK$58.0 million for FY2023. The decrease was mainly due to the decrease in assessable income. Our effective tax rate increased from approximately 15.7% for FY2022 to approximately 24.3% for FY2023.

#### Profit for the year

As a result of the foregoing, profit for the year decreased by approximately HK$194.5 million from approximately HK$375.3 million for FY2022 to approximately HK$180.8 million for FY2023. Our net profit margin of the Group was approximately 18.1% and 33.5% for FY2023 and FY2022 respectively.

#### Profit attributable to owners of the Company

The Group's profit attributable to owners of the Company was approximately HK$180.8 million for FY2023 as compared to approximately HK$375.3 million for FY2022. The decrease in profit attributable to owners of the Company for FY2023 was primary due to (i) the decrease in revenue of general practice services arising from the decrease in demand for COVID-19 related preventive, testing, vaccination and outreach services; (ii) the decrease in gross profit due to the decrease in revenue of general practice services; (iii) the net fair value changes on the Group's financial assets at fair value through profit or loss and investment properties which turned from a net fair value gain for FY2022 to a net fair value loss for FY2023; and (iv) the increase in impairment of property, plant and equipment.

## BUSINESS REVIEW AND OUTLOOK

### Business Review for FY2023

During FY2023, the Group has demonstrated strong resilience and adaptability in the challenging economic and business environment in Hong Kong. The Group's efforts to diversify its scope of service as well as to enhance its market share through strengthened partnership with the Hong Kong Government and strategic partners, have empowered it to maintain its leadership position in the healthcare sector and weather the impact brought by the market challenges.

Following the resumption of normalcy in Hong Kong with the change of COVID-19 policy of the Hong Kong Government in February 2023, the revenue from COVID-19 related services saw a significant decline in the second half of FY2023, as a result, the Group's overall revenue for FY2023 decreased approximately 10.7% as compared with that of FY2022. In summary, while the Group recorded an increase in revenue from specialties services and dental services, it was not sufficient to offset the decrease in revenue from general practice services during the second half of FY2023.

Owing to the significant decline in the revenue from COVID-19 related services during second half of FY2023, the profit after tax for FY2023 was approximately HK$180.8 million, a decrease of 51.8% as compared to that for FY2022. During the year, the Group has taken effort to manage its costs while continue to provide high-quality services to its customers.

Overall, the Group's ability to fight against the pandemic and adapt rapid changes of the demand from the community and deliver solid results is a testament to its strategic vision, operational excellence, and commitment to its stakeholders.

## BUSINESS REVIEW AND OUTLOOK *(continued)*

### Business Review for FY2023 *(continued)*

#### Slowdown in Growth of General Practice Services

Ever since the COVID-19 pandemic broke out in Hong Kong, the Group has continuously spared no efforts to fulfill its social responsibility and seize the market opportunities, support the public by providing comprehensive services covering testing, vaccination, quarantine support and treatment, telemedicine, preventive, public to private outpatient and respective outreach services, as well as selling healthcare related products and services through a variety of channels. Along with the resumption of normalcy in Hong Kong, the Group recorded an increase in number of patient visits of general practice services for common diseases such as influenza and other upper respiratory tract infection, however, the demand for COVID-19 related services and products during the second half of FY2023 significantly dropped, which led to the decrease in revenue from the Group's general practice services segment.

In addition, the market potential of healthcare services sector and public-private partnerships are expected to grow and the Group has turned to allocate more resources to invest in general healthcare, consumer healthcare and preventive medicine. As citizens are compelled to attach greater importance to healthcare by the pandemic, the Group managed to grasp the business opportunities generated from the rising demand in the disease prevention services during FY2023 by providing health monitoring, integrated health enhancement programmes and early detection services via various channels. The Group continued to promote early detection services such as helicobacter pylori test, cancer screening, gut health assessment, dementia and stroke risk assessment, etc. and participated in the Public Private Partnership Programme and Colorectal Cancer Screening Programme and various community care related programmes at the same time.

For the sale of healthcare products and services, owing to the prevalence of "Long-COVID" symptoms among the public, the Group has extended its range of offerings to include Chinese herbal decoction, probiotics and other supplements, which will be obtainable for purchase at its healthcare centre under the novel brand name of "InHealth Plus", its online shopping platform, as well as the newly opened mega health hub – Healthy Square H2. In addition, the Group's membership programmes can further enhance customer engagement and loyalty. One was designed for its e-shop, which allows customers to access exclusive discounts, promotions, and personalised recommendations. The other one is the H2 Rewards Application for Healthy Square H2, which offers unique benefits to members such as discounts on healthcare products, redeemable rewards points, member-exclusive activities, health lectures and the updated healthcare related information. These membership programmes are components of the Group's strategic initiatives to underpin customer relationships and drive revenue growth. By offering personalised experiences and rewards, the Group aims to enhance customer engagement and satisfaction and increase customer value. Additionally, the data gathered from these programmes will provide valuable insights into customer preferences and behavior, enabling the Group to optimise its marketing strategies and product offerings.

## BUSINESS REVIEW AND OUTLOOK *(continued)*

### Business Review for FY2023 *(continued)*

#### Sturdy Scalability in Specialties and Dental Segments

During FY2023, the overall performance of specialties services and dental services of the Group witnessed solid growth as compared with that in FY2022. With the ease of the pandemic, patients were more willing to visit hospitals and clinics for non-emergency medical needs. Furthermore, the Group's continuous efforts to extend the scope of specialties and dental services as well as to enhance the quality of medical services and patient experiences contributed to the growth of these segments.

The revenue generated from the specialties services of the Group during FY2023 amounted to approximately HK$115.4 million (FY2022: approximately HK$104.4 million). In view of the growth potential of specialties services due to the strong demand on medical and healthcare services during post-pandemic era, the Group has expanded its specialist team and several specialties services such as Ophthalmology, Otorhinolaryngology, Gastroenterology & Hepatology, General Surgery, Orthopaedics & Traumatology and Dermatology & Venereology by engaging respective specialists during FY2023.

In respect of dental services, the Group continued its strategy of developing high-end dental services during FY2023 and the revenue of dental services amounted to approximately HK$67.3 million, an increase of 6.4% as compared with that of FY2022. The Group's dental team, comprising of highly skilled and experienced dentists, provided comprehensive and personalised dental care for its patients. The Group's continuous investment in dental technology and equipment enabled faster and more accurate diagnosis and treatment, making an essential contribution to the growth in this segment.


## BUSINESS REVIEW AND OUTLOOK *(continued)*

### Business Review for FY2023 *(continued)*

#### Official Opening of Healthy Square H2 – Mega Health Hub

To further expand its specialties and dental services and enhance its capabilities, the Group has established the mega health hub – Healthy Square H2 at Star House in Tsim Sha Tsui, which is a healthcare facility that offers a wide range of medical and health-tech services. The health hub integrates several services under one roof, making it convenient for customers to access more comprehensive care at once. The one-stop services provided at the mega health hub mainly include specialties, day surgery, dental, community pharmacy, physical examination, early detection, nutritionist, wellness management as well as sales of healthcare products and services and a creative activity centre offering health lectures and activities, etc.

More specifically, providing specialties services in the same location allows for more centralised and extensive range of specialised services. With the newly established day procedure centre with license under Private Healthcare Facilities Ordinance, specialists can provide patients with more options for the treatment and convenient services. The health management centre provides a range of medical diagnostic imaging services include Mammogram, DEXA, X-Ray, FibroScan, etc., nutritionist services, wellness management and vaccinations. The community pharmacy provides customers with various medications and supplements, allowing customers whom have long-term medication needs or without doctor's consultation to obtain the health advice through the consultation with the on-site pharmacist, while the dental centre offers a range of services, including check-ups, cleanings, and treatments. The retail centres of the health hub collaborate with different brands and online-offline platforms to provide customers with a broader range of health and wellness products and services.

## BUSINESS REVIEW AND OUTLOOK *(continued)*

### Business Review for FY2023 *(continued)*

#### Steady Development of Rehabilitation Services

During FY2023, the Group took a momentous step by establishing a Work Injury Rehabilitation Office and providing services under the Pilot Programme launched by the Labour Department of Hong Kong. This initiative reinforced the Group's medical services layout, and the Pilot Programme has progressed favorably, contributing a stable source of income to the Group.

The Pilot Programme offers private out-patient rehabilitation treatment services to injured construction employees who are expected to be absent from work or have been absent from work for six weeks or more following a work-related injury. The Group has forged a strategic partnership with CUHKMC to provide professional rehabilitation and case management services to the injured employees under the Pilot Programme.

The Group remains optimistic towards the potential of the rehabilitation market in Hong Kong and is committed to optimising its services to provide top-notch rehabilitation and case management services to injured employees and facilitate the overall development of the Group's medical services. The Group believes that the Pilot Programme presents a unique opportunity to expand its service offerings and enhance its capabilities, and it will continue to explore new business opportunities in the rehabilitation market to meet the evolving needs of its customers.

# Management Discussions and Analysis

## BUSINESS REVIEW AND OUTLOOK *(continued)*

### Business Review for FY2023 *(continued)*

#### Positive Prospect on PRC Business Development

During FY2023, the Shanghai Human Health Integrated Medical Centre (上海盈健門診部) – the medical centre operated by Pingan Yingjian Medical Management (Shanghai) Limited* (平安盈健醫療管理(上海)有限公司) ("**Pingan Yingjian**", the associate of the Group) focused on nourishing customer retention, attracting new customers through referral programs, and providing premium, high-quality and high-value added medical aesthetic and other aesthetic services to enhance customer experiences.

In view of the expansion of the medical centre in October 2021, the huge growth potential of healthcare industry during the post-pandemic era in the PRC, along with the reopening of the border of the PRC, the Group has entered into loan agreement with Pingan Yingjian for the provision of shareholder's loan of RMB10.5 million for a term of three years on 5 January 2023 by utilising the unutilised net proceeds from the initial public offering of the Company for the expansion in the PRC market. The loan to Pingan Yingjian will be used as its working capital for the existing and expanding business. The medical centre plans to continue its efforts to provide high-quality medical aesthetic services while also introducing new services to meet the diverse needs of its customers. The revamp and expansion of the existing centre will involve upgrading the facilities and thus, enhancing the overall customer experience. The commitment to continuous improvement and increase customer satisfaction of the medical centre in Shanghai is in line with the Group's mission to promote health and wellness for all.

#### Brand Recognitions and Affirmations

Along with increased customer satisfaction and engagement, the Group garnered a number of accolades which recognise its contribution to the society and its commitment to providing customers with the quality service as well as accompanying them in the life-long journey of pursuing wellness:

– Social Capital Builder Awards 2022–24 (2022–24社會資本動力獎) by Home and Youth Affairs Bureau & Community Investment and Inclusion Fund

– Partner Employer Award 2022 (2022友商有良嘉許計劃) by The Hong Kong General Chamber of Small and Medium Business

– Brand Design Awards 2023 (2023最佳設計品牌大獎) by Hong Kong Designers Association

* *For identification purpose only*

## BUSINESS REVIEW AND OUTLOOK *(continued)*

### Business Review for FY2023 *(continued)*

#### Professional Services Provided by the Group

As at 30 June 2023, the Group operated 54 medical centres, 1 day procedure centre, 3 retail centres and 1 community pharmacy in Hong Kong under the following brand names with 103 service points.

# Management Discussions and Analysis

## BUSINESS REVIEW AND OUTLOOK *(continued)*

### Business Review for FY2023 *(continued)*

#### Professional Services Provided by the Group *(continued)*

As a one-stop healthcare service provider in Hong Kong, during FY2023, the Group continued to provide a series of healthcare services including but not limited to general practice services, specialties services, dental services, Chinese medicine, physiotherapy, outreach, rehabilitation and case management, diagnostics and imaging, day procedure and endoscopy, medical aesthetics and wellness services as well as sales of healthcare products and services to cater customers' different types of medical and wellness needs.

During FY2023, the Group provided the following comprehensive healthcare services:

**General Practice Services**

- Generalt consultation
- Diagnostic and preventive healthcare services
- Minor procedures
- Vaccinations
- Physical check-ups
- Health education activities
- Occupational health advices
- Work injury assessment
- Chinese medicine
- Telemedicine
- COVID-19 related services
- Outreach services
- Sale of healthcare related products and services
- Rehabilitation and case management services

**Specialties Services**

Specialties
- General surgery
- Orthopaedics & Traumatology
- Ophthalmology
- Otorhinolaryngology
- Paediatrics
- Obstetrics & Gynaecology
- Gastroenterology & Hepatology
- Respiratory medicine
- Cardiology
- Paediatric surgery
- Dermatology & Venereology
- Psychiatry
- Urology
- Nephrology
- Clinical Psychology
- Clinical Oncology
- Neurosurgery
- Anaesthesiology
- Radiology

Other Services
- Physiotherapy
- Medical aesthetics
- Medical diagnostic
- Day Procedure and Endoscopy
- Nutritionist services
- Health and wellness services
- Trading of wellness related products

**Dental Services**

General Dentistry
- Dental Implant
- Root Canal Therapy
- Crown, Bridge, Denture
- Minor Oral Surgery, Wisdom Teeth Extraction
- Root Planing
- Orthodontic Treatment (Brace, Clear Aligner)
- 3D Guided Implant Surgery
- Intraoral Digital Impression
- CAD/CAM Dentistry
- Laser Dentistry
- Cone-beam Computed Tomography
- Cephalometric Imaging
- Panoramic Radiography
- Filling, Extraction
- Dental Scaling & Prophylaxis

Cosmetics Dentistry
- Teeth Whitening
- Laser Gum Bleaching
- Graphite Tattoo Removal
- Gingival Margin Recontouring
- Upper Lip Repositioning
- Veneer

Specialist Dentistry
- Orthodontics
- Prosthodontics
- Periodontics
- Oral and Maxillofacial Surgery

Other Services
- Same-day Dental Service
- Emergency Dental Treatment
- Complex Dental Surgery
- Dental Treatment under Monitored Anesthesia Care

## BUSINESS REVIEW AND OUTLOOK *(continued)*

### Business Review for FY2023 *(continued)*

#### Professional Services Provided by the Group *(continued)*

The Group attributes its prominent market position to its experienced professional team comprised of general practitioner, specialist, dentist and others such as optometrist, clinical psychologist, physiotherapist, radiographer, registered nurse, pharmacist, dental hygienist, nutritionist, case manager and rehabilitation manager with a total number of 558 members, to provide comprehensive, professional and person-centric care services to the community.

### Business Outlook

With the relaxation of pandemic-related restrictions and the reopening of Hong Kong and Mainland China's borders, number of inbound visitors is expected to increase, thus bringing a surge in the demand from visitors. In addition, the general public's awareness of health issues has significant increased, the Group is optimistic towards the growing market potential of healthcare services sector and public-private partnerships in Hong Kong during the post-pandemic era. However, ongoing challenges and uncertainty over the global economic outlook suggest that the long-term economic outlook remains complex and uncertain. Therefore, the Board remains cautiously optimistic towards the Group's upcoming business growth and financial performance sustainability for FY2024.

Given the circumstances, the Group remains dedicated to continuously refining its business strategy in alignment with market trends, enhancing operational efficiency and effectiveness, broadening its scope of service, proactively engaging medical professionals and other talents, and stepping up partnerships with the Hong Kong Government and other strategic allies. All these efforts are expected to ensure the Group's sustainable development in the face of challenging conditions.

#### Expansion of Eye Healthcare Services

Looking into the coming fiscal year, as part of its strategy to provide more comprehensive healthcare solutions, the Group plans to expand its eye healthcare services at Healthy Square H2. The Group shall provide its customers a wider range of eye related procedures, covering Cataract, Vision Correction, and Retinal Diseases. The expansion of these services is expected to make ophthalmology services to be one of the core revenue streams for specialties segment of the Group. Additionally, the Group aims to provide its services that cater to elderly, middle-aged and young segments, ensuring that high-quality eye healthcare services are accessible to all.

## BUSINESS REVIEW AND OUTLOOK *(continued)*

### Business Outlook *(continued)*

#### Standing Alliances with Hong Kong Government and Strategic Partners

Over the past years, collaborations with the Hong Kong Government and strategic alliances have been testified as a pivotal and effective strategy of development for the Group. In light of this, the Group has been and will be consistently looking for close cooperation with the Hong Kong Government in the area of healthcare and strategic partnerships with organisations having similar vision and values.

During FY2023, with the Primary Healthcare Blueprint issued by the Hong Kong Government to formulate the direction of development and strategies for strengthening Hong Kong's primary healthcare system, the demand for primary healthcare services and private medical spending are anticipated to increase. Since the pandemic, the Group has seen more attentive social sentiment to physical health, and the demand for more comprehensive medical services is rising. The Group thus believes there is enormous expansion potential for private medical services and, as a leading private healthcare service provider, the Group will strive to grasp the market opportunities by fully collaborating with the Hong Kong Government with an aim to maintain a sustainable and healthy healthcare system that supports every citizen in Hong Kong over the long run.

Regarding alliances with key partners, the Group entered into a strategic collaboration with UMP Healthcare in February 2023 to develop a new integrated imaging and laboratory centre at Tsim Sha Tsui – ProCare Integrated Medical Imaging & Laboratory Centre (Tsim Sha Tsui) managed by UMP Healthcare. With the resources, networks, and professional expertise jointly provided by both parties, the synergy generated from this collaboration is anticipated to bolster the Group's long-term business operations. The Group believes that such a partnership will fortify the Group's position in the business-to-business and business-to-consumer markets, augment the efficacy and efficiency of its medical facilities, and solidify its leading position in the healthcare industry.

Additionally, in May 2023, the Group strategically invested in BioMed for developing on gut microbiome technology based on precision medicine, providing advanced and affordable non-pharmaceutical health management solutions that help people to improve sub health and metabolic syndromes effectively. Along with the strategic investment in BioMed, the Group launched collaborations on various fronts including co-brand marketing and promotion of gut microbiome products. The collaboration between two parties is expected to extend to the Greater Bay Area. In response to the current market demands in Hong Kong, BioMed and the Group plan to roll out more microbiome-based products that help people to restore the balance of gut flora as well as alleviate discomfort after taking antibiotics.

## BUSINESS REVIEW AND OUTLOOK *(continued)*

### Business Outlook *(continued)*

#### Sustaining Commitment to Digitalisation and Service Optimisation

The Group has made continuous investment in expediting the upgrade and enhancement of its IT infrastructure and digital transformation. Apart from the development of the next-generation integrated clinic operating platform together with the well-established digital registration programme which are expected to empower the Group to better manage its business engagement with consumers (B2C), corporate partners (B2B) as well as the Hong Kong Government (B2G). In addition, the Group has launched "Ticketing", a queuing system and "eHealth station", a virtual health station supporting various measurements such as blood pressure, blood oxygen, cholesterol, etc at most of its medical centres. Both systems leverage cutting-edge technology to provide customers with a seamless and efficient experience, avoid long queuing time and improving overall customer satisfaction. The investment in IT infrastructure and digital transformation is a key part of the Group's strategy to stay ahead of industry trends and meet the evolving needs of its customers. The Group is continuously exploring new ways to utilise technology to enhance its management efficiency, streamline operational processes, and boost customer satisfaction.

#### Outlook for FY2024

The Group's strategic initiatives in FY2023 have demonstrated its ability to innovate and resilience towards market challenges. Looking ahead to FY2024, while the revenue from general practice services will unavoidably be adversely affected by the cessation of the COVID-19 related services, the Group will remain committed to delivering high-quality and holistic healthcare services to its customers and will continue to explore new business opportunities in response to evolving customer needs. The Group aims to consolidate its leading position in the healthcare industry by expanding its market share, increasing its scale and efficiency, and enhancing its stakeholder engagement during FY2024. At the same time, the Group will also continue to prioritise digitisation and automation to improve operational efficiency and effectiveness.

All in all, the Group is well-positioned to capitalise on the increasing demand for healthcare services in the region, and it stays confident in its ability to deliver sustainable growth and long-term returns to its shareholders. As always, the Group will remain vigilant in monitoring the impact of any potential macroeconomic or industry-specific challenges and will take appropriate measures to mitigate any risks. The Group is well-prepared to embrace the opportunities that lie ahead.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2023, the Group had net current assets of approximately HK$447.8 million (as at 30 June 2022: approximately HK$430.8 million), which included cash and cash equivalents and pledged deposits of approximately HK$642.3 million (as at 30 June 2022: approximately HK$272.4 million). As at 30 June 2023, the Group had interest-bearing bank borrowings of approximately HK$36.5 million which comprise (i) bank mortgage loans of approximately HK$32.6 million (as at 30 June 2022: approximately HK$34.4 million) which will be matured in 2036 at an interest of Hong Kong Interbank Offered Rate plus 1.2%; and (ii) interest-bearing bank borrowings of approximately HK$3.9 million (as at 30 June 2022: approximately HK$7.8 million) which will be matured in 2024 at an interest rate of Hong Kong Interbank Offered Rate plus 1.75%. As at 30 June 2023, the Group had unutilised loan facility of approximately HK$16.8 million (as at 30 June 2022: approximately HK$12.9 million). All the interest-bearing bank borrowings was held in Hong Kong dollars and the cash and cash equivalents and pledged deposits were held in Hong Kong dollars and Renminbi.

As at 30 June 2023, the Group's gearing ratio, which is net debt (represents interest-bearing bank borrowings) divided by the total capital plus net debt, is approximately 4.3% (as at 30 June 2022: approximately 5.4%).

## CAPITAL STRUCTURE

There was no change in the capital structure of the Company during FY2023. The capital of the Company comprises ordinary shares and other reserves.

## CHARGES ON GROUP ASSETS

As at 30 June 2023, no fixed deposit has been pledged to a bank to secure an overdraft facility of the Group (as at 30 June 2022: approximately HK$1.0 million). A fixed deposit of approximately HK$1.0 million (as at 30 June 2022: approximately HK$1.0 million) has been pledged to a bank as collateral security for banking facilities granted to the extent of HK$1.0 million. Properties which were held by the Group have been pledged to banks for the bank mortgage loans of approximately HK$32.6 million (as at 30 June 2022: approximately HK$34.4 million).

## FOREIGN EXCHANGE EXPOSURE

The Group conducts business primarily in Hong Kong and the PRC with most of the transactions denominated and settled in Hong Kong dollars and Renminbi. Currently, the Group has not entered into any foreign exchange contracts or other financial instruments to hedge against the fluctuations in the exchange rate between Renminbi and Hong Kong dollars. However, the Group monitors foreign exchange exposure regularly and would consider if there is a need to hedge against significant foreign currency exposure when necessary.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There was no material acquisitions or disposals of subsidiaries, associates and joint ventures during FY2023 and up to the date of this annual report.

## SIGNIFICANT INVESTMENTS

There was no significant investments during FY2023 and up to the date of this annual report.

## CAPITAL COMMITMENTS

| | As at 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | ***HK$'000*** | *HK$'000* |
| Contracted, but not provided for: | | |
| Capital expenditure | **2,073** | 2,520 |

The expected source of funding for such capital commitments would be internal resources of the Group.

## INVESTMENT PROPERTIES

As at 30 June 2023, the Group had three investment properties consisting two commercial properties and one car park space in Hong Kong, particulars of which are set out as follows:

| | Address | Lot Number | Interests in the properties by the Group | Existing Use | Lease Term |
|---|---|---|---|---|---|
| 1. | Unit 5, 20th Floor, Enterprise Square Two, 3 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong | New Kowloon Inland Lot No. 6204 | 100% | Office | Short lease |
| 2. | Unit 6, 20th Floor, Enterprise Square Two, 3 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong | New Kowloon Inland Lot No. 6204 | 100% | Office | Short lease |
| 3. | Parking Space No. P5 on 5th Floor, Enterprise Square Two, 3 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong | New Kowloon Inland Lot No. 6204 | 100% | Car Park | Short lease |

## CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2023 (as at 30 June 2022: Nil).

## EMPLOYEES

As at 30 June 2023, the Group had 428 full-time employees (as at 30 June 2022: 542) and 426 part-time employees (as at 30 June 2022: 1,157).

We recruit personnel from the open market and we formulate our recruitment policy based on market conditions, our business demand and expansion plans. We offer different remuneration packages to our employees based on their positions. Generally, we pay basic salaries and incentives (based on years of service) to all of our employees. To enhance the quality of our services, we adopt prudent assessment criteria when selecting the Group's professional staff including physiotherapist, radiographer, optometrist, pharmacist, registered nurse, dental hygienist and nutritionist, etc, and take into account a number of factors such as experience, skills and competencies. We assess their credentials and suitability through interviews and aptitude tests as appropriate. We also provide training programmes regularly for our employees at different levels. Details of our human resources programs, training and development will be set out in the environmental, social and governance ("**ESG**") report ("**ESG Report**") in the annual report for the year ended 30 June 2023.

## USE OF PROCEEDS FROM THE LISTING

Net proceeds from the listing of the shares of the Company (the "**Shares**" and each a "**Share**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 1 April 2016 (the "**Listing**") amounted to approximately HK$84.8 million (including the net proceeds from the full exercise of the over-allotment option which took place on 21 April 2016). On 24 February 2021, the Board resolved to reallocate the unutilised proceeds and the details of the change in use of proceeds are set out in the announcement of the Company dated 24 February 2021. For the period commencing from the Listing to 30 June 2023, the proceeds has been utilised as follows:

| | Net proceeds (after reallocation on 24 February 2021) *HK$ million* | Unutilised amounts as at 30 June 2022 *HK$ million* | Utilised amounts during FY2023 *HK$ million* | Utilised amounts as at 30 June 2023 *HK$ million* | Unutilised amounts as at 30 June 2023 *HK$ million* |
|---|---|---|---|---|---|
| Expansion of network in Hong Kong by setting up six new specialist medical centres | 39.1 | – | – | 39.1 | – |
| Expansion of network in Hong Kong by setting up six new general practice medical centres | 5.9 | – | – | 5.9 | – |
| Expansion in the PRC market | 18.3 | 8.0 | 8.0 | 18.3 | – |
| Acquisition of established medical centres in Hong Kong | 2.8 | – | – | 2.8 | – |
| Brand building | 5.1 | – | – | 5.1 | – |
| Enhancement of IT infrastructure | 5.1 | – | – | 5.1 | – |
| Working capital and other general corporate purposes | 8.5 | – | – | 8.5 | – |
| | 84.8 | 8.0 | 8.0 | 84.8 | – |

As of 30 June 2023, the net proceeds from the Listing have been fully utilised by the Company.

# Directors, Senior Management and Company Secretary

## EXECUTIVE DIRECTORS

**Mr. CHAN Kin Ping, BBS, JP (陳健平)** (formerly known as Chan Kin Ping (陳建平)) ("**Mr. Chan**"), aged 59, is the chairman of the Board, chief executive officer of our Group and an executive Director. He is the founder of our Group and has since then been leading our Group for over 25 years to serve in the private healthcare industry. He is responsible for managing the overall operations and developments and formulating the overall business plans of our Group. As at the date of this annual report, Mr. Chan held directorship in each of the members of the Group except Healthvision (Asia) Limited, Win Ocean Limited, Champion Max Global Limited and Human Health Enterprise Management Consulting (Shanghai) Co., Ltd.* (盈健企業管理諮詢(上海)有限公司) ("**Yingjian Qiye**").

Mr. Chan obtained a degree of Master of Business Administration from the University of South Australia in August 2008.

Mr. Chan has been appointed to various public offices, such as 2023–2024 Treasurer and 2022–23 Chairman of The Lok Sin Tong Benevolent Society, Kowloon, the Permanent Honorary President of Hong Kong Kowloon City Industry and Commerce Association, the Permanent Honorary President of Kowloon West Youth Care Committee, the Vice Chairman of Auxiliary Medical Services Officers' Club, the Executive Committee Member of the Hong Kong Professionals and Senior Executives Association, the Director of the Hong Kong Shanxi Chamber of Commerce, the Vice President of the Hong Kong Real Property Federation and the Advisor of Our Hong Kong Foundation Limited.

Mr. Chan is the husband of Dr. Pang Lai Sheung, the chief medical officer of our Group and an executive Director, and the uncle of Mr. Poon Chun Pong, the chief operating officer of our Group and an executive Director.

Mr. Chan is a director of Treasure Group Global Limited ("**Treasure Group**"), the controlling shareholder of the Company.

**Dr. PANG Lai Sheung (彭麗嫦)** ("**Dr. Pang**"), aged 56, was appointed as the chief medical officer of our Group and is an executive Director. Dr. Pang is the founder of our Group and is mainly responsible for overseeing and providing advice on the management of our medical team and has contributed significantly to the developments of our Group. As at the date of this annual report, Dr. Pang held directorship in a number of members of the Group, namely Actmax Limited, Human Health Associate Limited, Human Health International Limited, Human Health Limited, Human Health Medical Services Limited, Human Health (H.K.) Limited, Novel Champion Limited, Novel Wiser Limited, Solid Success Global Limited and Happy Reach Limited.

Dr. Pang obtained degrees of Bachelor of Medicine and Bachelor of Surgery from The Chinese University of Hong Kong in 1993. Dr. Pang has been a registered medical practitioner in Hong Kong since 1993. Dr. Pang also completed a Diploma in Family Medicine and a Diploma Programme in Advances in Medicine from The Chinese University of Hong Kong in August 2001 and March 2005, respectively.

* *For identification purpose only*

## EXECUTIVE DIRECTORS *(continued)*

Dr. Pang was awarded a degree of Master of Business Administration issued jointly by Northwestern University and The Hong Kong University of Science and Technology in December 2014.

Moreover, she has been an Honorary Clinical Assistant Professor in Faculty of Medicine of The Chinese University of Hong Kong since June 2014.

Dr. Pang is the wife of Mr. Chan, the chairman of the Board, chief executive officer of our Group and an executive Director. She is also the aunt of Mr. Poon Chun Pong, the chief operating officer of our Group and an executive Director.

**Mr. POON Chun Pong (潘振邦)** ("**Mr. Poon**"), aged 45, joined our Group in June 2003 and was appointed as the chief operating officer in September 2013. Mr. Poon is an executive Director and is mainly responsible for overseeing the overall business operations of our Group. Mr. Poon has extensive experience in areas of management, operations and information technology in the medical field. As at the date of this annual report, Mr. Poon held directorship in a number of members of the Group, namely Actwise Limited, Be Health Specialist Limited, Healthvision (Asia) Limited, We Health Medical Diagnostic Limited, Impact Medical Imaging Centre Company Limited, Human Health Medical Network Services Limited, Polywell Limited, Vision Plus Eye and Surgery Centre Limited, Win Ocean Limited, Champion Max Global Limited and Yingjian Qiye.

Mr. Poon obtained a degree of Bachelor of Engineering with Honours and a degree of Master of Business Administration from The Chinese University of Hong Kong in December 2000 and December 2009, respectively.

Mr. Poon is the nephew of Mr. Chan, the chairman of the Board, chief executive officer of our Group and an executive Director, and Dr. Pang, the chief medical officer of our Group and an executive Director.

**Dr. SAT Chui Wan (薩翠雲)** ("**Dr. Sat**") (resigned on 1 March 2023), aged 55, joined our Group in August 2008 and was appointed as the chief financial officer of our Group in September 2013 and resigned as an executive Director on 1 March 2023. She was mainly responsible for overseeing the financial, compliance, risk and human resources management of our Group. She has extensive working experience in accounting, finance, management and strategic planning in different industries prior to joining our Group.

Dr. Sat obtained a degree of Bachelor of Arts in Accountancy from the Hong Kong Polytechnic University in October 1992. She subsequently obtained a degree of Master of Business Administration from the University of Lancaster in the United Kingdom in November 2000 and completed the International Study Program (ISP) at the University of St. Gallen in December 2000. She also completed the City University of Hong Kong Advanced Management Programme at the University of California, Berkeley in August 2010. In February 2018, she obtained a degree of Doctor of Business Administration from the City University of Hong Kong.

Dr. Sat is a member of the Hong Kong Institute of Certified Public Accountants since September 1996. She was also admitted as an associate of the Association of Chartered Certified Accountants since July 1996 and is a fellow of the Association of Chartered Certified Accountants since July 2001.

Dr. Sat was appointed as the independent non-executive director of Tai Hing Group Holdings Limited, a company listed on the Stock Exchange (Stock Code: 06811) in May 2019.

# Directors, Senior Management and Company Secretary

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Dr. LUI Sun Wing (呂新榮)** ("**Dr. Lui**"), aged 73, was appointed as an independent non-executive Director on 27 January 2016. Dr. Lui obtained his degree of Doctor of Philosophy (Mechanical Engineering) from the University of Birmingham in the United Kingdom in July 1979 and was admitted as a member of the Hong Kong Institution of Engineers in 1985.

Dr. Lui is the former vice president of The Hong Kong Polytechnic University and was responsible for partnership development. He is also the former chief executive officer of the Institute for Enterprise, the PolyU Technology and Consultancy Company Limited and the PolyU Enterprise Limited. Prior to joining The Hong Kong Polytechnic University, Dr. Lui was the branch director of the Hong Kong Productivity Council and in charge of the Materials and Process Branch.

Dr. Lui's past and current directorships in listed companies in Hong Kong in the last three years are set forth in the following table:

| Company | Stock Code | Position | Term |
|---|---|---|---|
| Eco-Tek Holdings Limited | 08169 | Non-executive director | Since January 2001 |

**Mr. CHAN Yue Kwong Michael (陳裕光)** ("**Mr. Michael Chan**"), aged 71, was appointed as an independent non-executive Director on 27 January 2016. He obtained a degree in Sociology and Political Science and a degree of Master of City Planning from the University of Manitoba, Canada in May 1974 and October 1977, respectively and an Honorary Fellow from Lingnan University in December 2009.

Having worked as a professional town planner for various government bodies in Hong Kong and Canada, he has considerable experience in planning and management.

Mr. Michael Chan is currently a fellow and also the honorary chairman of the Hong Kong Institute of Marketing, and the fellow member of the Hong Kong Management Association. In past years, Mr. Michael Chan was personally bestowed with the "Executive of the Year Award" by the Hong Kong Business Awards and the "Directors of the Year Award" by The Hong Kong Institute of Directors, in 2001 and 2003 respectively.

## INDEPENDENT NON-EXECUTIVE DIRECTORS *(continued)*

Mr. Michael Chan's past and current directorships in listed companies in Hong Kong in the last three years are set forth in the following table:

| Company | Stock Code | Position | Term |
|---|---|---|---|
| Cafe de Coral Holdings Limited | 00341 | Non-executive director | Since April 2012 |
| Starlite Holdings Limited | 00403 | Independent non-executive director | Since January 1993 |
| Pacific Textiles Holdings Limited | 01382 | Independent non-executive director | Since March 2007 |
| Tse Sui Luen Jewellery (International) Limited | 00417 | Independent non-executive director | Since August 2010 |
| Tao Heung Holdings Limited | 00573 | Non-executive director | Since March 2007 |
| Modern Dental Group Limited | 03600 | Independent non-executive director | Since November 2015 |

**Mr. SIN Kar Tim (冼家添)** ("**Mr. Sin**"), aged 67, was appointed as an independent non-executive Director on 27 January 2016. Mr. Sin has extensive experience in areas of accounting, finance, administration, human resources and company secretarial.

Mr. Sin obtained a degree of Bachelor of Business Administration from The Chinese University of Hong Kong in December 1980. He is currently a fellow of the Association of Chartered Certified Accountants and an associate of the Hong Kong Institute of Certified Public Accountants. He is also a fellow of the Hong Kong Institute of Directors.

Mr. Sin has been working for Wing On Group since July 1980. He is currently the chief accountant and company secretary of Wing On Company International Limited, a company listed on the Stock Exchange (Stock Code: 00289), the chief accountant of The Wing On Company Limited and a director of The Wing On Department Stores (Hong Kong) Limited and he is responsible for the group's administration, accounting and finance matters.

# Directors, Senior Management and Company Secretary

## SENIOR MANAGEMENT

**Mr. CHAN Kin Ping, BBS, JP (陳健平)**, aged 59, is the chairman of the Board, chief executive officer of our Group and an executive Director. He is responsible for managing the overall operations and developments and formulating the overall business plans of our Group. Mr. Chan's biographical details are set out in the section headed "Executive Directors" in the "Directors, Senior Management and Company Secretary" of this annual report.

**Dr. PANG Lai Sheung (彭麗嫦)**, aged 56, is the chief medical officer of our Group and an executive Director. She is responsible for overseeing and providing advice on the management of our medical team of our Group. Dr. Pang's biographical details are set out in the section headed "Executive Directors" in the "Directors, Senior Management and Company Secretary" of this annual report.

**Mr. POON Chun Pong (潘振邦)**, aged 45, is the chief operating officer of our Group and an executive Director. He is responsible for overseeing the overall business operations of our Group. Mr. Poon's biographical details are set out in the section headed "Executive Directors" in the "Directors, Senior Management and Company Secretary" of this annual report.

**Dr. CHAN Tin Wai, David (陳天衛)** ("**Dr. David Chan**"), aged 58, was appointed as the chief financial officer of our Group in February 2023. He is responsible for overseeing the financial, compliance, risk and human resources management of our Group. He obtained an LLB (Hons) degree and a degree of Master of Law from the University of London, a degree of Master of Accounting from Curtin University of Australia and a Doctorate degree in Business Administration from the University of Newcastle in Australia. He is a fellow member of the Institute of Chartered Accountants in England and Wales, the Association of Chartered Certified Accountants, the Chartered Governance Institute (CGI), the Hong Kong Institute of Certified Public Accountants, the Hong Kong Chartered Governance Institute (HKCGI) and the Taxation Institute of Hong Kong.

Dr. David Chan had worked in several multinational and Hong Kong blue chip companies and has over 30 years of experiences in overseeing corporate finance, merger and acquisition activities, accounting, company secretarial, legal, administration and human resource functions.

Dr. David Chan was recognised as "Leaders of Excellence" by Capital Magazine in 2013 and was awarded "Best IR by CFO – mid cap" by HK Investor Relation Association in 2016.

## SENIOR MANAGEMENT *(continued)*

**Dr. SETO Siu Keung (司徒少強)** ("**Dr. Seto**"), aged 57, joined our Group in August 2008 and was appointed as our co-head of dental unit in July 2015 and is responsible for overseeing the quality of the dental services and providing training to dentists of our Group. As at the date of this annual report, Dr. Seto held directorship of the Group, namely Poly Dental Services Limited ("**Poly Dental**"). Dr. Seto is a dentist, who graduated with a Bachelor in Dental Surgery from the Faculty of Dentistry of the University of Hong Kong in December 1992. He then obtained his Diploma in General Dental Practice from The Royal College of Surgeons of England in February 1996, a Postgraduate Diploma in Dental Surgery from the University of Hong Kong in October 1999 and a Master of Science in Dental Radiology at the University of London in December 2001. In August 2004, he was awarded a Diploma in Clinical Acupuncture by The University of Hong Kong. Subsequently, Dr. Seto switched to laser dentistry where he completed a Master of Science in Lasers in Dentistry in RWTH Aachen University of Germany in September 2007 with distinction. In 2008, he was awarded the Membership in General Dentistry by The College of Dental Surgeon of Hong Kong and in 2009 he obtained the European Master Degree in Oral Laser Application.

Dr. Seto was a part time clinical lecturer in the Faculty of Dentistry of the University of Hong Kong from September 2005 to August 2015. He is currently a specialist clinical lecturer of the Laser and Health Academy and a Fellow of the International College of Continuous Dental Education.

**Dr. LAU Wai Man (劉偉文)** ("**Dr. Lau**"), aged 57, joined our Group in August 2008 and was appointed as our co-head of dental unit in July 2015 and is responsible for overseeing the quality of the dental services and providing training to dentist of our Group. As at the date of this annual report, Dr. Lau held directorship of the Group, namely Poly Dental. Dr. Lau is a dentist who graduated with a Bachelor of Dental Surgery from the University of Hong Kong in 1992. Dr. Lau later completed a Diploma of Membership of the Faculty of General Dental Practitioners from The Royal College of Surgeons of England in 2005. In 2014, he received a Membership in General Dentistry from The College of Dental Surgeons of Hong Kong.

**Dr. SAT Chui Wan (薩翠雲)** (resigned on 1 March 2023), aged 55, was the chief financial officer of our Group and an executive Director. She was responsible for overseeing the financial, compliance, risk and human resources management of our Group. Dr. Sat's biographical details are set out in the section headed "Executive Directors" in the "Directors, Senior Management and Company Secretary" of this annual report.

## COMPANY SECRETARY

**Ms. MAN Ching Yan (文靜欣)** ("**Ms. Man**") has joined our Group since May 2015. Ms. Man obtained a bachelor's degree in economics and finance from the University of Hong Kong. Ms. Man is a member of the Hong Kong Chartered Governance Institute (HKCGI) and the Chartered Governance Institute (CGI). Ms. Man is a CFA charterholder and a member of the CFA Institute and The Hong Kong Society of Financial Analysts Limited.

# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICE

The Company has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own corporate governance framework.

The Board has reviewed the Company's corporate governance practices to ensure its continuous compliance with the CG Code. Save for the deviations from code provision C.2.1 as disclosed below, the Company has complied with all the applicable code provisions set out in the CG Code during FY2023.

Under the code provision C.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company has appointed Mr. Chan Kin Ping, BBS, JP as both the chairman and the chief executive officer of the Company. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership of the Group and enables more effective and efficient overall strategic planning. In addition, since the major decisions of the Group, including but not limited to material transactions undertaken by the Group and corporate governance, will require discussion and approval by all Board members, the Board believes that the other Board members have sufficient power in scrutinising and/or monitoring the exercise of power by the chairman and chief executive officer. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman and chief executive officer of the Company as and when appropriate and suitable by taking into account the circumstances of the Group as a whole.

## CORPORATE STRATEGY AND CULTURE

The Group, with comprehensive and strategic medical centre network and professional team members and staff to provide one-stop and quality healthcare services to the public. With an aim to "Elevate Your Health Values, Elevate Your Life", Human Health has established an extensive general practice, specialties, dental, physiotherapy, health management, diagnostics and imaging, day procedure and endoscopy, rehabilitation and case management, medical aesthetic, Chinese medicine and wellness services as well as sale of healthcare products and services network to provide professional and person-centric care medical and wellness services in Hong Kong.

The Group recognises the value of collaborating with consumers, business partners as well as the government entities and is dedicated to forming a smart wellness ecosystem that revolutionises the approach to health and well-being. We strive to optimise stakeholders engagement and strengthen the diversion of customers by different means and multifold channels by involving and engaging our stakeholders more effectively, co-creating innovative solutions, products and services that cater to the diverse wellness needs of our community, and contributing to the formulation of policies that support our collective wellness objectives. Through the integration of advanced technology, data analytics, and community engagement, we are geared up to make a crucial impact on individual and societal well-being.

Detailed discussions on the Group's business strategies are set out under the section headed "Management Discussion and Analysis" on pages 7 to 25 of this annual report.

## THE BOARD OF DIRECTORS

### Responsibilities

The functions and duties of our Board include, but not limited to, overall strategic directions for the Group, formulating business and investment plans, preparing the annual budget and accounts, preparing proposals on profit distribution as well as performing other authorities, functions and responsibilities in accordance with the second amended and restated articles of association of the Company (the "**Articles of Association**"). Each of the executive Directors who is also the chief executive officer, chief medical officer and chief operating officer, respectively together with our senior management and heads of departments have been delegated with the responsibilities to handle the day-to-day operations of the Group. The Company has adopted a formal schedule of matters specifically reserved for the Board, including but not limited to the following:

- approval for the Company's strategic plans and objectives;
- approval for significant transactions, investments and major financial matters;
- approval of announcements, circulars and reports;
- approval of connected transactions;
- approval of any matters that are recommended by the Board committee pursuant to their terms of reference.

The Board gives clear directions to management on the matters that must be approved by it before decisions are made. The Board will review those arrangements periodically to ensure that they remain appropriate to the Group's needs.

Specifically in relation to the corporate governance function, the Board is responsible for performing, among others, the following corporate governance duties set out in the code provision A.2.1 of the CG Code:

1. developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board;
2. reviewing and monitoring the training and continuous professional development of Directors and senior management;
3. reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
4. developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to our employees and Directors;

## THE BOARD OF DIRECTORS *(continued)*

### Responsibilities *(continued)*

5. reviewing the Company's compliance with the CG Code and disclosure in the corporate governance report; and

6. overseeing and reviewing the ESG issues including the Company's management approach and strategy and progress made against ESG-related goals and targets.

The Board has delegated part of the above duties to the Company's Board committees, and their duties are set out in the terms of reference of the respective Board committee.

During FY2023, the Board reviewed the Company's policies and practices on corporate governance and legal and regulatory compliances and reviewed the corporate governance functions as performed by the Company's Board committees.

All Directors have full and timely access to all relevant information in relation to the Group as well as the advice from and services provided by the company secretary of the Company (the "**Company Secretary**"), if and when required, with a view to ensure that all applicable rules and regulations are being complied with.

There are established procedures for Directors, upon reasonable request, to seek independent advice in appropriate circumstances for them to discharge their duties and responsibilities, at the Company's expenses.

The Company has arranged appropriate liability insurance for the Directors and officers of the Group to indemnify their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

### Composition

The Board currently consists of six Directors comprising three executive Directors and three independent non-executive Directors.

#### Executive Directors

Mr. Chan Kin Ping, BBS, JP *(Chairman and Chief Executive Officer)*
Dr. Pang Lai Sheung
Mr. Poon Chun Pong
Dr. Sat Chui Wan (resigned on 1 March 2023)

#### Independent Non-executive Directors

Dr. Lui Sun Wing
Mr. Chan Yue Kwong Michael
Mr. Sin Kar Tim

## THE BOARD OF DIRECTORS *(continued)*

### Composition *(continued)*

The biographical details of each Director are set out in the "Directors, Senior Management and Company Secretary" of this annual report.

Save as disclosed in the "Directors, Senior Management and Company Secretary" of this annual report, there is no other relationship (including financial, business, family or other material/relevant relationship), among the Directors.

### Chairman of the Board and Chief Executive Officer

Mr. Chan acts as the chairman of the Board and chief executive officer of the Group.

The key role of the chairman of the Board is to provide leadership to the Board. In performing his duties, the chairman of the Board shall ensure that the Board functions effectively when discharging its responsibilities by encouraging Directors to make active contribution to the Board's affairs. The chairman of the Board also ensures that good corporate governance practices and procedures are established and the Board acts in the best interest of the Company.

The key role of chief executive officer is to be responsible for the day-to-day management and operations of the business of the Group. The duties of chief executive officer mainly include, but not limited to, providing leadership and supervising the effective management of the Group; monitoring and controlling the financial and operational performance of various divisions; and implementing the objectives and strategies approved by the Board and policies adopted by the Group.

### Independent Non-executive Directors

During FY2023, the Board at all times met the requirements under Rules 3.10(1) and (2), and 3.10A of the Listing Rules, pursuant to which, the Company has appointed three independent non-executive Directors and representing at least one-third of the Board, and of whom Mr. Sin has appropriate professional qualifications and related experiences in financial matters.

The Company has received written confirmation from each of the independent non-executive Directors confirming his independence pursuant to Rule 3.13 of the Listing Rules, and therefore, the Company considers that all independent non- executive Directors are independent.

### Independent views of the Board

The Board currently comprises three independent non-executive directors who have years of experience from different aspects, including but not limited to accounting and finance, engineering and business management. The independent non-executive directors are able to provide independent and appropriate opinions to the Board so as to ensure that the Board can obtain independent views and opinions that it requires when exercising its powers and making major decisions.

## THE BOARD OF DIRECTORS *(continued)*

### Independent views of the Board *(continued)*

In compliance with code provision B.1.4 of the CG Code, the Company has established mechanisms to ensure that independent views and input are available to the Board:

(a) all members of the Board can seek independent professional advice when necessary to perform their responsibilities in accordance with the Company's policy.;

(b) the Nomination Committee should review the Board composition and the independence, qualification and time commitment of the independent non-executive Directors annually, in particular the proportion of the independent non-executive Directors and the independence of the independent non-executive Directors who have served for more than nine years, where applicable;

(c) all members of the Board, including the independent non-executive directors, are given an opportunity to include matters in the agenda for Board meetings;

(d) the Directors who have conflict of interests of matters concerned in the Board meetings, would abstain from voting in the relevant Board resolutions in relation to the transactions;

(e) all independent non-executive directors shall serve on the audit, remuneration, nomination and other governance committees (if any) to bring independent judgment and views to the governance and policies of the Company.

The Board has conducted an annual review of the implementation and effectiveness of these mechanisms and considered they are in place and are effective.

### Appointment and Re-election of Directors

Code provision B.2.2 states that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. The term of appointment of each non-executive Director are three years.

Pursuant to article 83(3) of the Articles of Association, the directors shall have the power from time to time and at any time to appoint any person as a director either to fill a casual vacancy on the board or as an addition to the existing board. Any director appointed by the board to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any director appointed by the board as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

## THE BOARD OF DIRECTORS *(continued)*

### Appointment and Re-election of Directors *(continued)*

Pursuant to articles 84(1) and 84(2) of the Articles of Association, notwithstanding any other provisions in the Articles of Association, at each annual general meeting one third of the directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one third) shall retire from office by rotation provided that every director shall be subject to retirement at an annual general meeting at least once every three years. A retiring director shall be eligible for re-election and shall continue to act as a director throughout the meeting at which he retires. The directors to retire by rotation shall include (so far as necessary to ascertain the number of directors to retire by rotation) any director who wishes to retire and not to offer himself for re-election. Any further directors so to retire shall be those of the other directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Any director appointed by the board pursuant to article 83(3) of the Articles of Association shall not be taken into account in determining which particular directors or the number of directors who are to retire by rotation.

Accordingly, Dr. Pang and Mr. Michael Chan will retire as required by the Articles of Association and the Listing Rules and, being eligible, offer themselves for re-election at the annual general meeting to be held on Thursday, 7 December 2023 (the "**AGM**").

### Induction and Continuous Professional Development for Directors

Each newly appointed Director will receive comprehensive induction on the first occasion of his/her appointment, so as to ensure that he/she has proper understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

There are also arrangements in place for providing continuing briefing and professional development to Directors whenever necessary. The Directors are regularly briefed on relevant legal and regulatory developments, business and market changes in order to discharge their responsibilities. During FY2023, the Company has arranged in-house trainings in respect of the Listing Rules and other applicable legal and regulatory requirements to the Directors and reading materials on relevant topics have been provided to the Directors for refreshing and developing their professional knowledge.

During FY2023, all Directors have been provided with regular updates on the Group's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

## THE BOARD OF DIRECTORS *(continued)*

### Induction and Continuous Professional Development for Directors *(continued)*

All Directors have provided their training records to the Company and below the Directors' training by topics in FY2023.

| | Director's duties/ ESG practices/ Listing Rules updates/ Other rules & regulations updates | Financial reporting/Risk management/ Internal control | Anti-corruption/ Anti-money laundering |
|---|---|---|---|
| **Executive Directors** | | | |
| Mr. Chan Kin Ping, BBS, JP | ✔ | ✔ | ✔ |
| Dr. Pang Lai Sheung | ✔ | ✔ | ✔ |
| Mr. Poon Chun Pong | ✔ | ✔ | ✔ |
| Dr. Sat Chui Wan (resigned on 1 March 2023) | ✔ | ✔ | ✔ |
| **Independent Non-executive Directors** | | | |
| Dr. Lui Sun Wing | ✔ | ✔ | ✔ |
| Mr. Chan Yue Kwong Michael | ✔ | ✔ | ✔ |
| Mr. Sin Kar Tim | ✔ | ✔ | ✔ |

## BOARD AND BOARD COMMITTEES MEETINGS

Regular Board meetings are scheduled to facilitate maximum attendance by the Directors and to be held at least 4 times a year at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Group.

Apart from the regular Board meetings, the Board will meet on other occasions from time to time when a board-level decision on a particular matter is required.

Notices of at least 14 days for regular Board meetings are served to all Directors while reasonable notice is generally given for other Board meetings.

For Board committee meetings, notices are served in accordance with the required notice period stated in the relevant terms of reference.

## BOARD AND BOARD COMMITTEES MEETINGS *(continued)*

Agenda and accompanying papers together with all appropriate, complete and reliable information are sent to Directors or Board committee members at least 3 days before each Board or Board committee meeting to keep the Directors appraised of the latest developments and financial position of the Group and to enable them to make informed decisions. Directors are given the opportunity to include matters in the agenda for Board or Board committee meetings. The Board and each Director also have separate and independent access to the management of the Group whenever necessary.

Minutes of all Board meetings, Board committee meetings and general meetings recording sufficient details of matters considered and decisions reached, are kept by the Company Secretary, and are opened for inspection by the Directors. Draft and final versions of minutes are sent to all Directors or Board committee members for comments within a reasonable time after the meetings.

### Board Meetings and Other Meetings

During FY2023, five Board meetings were held when the following key issues were, among others, reviewed and considered:

- annual and interim financial statements and the related results announcements and reports;
- corporate governance practice, internal control and risk management;
- connected transactions;
- distribution of dividend, circular and other documentations for the annual general meeting;
- ESG reporting matters;
- budget plan for the year ending 30 June 2024;
- change of Director and related announcements;
- election of means of receipt of corporate communications and related announcements and documentations;
- investments and acquisitions; and
- amendments of Articles of Association.

During FY2023, one meeting was held between the chairman of the Board and the independent non-executive Directors without the executive Directors present. An annual general meeting was held and all Directors attended.

## BOARD AND BOARD COMMITTEES MEETINGS *(continued)*

### Board Meetings and Other Meetings *(continued)*

Attendance records of the Directors are set out below:

| | Number of meetings attended/eligible to attend | Number of general meetings attended/eligible to attend |
|---|---|---|
| **Executive Directors** | | |
| Mr. Chan Kin Ping, BBS, JP | 5/5 | 1/1 |
| Dr. Pang Lai Sheung | 5/5 | 1/1 |
| Mr. Poon Chun Pong | 5/5 | 1/1 |
| Dr. Sat Chui Wan (resigned on 1 March 2023) | 3/3 | 1/1 |
| **Independent Non-executive Directors** | | |
| Dr. Lui Sun Wing | 5/5 | 1/1 |
| Mr. Chan Yue Kwong Michael | 5/5 | 1/1 |
| Mr. Sin Kar Tim | 5/5 | 1/1 |

### Board Committees

The Board has established three Board committees, namely the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**") for overseeing particular aspects of the Group's affairs. All Board committees of the Company are established with defined written terms of reference which are posted on the Company's and the Stock Exchange's websites.

The majority of the members of each Board committee are independent non-executive Directors. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

## BOARD AND BOARD COMMITTEES MEETINGS *(continued)*

### Audit Committee

The Audit Committee comprises three independent non-executive Directors, namely:

Mr. Sin Kar Tim *(Chairman)*
Dr. Lui Sun Wing
Mr. Chan Yue Kwong Michael

None of the members of the Audit Committee is a former partner of the Company's existing external auditor. The main duties of the Audit Committee include, among others, the following:

(a) making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(b) monitoring integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them;

(c) reviewing the Company's financial controls, risk management and internal control systems;

(d) discussing the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems;

(e) considering major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

(f) ensuring co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

(g) review the group's financial and accounting policies and practices;

(h) reporting to the Board on the matters in relation to the corporate governance functions;

(i) reviewing continuing connected transactions of the Company and ensuring compliance with the Listing Rules; and

(j) ensuring the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting function.

## BOARD AND BOARD COMMITTEES MEETINGS *(continued)*

### Audit Committee *(continued)*

During FY2023, three meetings of the Audit Committee were held when, among others, the following key issues were reviewed and considered and recommendations were made to the Board where appropriate:

- the nature and scope of the audit by reference to the audit plan presented by the auditor;
- the independence of the auditor;
- the re-appointment of the auditor;
- the audit findings by the auditor and the auditor's management letter;
- the annual and interim financial statements and related results announcements and reports;
- the corporate governance practice, the internal audit plan, internal control system and risk management;
- the continuing connected transactions of the Group; and
- the appointment of internal audit function.

For the work undertaken by the Audit Committee in relation to internal control and risk management, please refer to the section headed "Internal Control and Risk Management".

Attendance records of the members of Audit Committee are set out below:

| Audit Committee members | Number of meetings attended/eligible to attend |
|---|---|
| Mr. Sin Kar Tim *(Chairman)* | 3/3 |
| Dr. Lui Sun Wing | 3/3 |
| Mr. Chan Yue Kwong Michael | 3/3 |

## BOARD AND BOARD COMMITTEES MEETINGS *(continued)*

### Remuneration Committee

The Remuneration Committee comprises the Chairman and executive director of the Board and three independent non-executive Directors, namely:

Dr. Lui Sun Wing *(Chairman)*
Mr. Chan Kin Ping, BBS, JP
Mr. Chan Yue Kwong Michael
Mr. Sin Kar Tim

The main duties of the Remuneration Committee include, among others, the following:

(a) making recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration;

(b) reviewing and approving management's remuneration proposals with reference to the Board's corporate goals and objectives resolved by the Board from time to time;

(c) making recommendations to the Board on the remuneration packages of individual Directors and senior management;

(d) reviewing, recommending and approving the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment;

(e) establishing transparent procedures for developing remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, whose remuneration shall be determined by reference to the performance of the individual and the Group as well as market practice and conditions; and

(f) reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules.

During FY2023, two meetings of the Remuneration Committee were held when, among others, the following key issues were reviewed and considered and recommendations were made to the Board where appropriate:

- the remuneration package of executive Directors and senior management by assessing the performance of the executive Directors and senior management; and

- the bonus proposal of the executive Directors and senior management.

During FY2023, there was no matter relating to the share option scheme adopted by the Company that the Remuneration Committee was required to review and/or approve pursuant to the Listing Rules.

## BOARD AND BOARD COMMITTEES MEETINGS *(continued)*

### Remuneration Committee *(continued)*

Attendance records of the members of Remuneration Committee are set out below:

| Remuneration Committee members | Number of meetings attended/eligible to attend |
|---|---|
| Dr. Lui Sun Wing *(Chairman)* | 2/2 |
| Mr. Chan Kin Ping, BBS, JP | 2/2 |
| Mr. Chan Yue Kwong Michael | 2/2 |
| Mr. Sin Kar Tim | 2/2 |

### Nomination Committee

The Nomination Committee comprises the Chairman and executive director of the Board and three independent non-executive Directors, namely:

Mr. Chan Yue Kwong Michael *(Chairman)*
Dr. Lui Sun Wing
Mr. Chan Kin Ping, BBS, JP
Mr. Sin Kar Tim

The main duties of the Nomination Committee include, among others the following:

(a) formulating nomination policy for the Board's consideration and implementing the Board's approved nomination policy;

(b) reviewing the Board diversity policy and the progress on achieving the objectives set for implementing the said policy;

(c) reviewing the structure, size and composition (including the skills, knowledge, experience and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(d) identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships;

(e) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman of the Board and the chief executive officer of the Group; and

(f) assessing the independence of independent non-executive Directors.

## BOARD AND BOARD COMMITTEES MEETINGS *(continued)*

### Nomination Committee *(continued)*

#### Diversity

*Board Diversity*

A policy on Board diversity has been reviewed by the Board and which sets out the approach to achieve the diversity of the Board. With a view to achieving a sustainable and balanced development, the Company considers diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. Selection of candidates as the Board members will be based on a range of diversity perspectives, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee considers that the Board's composition is balanced and diverse as the Board members involve different age groups, genders, professional experience, skills and length of service. Therefore the Nomination Committee did not set any measurable objective in implementing the policy during FY2023 and the Nomination Committee has reviewed the implementation and the effectiveness of the policy on Board diversity.

During FY2023 and as at the date of this annual report, the Board comprises six Directors, one Director is woman. Three of the Directors are independent non-executive directors and independent of management, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether in terms of gender, professional background and skills.

*Workforce Diversity*

As at 30 June 2023, the gender ratio of male and female in the full-time workforce of the Group (including senior management) was 12% and 88% respectively. For further details of gender ratio together with the relevant data, please refer to the disclosure as set out in the "ESG Report" of this annual report. The Group's approach for talent recruitment and retention is to employ a diverse team of employee based on a range of diversity perspectives, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and length of service. Notwithstanding that, due to the culture of the medical industry, a plan or a measurable objective for achieving gender diversity at the workforce level has not been set by the Board. During FY2023, the Board was not aware of any mitigating factors or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant.

## BOARD AND BOARD COMMITTEES MEETINGS *(continued)*

### Nomination Committee *(continued)*

#### Nomination Policy

A nomination policy has been adopted and reviewed by the Board annually which sets out the selection process on the selection of individual nominated for directorship. The Nomination Committee may search extensively for candidate as director of the Company from the Group or the human resources market and should actively communicate with relevant departments and evaluate the Company's demand for new Board members taking into consideration of the structure, size and composition of the Board and from the perspective of board diversity. The Nomination Committee shall gather information about the occupation, academic qualifications, position served, detailed work experience and all the concurrent posts of the candidate and seek the candidate's consent for nomination. After reviewing the qualifications of the candidate on the criteria for director of the Company, the Nomination Committee then makes recommendation to the Board regarding the candidate as director of the Company and submits the relevant information to the Board prior to the appointment of new director.

During FY2023, one meeting of the Nomination Committee was held when, among others, the following key issues were reviewed and considered and recommendations were made to the Board where appropriate:

- the nomination policy and the Board diversity policy;
- the structure, size and composition of the Board;
- training and professional development of Directors and senior management;
- the independence of independent non-executive Directors; and
- the rotation and re-election of Directors in the annual general meeting.

Attendance records of the members of Nomination Committee are set out below:

| **Nomination Committee members** | **Number of meeting attended/eligible to attend** |
|---|---|
| Mr. Chan Yue Kwong Michael *(Chairman)* | 1/1 |
| Dr. Lui Sun Wing | 1/1 |
| Mr. Chan Kin Ping, BBS, JP | 1/1 |
| Mr. Sin Kar Tim | 1/1 |

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code of conduct regarding securities transactions by the Directors. In response to a specific enquiry made by the Company, all Directors have confirmed their compliance with the Model Code during FY2023.

Directors of the subsidiaries of the Company and relevant employees (as defined in the Listing Rules) are also requested to comply with the Model Code in respect of their dealings in the Company's securities.

## DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the Group's financial statements. The financial statements for FY2023 have been prepared in accordance with Hong Kong Financial Reporting Standards, including Hong Kong Accounting Standards and applicable Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Listing Rules and other applicable regulatory requirements.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquires, they are not aware of any material uncertainty relating to events of conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

## AUDITOR'S REMUNERATION

The responsibilities of the external auditor, Ernst & Young, are set out in the "Independent Auditor's Report" on pages 124 to 130 of this annual report.

The Audit Committee has been notified of the nature and service charges of the non-audit services performed by Ernst & Young, includes tax services and considered that such services have no adverse effect on the independence of their audit works.

An analysis of the remuneration payable to Ernst & Young, in respect of audit and non-audit services for FY2023 are set out below:

| **Nature of services** | **Amount** |
|---|---|
| | *HK$'000* |
| Audit services | 1,870 |
| Non-audit services | |
| The non-audit services include tax services fee | 527 |

## INTERNAL CONTROL AND RISK MANAGEMENT

The Board recognises its overall responsibility in ensuring the risk management and internal control systems of the Group and reviewing their effectiveness, and the Audit Committee is delegated with the authority from the Board to oversee the risk management and internal control systems on an ongoing basis and reviewing its effectiveness annually, and is committed to implementing a sound risk management and internal control systems to safeguard the interests of the Shareholders and the assets of the Group.

Effective management of risks is an essential and integral part of corporate governance and it helps to ensure that the risks encountered in the course of achieving the Group's business objectives are managed within the Group's risk profile and appetite statements. The Group has adopted and designed an Enterprise Risk Management ("**ERM**") framework to assist the Audit Committee and the Board in proactively identifying the key risks, analysing and managing the key risks with controls, and assigning risk owner for on-going monitoring and reporting, whereby an effective risk management is in place. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and would only provide reasonable assurance against material misstatement or error. A self-assessment of the risk management and control measurement has been conducted during FY2023 to identify the significant risks faced by the Group and indicators have been set to continuously monitor the effectiveness of the risk management functions.

During FY2023, the Group had engaged an independent internal control consultant to perform the internal audit function after considering the expertise of the independent internal control consultant and the cost efficiency. Such internal audit function provides an independent review of the Group's ERM and internal control systems. During FY2023, the internal audit function reviewed the risk management and internal control systems and provided reasonable assurance that material misstatements or errors were prevented, potential interruption of the Group's management system was detected, and existing risks in the course of arriving at the Group's objectives were properly managed. The review covers major controls over financial, operational and compliance, and material internal control deficiencies, if any, were set out in the internal control review report with recommendations of improvement and agreed management action plan and assessed by the Audit Committee. In particular, the internal audit function has reviewed the continuing connected transactions and confirmed that internal control procedures were in place. No significant control failings or weaknesses that have been identified during FY2023, which could have had, or may in the future have, a material impact on the Group's financial performance or condition. The internal audit function reported its review results to the Audit Committee twice during FY2023 and the Audit Committee has reviewed and ensured the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's internal audit, accounting and financial reporting functions as well as those relating to the Company's ESG performance and reporting. The Board considers that the existing risk management and internal control systems are effective and adequate and no significant areas of concern have been identified. The Board also considers that the Company's processes for financial reporting and Listing Rules compliance are effective.

Regarding the procedures and internal controls over the handling and dissemination of inside information, the Group has internal policy and procedures which identify and handle with inside information by designated Director and the Company Secretary and has complied with the obligations for the disclosure of inside information under the Listing Rules and the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**") during FY2023. The Board is aware of its obligations to announce any inside information in accordance with the Listing Rules and the SFO. No material unauthorised use or untimely disclosure of the inside information was notified or reported to the Board during FY2023.

## COMPANY SECRETARY

Ms. Man is the Company Secretary. The Company Secretary is responsible for reporting to the Board on day-to-day duties and responsibilities and for advising the Board on governance matters and also facilitates the induction and professional development of Directors. All Directors have access to the advice and service of the Company Secretary to ensure that all applicable rules and regulations are followed. The Company Secretary also keeps proper records of all Board meetings, Board committee meetings and general meetings which are made available for inspection by the Directors at all reasonable times. Ms. Man's biographical details are set out in the section headed "Company Secretary" in the "Directors, Senior Management and Company Secretary" of this annual report. Ms. Man had complied with the professional training requirement under Rule 3.29 of the Listing Rules during FY2023.

## SHAREHOLDERS' RIGHTS

Article 58 of the Articles of Association states that any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

As regards proposing a person for election as a director of the Company, please refer to the "Procedures for Shareholders to Propose a Person for Election as a Director" which is posted on the Company's website at www.humanhealth.com.hk.

All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange after each general meeting.

## COMMUNICATIONS WITH SHAREHOLDERS

The Company has adopted a Shareholders' communication policy, which has helped the Company to ensure that the Shareholders will have equal and timely access to the information about the Company in order to enable the Shareholders to exercise their rights in an informed manner and allow them to engage actively with the Company. The Board reviews the Shareholders' communication policy and its implementation annually. The Board is of the view that the implementation of the Shareholders' communication policy was effective having considered the communication channels in place to provide the Shareholders and the investor community with information about the latest development of the Group in a timely manner, and the various communication channels established by the Company between itself and its Shareholders and the investors to allow the Company to receive feedback effectively.

## COMMUNICATIONS WITH SHAREHOLDERS *(continued)*

The Company recognises the importance of continuing communications with the Shareholders and investors, and maintains ongoing dialogues with them through various channels. The primary communication channel between the Company and the Shareholders is through the publication of the Company's interim and annual reports.

The Company's Hong Kong branch share registrar, Tricor Investor Services Limited serves the Shareholders with respect to all share registration matters.

The Company's annual general meeting provides a useful forum for the Shareholders to exchange views with the Board. Board members and the auditor are available to answer Shareholders' questions and explain the procedures for demanding and conducting a poll, if necessary. Any relevant information and documents on proposed resolutions are sent to all Shareholders at least twenty-one clear days before the annual general meeting pursuant to the Articles of Association.

All Shareholders' communications, including interim and annual reports, announcements and circulars as well as the Shareholders communication policy are available on the Company's website at www.humanhealth.com.hk. The latest business developments and core strategies of the Company can also be found on the Company's website, keeping the communications with Shareholders open and transparent.

The Company also welcomes the Shareholders to direct their enquiries and views via the communication channels provided by the Company on the Company's website to communicate their view on matters affecting the Company and the Company will solicit and get feedback from the Shareholders.

A dividend policy has been adopted by the Board and will be reviewed annually by the Board. The policy aims to set out the practice of paying dividends to the Shareholders and to allow the Shareholders to participate in the Company's profits by providing stable and sustainable returns to the Shareholders and for the Company to retain adequate reserves for future growth. The Company in general meeting may from time to time declare dividends in Hong Kong dollars 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, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose. The Board may recommend a payment of dividends after taking into account the Company's operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, Shareholders' interests and other factors which the Board may deem relevant. It is the Company's intention to pay an annual dividend to the Shareholders out of the profits attributable to shareholders of the Company, net of major funding needs (if any) for each year and also after taking into account the absolute amount of the proposed dividends. Any declarations of dividends will be at the absolute discretion of the Board and may not reflect the Company's historical declarations of dividends. Any declaration and payment (including the amount) of dividends will be subject to the Articles of Association, the Laws of Hong Kong and the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands.

## INVESTOR RELATIONS

The Company keeps on promoting investor relations and enhancing communication with the Shareholders and potential investors. The Company welcomes the Shareholders, investors, stakeholders and the public to send their enquiries or proposal at general meetings to our Company Secretary by addressing them to the Company's address at 12th Floor, Enterprise Square Two, 3 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong or by email at ir@humanhealth.com.hk or by phone at (852) 3971 8274 during normal business hours or by fax at (852) 2312 2772.

## CONSTITUTIONAL DOCUMENTS

During FY2023, the Board obtained the approval of the Shareholders at the annual general meeting of the Company held on 2 December 2022 to amend and restate the then existing articles of association of the Company in order to bring the articles of association up-to-date and in line with the amendments made to the core shareholder protection standards set out in Appendix 3 of the Listing Rules. The amended and restated articles of association of the Company is available for viewing on the websites of the Company and the Stock Exchange.

Save as disclosed above, there was no other amendment made to the constitutional documents of the Company during FY2023.

# Directors' Report

The Directors are pleased to present this annual report together with the audited consolidated financial statements for FY2023.

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The Group is principally engaged in the provision of comprehensive, one-stop and quality healthcare services to the public. The activities and other particulars of its principal subsidiaries are set out in note 1 to the financial statements of this annual report. There were no significant changes in the nature of the Group's principal activities during FY2023.

A review of the business of the Group during FY2023 and its future development are set out in the section headed "Business Review and Outlook" in the "Management Discussion and Analysis" of this annual report. The section "Management Discussion and Analysis" forms part of this directors' report.

## FINANCIAL RESULTS AND PERFORMANCE

A financial review of the Group during FY2023 is set out in the section headed "Financial Review" in the "Management Discussion and Analysis" of this annual report.

The Group's profit or loss and other comprehensive income for FY2023 and the Group's financial position as at 30 June 2023 are set out in the financial statements on pages 131 to 133 of this annual report.

## FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK16 cents per Share for FY2023 (FY2022: HK30 cents) (the "**Final Dividend**"). The payment of the Final Dividend is subject to approval by the shareholders of the Company (the "**Shareholders**") at the forthcoming AGM. Upon obtaining the Shareholders' approval, the Final Dividend is expected to be paid on or around Friday, 29 December 2023 to the Shareholders whose names appear on the register of members of the Company on Friday, 15 December 2023.

Details of dividends for FY2023 are set out in note 11 to the financial statements of this annual report.

## CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the Shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 4 December 2023 to Thursday, 7 December 2023, both days inclusive, during which no transfer of Shares will be registered. In order to be entitled to attend and vote at the AGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 1 December 2023.

For the purpose of ascertaining the Shareholders' entitlement to receive the Final Dividend, the register of members of the Company will be closed from Wednesday, 13 December 2023 to Friday, 15 December 2023, both days inclusive, during which no transfer of Shares will be registered. In order to qualify for receiving the Final Dividend, all duly completed transfer forms accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 12 December 2023.

## SHARE CAPITAL

There were no movements in the Company's share capital during the year.

## DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 30 June 2023 amounted to approximately HK$253.4 million of which approximately HK$60.7 million has been proposed as the Final Dividend for FY2023.

## DONATIONS

Donations made by the Group during FY2023 amounted to approximately HK$32,000.

## SUMMARY OF FINANCIAL INFORMATION

A summary of the results and assets, liabilities and non-controlling interest of the Group for the past five financial years is set out on page 232 of this annual report. This summary does not form part of the audited financial statements.

## TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

## PRINCIPAL RISKS AND UNCERTAINTIES

The operations and business of the Group may be affected by various risks and uncertainties and the principal risks and uncertainties are set out below.

### Strategic Risk

Following the resumption of normalcy in Hong Kong, the demand from the community changes rapidly together with the ongoing challenges and uncertainty over the global economic outlook, the post COVID-19 era has brought challenges to the Group and the management of the Company has to adapt and formulate response strategies for seizing business opportunities in the market.

In addition, shortage of qualified medical personnel has always been a critical issue for healthcare industry. The severe competition from other healthcare service providers increases the difficulties for the Group to recruit or retain medical professional.

### Operational Risk

We are dependent on our medical team and our financial results may be affected if we are not able to engage qualified professionals to join our team or retain them. In particular, our business model is based on consultancy arrangements with the medical team and their companies. In case any of them does not accept this arrangement, we may not be able to procure them to provide medical and dental services at our medical centres.

In addition, we operate all of our medical centres on leased properties. Any non-renewal of leases or substantial increase in rent may affect our business and financial performance.

### Reputational Risk

We rely on our reputation within the healthcare service industry and our brand image which may be adversely affected by negative publicity. Moreover, the limitation in promoting the business of our Group may affect our ability to further enhance our brand recognition or secure new business opportunity in the future.

### Legal Risk

Our general practitioners, specialists and dentists are required to take out comprehensive professional indemnity insurance policies at their own costs and indemnify our Group against all claims and damages sustained by our Group caused by their acts or negligence in relation to the services carried out by them. If our Group (or together with our general practitioners, specialists and dentists) experiences any situation where we are sued by our customers for damages caused by the acts or negligence of our general practitioners, specialists and dentists, we cannot guarantee that our general practitioners, specialists and dentists would have the financial capability to honour their obligation to indemnify us against all claims and damages in case professional indemnity insurance policies maintained by them would not be sufficient to cover the cost of the claims. Any costs arising therefrom could have a material adverse effect on our business, results of operations and financial condition.

## PRINCIPAL RISKS AND UNCERTAINTIES *(continued)*

### Financial Risk

Details about the Group's financial risk management are set out in note 40 to the financial statements of this annual report.

## RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

### Employees

We embrace our employees as the most valuable assets of the Group. The objective of the Group's human resources management is to reward and recognise outstanding employees by providing competitive remuneration packages with basic salary and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression within the Group by providing adequate training and opportunities. Details of the relationship with our employees are set out in the ESG Report of this annual report.

### Customers

We are committed to safeguarding the health of the community and are always concerned about their needs. By following our vision "Elevate Your Health Value, Elevate Your Life" (昇華健康價值，共創豐盛人生), we can provide person-centric and quality-focused services to our customers resulting in a sustainable and lasting relationship with our customers. Details of the relationship with our customers are set out in the "ESG Report" of this annual report.

### Suppliers

The Group recognises the importance of good relationship with its suppliers to ensure long-term sustainable growth for the Group. We strive to cultivate a mutually beneficial and trusting relationship with our suppliers and particularly this is crucial for us to engage and retain medical team and hence provide quality services to our customers. Details of the relationship with our suppliers are set out in the "ESG Report" of this annual report.

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

During FY2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

# Directors' Report

## DIRECTORS

The Directors during FY2023 and up to the date of this annual report were:

### Executive Directors

Mr. Chan Kin Ping, BBS, JP *(Chairman and Chief Executive Officer)*
Dr. Pang Lai Sheung
Mr. Poon Chun Pong
Dr. Sat Chui Wan (resigned on 1 March 2023)

### Independent Non-executive Directors

Dr. Lui Sun Wing
Mr. Chan Yue Kwong Michael
Mr. Sin Kar Tim

In accordance with the Articles of Association and the Listing Rules, Dr. Pang and Mr. Michael Chan shall retire at the AGM and, being eligible, offer themselves for re-election.

## BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of the Directors are set out in the "Directors, Senior Management and Company Secretary" of this annual report.

## DIRECTORS' SERVICE CONTRACTS

Each of our executive Directors has entered into a service contract with our Company for a term of three years commencing from 1 April 2022, which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years commencing from 1 April 2022, which may be terminated by not less than three months' notice in writing served by either party on the other.

There is no service contract entered into by the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation) of any Director proposed for re-election at the AGM.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as (i) disclosed under the section headed "Non-Exempt Continuing Connected Transactions" below; (ii) disclosed in note 36 "Related Party Transactions" to the financial statements of this annual report; and (iii) Mr. Chan and Dr. Sat (resigned on 1 March 2023) have approximately 24.39% and 2.44% partnership interests, respectively in New Journey Healthcare LP, no Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance in relation to the business of the Group to which the Company, its holding company, or any of their respective subsidiaries was a party subsisted at the end of FY2023 or at any time during FY2023.

## DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at 30 June 2023, none of the Directors has any interest in a business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the Group's business and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

## DIRECTORS', SENIOR MANAGEMENT'S AND EMPLOYEES' EMOLUMENTS

The Group's remuneration policy aims to provide a competitive remuneration to attract, retain and motivate high quality talent, having regard to the Group's and individual's performance and comparable market trends and may consist of several components such as fixed part, performance-based and long-term incentives. At the same time, such awards must be aligned with the Shareholders' interests.

Particulars of Directors' remuneration and five highest paid employees are set out in notes 8 and 9 to the financial statements of this annual report.

The amount or value of fees and bonus of the members of the senior management by bands for FY2023 is set out below:

| **Fees by bands** | **Number of individuals** |
|---|---|
| Nil to HK$3,000,000 | 1 |
| HK$3,000,001 to HK$6,000,000 | 4 |
| HK$6,000,001 to HK$9,000,000 | 2 |

No director waived any emolument during FY2023.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2023, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (a) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

### Interests in Shares or underlying Shares

| Name of Director | Capacity in which Shares/ underlying Shares were held | Number of Shares/ underlying Shares held | Approximate percentage of total issued Shares (note iii) |
|---|---|---|---|
| Mr. Chan Kin Ping, BBS, JP | Interest of controlled corporation (note i) | 252,346,286 (note ii) | 66.49% |
| | Beneficial owner | 6,850,000 | 1.80% |
| Dr. Pang Lai Sheung | Interest of controlled corporation (note i) | 252,346,286 (note ii) | 66.49% |
| Mr. Poon Chun Pong | Beneficial owner | 486,000 | 0.13% |

Notes:

(i) Mr. Chan, Dr. Pang and Treasure Group were our controlling shareholders (as defined in the Listing Rules). Treasure Group was owned as to 50% by Mr. Chan and 50% by Dr. Pang and Mr. Chan is the director of Treasure Group.

(ii) These Shares were beneficially owned by Treasure Group. Mr. Chan and Dr. Pang were deemed to be interested in these Shares pursuant to Part XV of the SFO.

(iii) The percentages were calculated based on the total number of issued Shares as at 30 June 2023.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

### Interests in shares of Treasure Group Global Limited (the "Associated Corporation")

| Name of Director | Capacity in which the shares were held | Number of shares held | Approximate percentage of total issued shares (note i) |
|---|---|---|---|
| Mr. Chan Kin Ping, BBS, JP | Beneficial owner | 1 | 50.00% |
| Dr. Pang Lai Sheung | Beneficial owner | 1 | 50.00% |

Note:

(i) The percentages were calculated based on the total number of issued shares of Treasure Group as at 30 June 2023.

All the above interests in the Shares and underlying Shares and the shares of the Associated Corporation were long positions and the class of shares in which the interests are held are ordinary shares of the respective companies.

Save as disclosed above, as at 30 June 2023, none of the Directors nor chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or the Associated Corporation, which were required to be notified to the Company and the Stock Exchange or recorded in the register as aforesaid.

## ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Apart from the share option scheme conditionally approved and adopted by the written resolutions of the Shareholders on 17 February 2016 (the "**Share Option Scheme**"), at no time during FY2023 was the Company or any of its subsidiaries a party to any arrangement to enable a Director to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2023, so far as it is known by or otherwise notified by any Director or the chief executives of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares (a) which would fall to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO; or (b) as recorded in the register required to be kept under Section 336 of the SFO:

| Name of substantial Shareholder | Capacity in which the Shares were held | Number of Shares held | Approximate percentage of total issued Shares (note ii) |
|---|---|---|---|
| Treasure Group Global Limited | Beneficial owner (note i) | 252,346,286 | 66.49% |

Notes:

(i) The Shares were beneficially owned by Treasure Group, a company which was owned as to 50% by Mr. Chan and 50% by Dr. Pang. Therefore, Mr. Chan and Dr. Pang were deemed to be interested in such Shares pursuant to Part XV of the SFO.

(ii) The percentages were calculated based on the total number of issued Shares as at 30 June 2023.

All the above interests in the Shares were long positions and the class of Shares in which the interests are held are ordinary shares of the Company.

Save as disclosed above, the Directors are not aware of any other corporations or persons who, as at 30 June 2023, had any interests or short positions in the Shares or underlying Shares (a) which would fall to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO; or (b) as recorded in the register required to be kept under Section 336 of the SFO.

## RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during FY2023 are set out in note 36 to the financial statements of this annual report. Such transactions were either (i) fully exempt from the reporting, annual review, independent shareholders' approval and all disclosure requirements under Rule 14A.76(1) of the Listing Rules; or (ii) non-exempt continuing connected transactions as set out in the section headed "Non-Exempt Continuing Connected Transactions" in the "Directors' Report" of this annual report; or (iii) did not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules. Our Directors confirm that these transactions were conducted in the ordinary and usual course of business of the Group and on normal commercial terms or such terms that were no less favourable to the Group than those available to independent third parties and were fair and reasonable and in the interests of the Shareholders as a whole. The Company confirms that the related party transactions (as the case may be) comply with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

## NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

### Dr. Seto Siu Keung's Consultancy Agreement

Dr. Seto entered into the consultancy agreement with Poly Dental and Dentogenic (Dr. Seto's sole proprietorship) dated 3 August 2021 for a term commencing from 1 September 2021 to 30 June 2024. The following is the summary of material provisions under Dr. Seto's consultancy agreement:

1. Dr. Seto's sole proprietorship shall provide dental services at the medical centres of the Group and shall at all times act in good faith towards his sole proprietorship and maintain the highest possible professional standards and reputation of his sole proprietorship;

2. Poly Dental shall grant Dr. Seto's sole proprietorship the right to use the proprietary names and the proprietary rights for the sole purpose of carrying out his dental practice at the medical centres of the Group;

3. Dr. Seto's sole proprietorship shall be entitled to receive professional fees for the provision of dental services at the medical centres of the Group either at the higher of (a) a monthly fixed fee or (b) at a certain percentage of the amount of net monthly revenue (which refers to revenue received at the medical centres of the Group generated by Dr. Seto, less relevant direct costs such as drugs costs and laboratory charges). Such percentage, monthly fixed fee as well as overall fee arrangement are commensurate to those typically offered to other independent dentists providing dental services at the medical centres of the Group;

4. Dr. Seto's sole proprietorship shall be entitled to receive an annual fixed management fees for the provision of management and training services to the Group which include providing professional advice on the development of the dental unit of the Group and management and training of the dentists team of the Group; and

5. Dr. Seto's Sole Proprietorship shall be entitled to receive a performance fee subject to the performance of dental unit of the Group for each financial year during the term.

## NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS *(continued)*

### Dr. Seto Siu Keung's Consultancy Agreement *(continued)*

For FY2023, Dr. Seto's sole proprietorship was entitled to receive professional fees which amounted to approximately HK$6,296,000 and did not exceed the annual cap of HK$8,000,000 for FY2023.

Given that Dr. Seto is a director of Poly Dental, a subsidiary of the Group and that Dr. Seto's consultancy agreement was entered into by Poly Dental, and Dr. Seto and his sole proprietorship, the transactions under Dr. Seto's consultancy agreement constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

### Dr. Lau Wai Man's Consultancy Agreement

Dr. Lau entered into the consultancy agreement with Poly Dental and Lau Wai Man Dental Surgeon (Dr Lau's sole proprietorship) dated 3 August 2021 for a term commencing from 1 September 2021 to 30 June 2024. The following is the summary of material provisions under Dr. Lau's consultancy agreement:

1. Dr. Lau's sole proprietorship shall provide dental services at the medical centres of the Group and shall at all times act in good faith towards his sole proprietorship and maintain the highest possible professional standards and reputation of his sole proprietorship;

2. Poly Dental shall grant Dr. Lau's sole proprietorship the right to use the proprietary names and the proprietary rights for the sole purpose of carrying out his dental practice at the medical centres of the Group; and

3. Dr. Lau's sole proprietorship shall be entitled to receive professional fees for the provision of dental services at the medical centres of the Group either at the higher of (a) a monthly fixed fee or (b) at a certain percentage of the amount of net monthly revenue (which refers to revenue received at the medical centres of the Group generated by Dr. Lau, less relevant direct costs such as drugs costs and laboratory charges). Such percentage, monthly fixed fee as well as overall fee arrangement are commensurate to those typically offered to other independent dentists providing dental services at the medical centres of the Group.

For FY2023, Dr. Lau's sole proprietorship was entitled to receive professional fees which amounted to approximately HK$7,010,000 and did not exceed the annual cap of HK$9,500,000 for FY2023.

Given that Dr. Lau is a director of Poly Dental, a subsidiary of the Group and that Dr. Lau's consultancy agreement was entered into by Poly Dental, and Dr. Lau and his sole proprietorship, the transactions under Dr. Lau's consultancy agreement constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

## NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS *(continued)*

### Opinion from the Independent Non-executive Directors and Auditor on the Continuing Connected Transactions

The Company's auditor was engaged to report on the Group's non-exempt continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the non-exempt continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules.

The independent non-executive Directors have reviewed these transactions and confirmed that the non-exempt continuing connected transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Directors confirm that the Company has complied with the requirements of Chapter 14A of the Listing Rules in respect of all of its continuing connected transactions.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during FY2023.

## MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers accounted for approximately 50.7% and the largest customer accounted for approximately 45.7% of the Group's total revenue for FY2023.

The aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 18% and the largest supplier accounted for approximately 9.1% of the Group's total purchases for FY2023.

None of the Directors, their close associates or any Shareholders (which to the knowledge of the Directors own more than 5% of the issued Shares) had an interest in the five largest suppliers or customers of the Group.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float as required under the Listing Rules at any time during FY2023 and up to the latest practicable date prior to the issue of this annual report.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to its existing Shareholders.

## EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme as set out below in this annual report, no equity-linked agreements were entered into by the Company during FY2023 or subsisted at the end of FY2023.

## CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

Other than the Share Option Scheme as set out below in this annual report, the Company had no outstanding convertible securities, options, warrants or similar rights as at 30 June 2023. There has been no issue or exercise of the conversion rights or subscription rights under any convertible securities, options, warrants or similar rights granted by the Company or any of its subsidiaries during FY2023.

## SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme. The Directors confirm that the terms of the Share Option Scheme comply with the requirements under Chapter 17 of the Listing Rules.

### (a) Purpose

The purpose of the Share Option Scheme is to provide incentive or reward to eligible persons (as defined in paragraph (b) below) for their contribution to, and continuing efforts to promote the interests of the Group and for such other purposes as the Board may approve from time to time.

### (b) Participants

The Board may, at its absolute discretion, offer eligible persons (being any director, employee (whether full-time or part-time), executive, officer, consultant, adviser, supplier, customer or agent of our Group or such other persons who in the sole opinion of the Board have contributed to and/or will contribute to our Group) (the "**Eligible Persons**") share options to subscribe for such number of Shares in accordance with the terms of the Share Option Scheme.

## SHARE OPTION SCHEME *(continued)*

### (c) Total number of Shares available for issue under the Share Option Scheme

The maximum aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company, must not, in aggregate, exceed 30% of the total number of Shares in issue from time to time. No options may be granted under the Share Option Scheme and any other share option schemes of our Company if this will result in such limit being exceeded.

The total number of Shares to be issued upon exercise of all share options to be granted under the Share Option Scheme and any other share option schemes of our Company must not in aggregate exceed 35,000,000 Shares, representing 10% of the total number of the Shares in issue as at 1 April 2016 and approximately 9.22% of the total number of the Shares in issue as at the date of this annual report unless further Shareholders' approval has been obtained pursuant to the requirements set out in the Share Option Scheme and the Listing Rules.

### (d) Maximum entitlement of each participant

Subject to the requirements set out in the Share Option Scheme and the Listing Rules, no option shall be granted to any Eligible Person (the "**Relevant Eligible Person**") if, at the relevant time of grant, the number of Shares issued and to be issued upon exercise of all options (granted and proposed to be granted, whether exercised, cancelled or outstanding) to the Relevant Eligible Person in the 12-month period expiring on the date on which an offer of the grant of an option under the Share Option Scheme is made to the Relevant Eligible Person would exceed 1% of the total number of Shares in issue at such time.

### (e) Basis of determining the exercise price

The subscription price for a Share in respect of any particular share option granted under the Share Option Scheme (which shall be payable upon exercise of the share option) shall be a price solely determined by the Board and notified to the Eligible Person and shall be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer to grant option (the "**Offer Date**"), which must be a business day; (ii) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the Offer Date; and (iii) the nominal value of the Share.

### (f) Time for acceptance and the amount payable on acceptance of the option

An offer for the grant of the share option must be accepted within 28 days from the Offer Date with a consideration of HK$1.00 payable on acceptance of the offer.

## SHARE OPTION SCHEME *(continued)*

### (g) Time of exercise of option

Subject to the provisions of the Share Option Scheme and the Listing Rules, the Board may in its absolute discretion when offering the grant of an option impose any conditions in relation thereto in addition to those set forth in the Share Option Scheme as the Board may think fit (to be stated in the offer letter) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, achievement of performance targets by our Group and/or the grantee period before the right to exercise the option in respect of all or any of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme and the Listing Rules. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the option can be exercised. The exercise period shall commence after a vesting period (if any) and expire in any event not later than the last day of the 10 years period after the date on which the option is duly accepted by the grantee in accordance with the terms of the Share Option Scheme.

### (h) Remaining Life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of 10 years from 1 April 2016, after which period no further options shall be granted but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto which are at that time or become thereafter capable of exercise under the Listing Rules, or otherwise to the extent as may be required in accordance with the provisions of the Share Option Scheme. As at 30 June 2023, the remaining life of the Share Option Scheme is approximately 2.75 years.

## SHARE OPTION SCHEME *(continued)*

Details of movements of the share options granted under the Share Option Scheme during FY2023 were as follows:

| Name of Grantees | Position held with the Group | Offer Date | Exercise Price per Share Option | Exercise Period | Number of Outstanding Share Options as at 1 July 2022 | Number of Share Options Granted during FY2023 | Number of Share Options Exercised during FY2023 | Number of Share Options Lapsed during FY2032 | Number of Share Options Cancelled during FY2023 | Number of Outstanding Share Options as at 30 June 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| Dr. Sat Chui Wan (resigned on 1 March 2023) | Executive Director, Chief Financial Officer | 4 October 2016 | HK$2.214 (note (iii)) | 4 October 2019 to 3 October 2022 (note (i)) | 960,000 | – | – | 960,000 | – | – |
| Mr. Poon Chun Pong | Executive Director, Chief Operating Officer | 4 October 2016 | HK$2.214 (note (iii)) | 4 October 2019 to 3 October 2022 (note (i)) | 600,000 | – | – | 600,000 | – | – |
| Other eligible persons – employees (in aggregate) | – | 4 October 2016 | HK$2.214 (note (iii)) | 4 October 2019 to 3 October 2022 (note (i)) | 350,000 | – | – | 350,000 | – | – |
| Other eligible persons – suppliers (in aggregate) (note (v)) | – | 4 October 2016 | HK$2.214 (note (iii)) | 4 October 2019 to 3 October 2022 (note (i)) | 400,000 | – | – | 400,000 | – | – |
| Other eligible persons – employees (in aggregate) | – | 28 May 2018 | HK$2.09 (note (iv)) | 1 June 2021 to 31 May 2027 (note (ii)) | 80,000 | – | – | – | – | 80,000 |
| Other eligible persons – suppliers (in aggregate) (note (vi)) | – | 28 May 2018 | HK$2.09 (note (iv)) | 1 June 2021 to 31 May 2027 (note (ii)) | 100,000 | – | – | – | – | 100,000 |
| Total | | | | | 2,490,000 | – | – | 2,310,000 | – | 180,000 |

Notes:

(i) The share options shall be exercisable from 4 October 2019 to 3 October 2022 (both dates inclusive) subject to a vesting scale in 3 tranches as set out below:

(a) The first 33% of the share options shall be exercisable from 4 October 2019 to 3 October 2022;

(b) The second 33% of the share options shall be exercisable from 4 October 2020 to 3 October 2022; and

(c) The remaining 34% of the share options shall be exercisable from 4 October 2021 to 3 October 2022.

## SHARE OPTION SCHEME *(continued)*

Notes: *(continued)*

(ii) The share options shall be exercisable from 1 June 2021 to 31 May 2027 (both dates inclusive) subject to a vesting scale in 3 tranches as set out below:

(a) The first 33% of the share options shall be exercisable from 1 June 2021 to 31 May 2027;

(b) The second 33% of the share options shall be exercisable from 1 June 2022 to 31 May 2027; and

(c) The remaining 34% of the share options shall be exercisable from 1 June 2023 to 31 May 2027.

(iii) The closing price of the Shares immediately before the dates on which the share options were granted on 4 October 2016 was HK$2.20 per Share.

(iv) The closing price of the Shares immediately before the dates on which the share options were granted on 28 May 2018 was HK$2.02 per Share.

(v) The grantees who are suppliers of the Company are Dr. Kwong Kin Hung ("**Dr. Kwong**") and Dr. Lee Huen ("**Dr. Lee**"), who are both general medical practitioners of the Group. Dr. Kwong was granted 300,000 Share Options and Dr. Lee was granted 100,000 Share Options. The terms of the grant to the grantees were identical to each other. The Share Options were granted to the grantees based on the fact that both of the grantees had joined the Group for over 10 years at the time of the grant and are members of the doctor advisory board of the Company ("**DAB**"), which is responsible for overseeing the quality of the medical services provided by the Group and handling issues in relation to the training, engagement and complaints of our medical team, and both grantees served on the DAB for over four years at the time of the grant. As such, the Board considered that the two grantees had provided strategic planning and development to the Group and with great contributions to the Group since their appointment as member of the DAB and reward should be given to the two grantees.

(vi) The grantee who is supplier of the Company is Dr. Seto, who is a co-head of dental unit of the Group. Dr. Seto was granted 100,000 Share Options. The Share Options were granted to the grantee based on the fact that the grantee had great contributions to the development of the dental unit of the Group, particularly on the high-end dental services and management of the dentists team. The Board considered that the grantee had contributions to the Group in his practice area and reward should be given to the grantee.

As at 30 June 2023, the 180,000 share options granted remained outstanding. No share options have been granted, exercised or cancelled and 2,310,000 share options were lapsed during FY2023.

The values of the share options granted on 4 October 2016 and 28 May 2018 are set out in note 31 to the financial statements of this annual report.

## PENSION SCHEME ARRANGEMENTS

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") in Hong Kong under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

A subsidiary operating in the PRC is required to participate in defined contribution retirement schemes organised by the relevant local government authorities since incorporation. It is required to continue a specific amount for the employees in the PRC pursuant to the local municipal government regulations.

## PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, the Directors shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. The stated permitted indemnity provision (as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong ("**Hong Kong Companies Ordinance**")) for the benefit of the Directors is currently in force and was in force throughout FY2023.

## NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDERS

Mr. Chan, Dr. Pang and Treasure Group (collectively, the "**Controlling Shareholders**") entered into a deed of non-competition in favor of the Company (and as trustee for its subsidiaries) dated 15 March 2016 (the "**Deed of Non-Competition**"). The Controlling Shareholders confirmed their compliance with all the undertakings provided under the Deed of Non-Competition. The independent non-executive Directors, based on the confirmation from the Controlling Shareholders, consider that, during FY2023, the terms of the Deed of Non-Competition have been complied with by the Controlling Shareholders.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE PRACTICES

Details of our environment, social and governance policies and practices are set out in the "ESG Report" of this annual report.

## COMPLIANCE WITH LAWS AND REGULATIONS

During FY2023 and up to the date of this annual report, our Group had complied with the relevant laws and regulations that have a significant impact on its business in all material respects and there were no material breaches or violations of the laws and regulations applicable to our Group that would have a material adverse effect on its business and financial position taken as a whole.

## AUDITOR

BDO Limited was the auditor of the Company for the year ended 30 June 2020. Upon expiration of its term of office at the annual general meeting of the Company held on 2 December 2020, BDO Limited did not seek for re-appointment. The Board, with the recommendation from the Audit Committee, has resolved to propose the appointment of Ernst & Young as the auditor of the Company following the retirement of BDO Limited for the year ended 30 June 2021.

Ernst & Young has been the auditor of the Company for the year ended 30 June 2021 and was retired as the auditor of the Company upon expiration of its term of office at the annual general meeting of the Company held on 3 December 2021 and has seek for re-appointment. The Board, with the recommendation from the Audit Committee, has resolved to propose the re-appointment of Ernst & Young as the auditor of the Company for FY2022.

Ernst & Young has been the auditor of the Company for FY2022 and was retired as the auditor of the Company upon expiration of its term of office at the annual general meeting of the Company held on 2 December 2022 and has seek for re-appointment. The Board, with the recommendation from the Audit Committee, has resolved to propose the re-appointment of Ernst & Young as the auditor of the Company for FY2023.

Ernst & Young will retire as the auditor of the Company upon expiration of its current term of office at the AGM and will seek for re-appointment. The Board, with the recommendation from the Audit Committee, has resolved to propose the re-appointment of Ernst & Young as the auditor of the Company for FY2024, subject to the passing of an ordinary resolution of the Shareholders at the AGM, with effect from the date of the AGM to hold the office as auditor until the conclusion of the next annual general meeting of the Company.

On behalf of the Board

**Chan Kin Ping, BBS, JP**
*Chairman*

Hong Kong, 26 September 2023

## ABOUT THIS REPORT

Human Health is pleased to present its annual ESG Report. This ESG Report is intended to deliver the Group's visions, commitments, policies, and performances relating to material ESG issues. Through this ESG Report, the Group aims to fulfil its duty as a corporate citizen, build trust and rapport among stakeholders, as well as enable a better understanding of the Group's sustainability progress and direction.

### Reporting Scope

The Group is principally engaged in the provision of comprehensive, one-stop and quality healthcare services to the public. As the Board considers that majority of the Group's material environmental, social and economic impacts lie within its medical centres (including retail shops and the community pharmacy), warehouses and offices in Hong Kong, the scope of the ESG Report covers the operational and management activities of these entities, unless specified otherwise. During the period from 1 July 2022 to 30 June 2023 (the "**Reporting Period**" or "**FY2023**"), 62 medical centres (including 3 retail shops and 1 community pharmacy), 2 warehouses and 2 offices operated by the Group were within the reporting scope of this ESG Report.

As the emissions data was not available and the majority of the relevant workforce was in part-time nature for the testing and vaccination centres for COVID-19 related services, the Board considers appropriate to exclude the numbers of these centres, the relevant workforce and the mobile vaccination vehicle from calculations of all key performance indicators ("**KPIs**") set out in Appendix 27 of the Listing Rules. During the Reporting Period, the Group established a mega health hub – Healthy Square H2 at Star House in Tsim Sha Tsui. As the medical centres (including retail shops and the community pharmacy) in the mega health hub did not fully operated for FY2023, as thus without full-year effect, this ESG Report excludes data from medical centres in the mega health hub as far as environmental data is concerned. In addition, as certain utilities data was not available for the calculation of electricity and water consumption, 3 medical centres were excluded from the calculations of electricity consumption and 14 medical centres, 1 warehouse and 1 office were excluded from the calculation of water consumption.

Unless otherwise specified, the content of this ESG Report covers the ESG activities, challenges and measures taken by the Group in the Reporting Period.

## ABOUT THIS REPORT *(continued)*

### Reporting Standards

This ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") as set out in Appendix 27 of the Listing Rules.

### Reporting Principles

The Group applied the following reporting principles in the preparation of this ESG Report:

| | |
|---|---|
| **Materiality** | Following a comprehensive stakeholder engagement process and materiality assessment, this ESG Report is structured based on the materiality of environmental and social issues. For more information, please refer to subsections "Stakeholder Engagement" and "Materiality Assessment" under section "Approach to Sustainability". |
| **Quantitative** | This ESG Report discloses quantitative KPIs of the Group's offices, warehouses, and medical centres in Hong Kong. Information on the standards, methodologies, assumptions, and calculations tools used are further disclosed in the discussion of the various ESG issues where applicable. During the Reporting Period, the Group has based on the quantitative targets to evaluate the effectiveness of ESG policies and management systems. Quantitative information is further accompanied by a description where appropriate. |
| **Balance** | This ESG Report provides an unbiased picture of the Group's ESG performance. |
| **Consistency** | Any changes to the calculation frameworks or methods, KPIs used, or any other relevant factors affecting a meaningful comparison in this ESG Report shall be disclosed.<br><br>This ESG Report adopts consistent methodologies for KPIs' calculations, which allows for meaningful comparisons of ESG data over time. |

The Group is committed to disclosing all material ESG matters in the most accurate and sincere manner. All information disclosed in this ESG Report is compiled and published based on existing policies, practices, official documents, or reports. Furthermore, this ESG Report is endorsed and approved by the Board. Responsible for overseeing and managing all ESG matters of the Group, the Board is dedicated to monitoring and disclosing the Group's sustainability performance through the annual publication of the ESG Report.

## APPROACH TO SUSTAINABILITY

For over two decades, the Group has adopted, advocated, and adhered to a philosophy of responsible corporate growth. Current events, including the COVID-19 pandemic, shed an even brighter light on the importance of incorporating sustainability principles into its business strategy, as it has enabled the Group to become more agile and better prepared to handle sudden changes. Recognising that the environment is becoming increasingly volatile and complex, the Group is wholeheartedly committed to operate in an environmentally and socially responsible manner across all aspects of its business.

### Sustainability Governance

A robust sustainability governance structure with clear chains of accountability enables the Group to deliver both its commitments as well as stakeholder expectations. At the Group, sustainability is planned and managed at the strategic level by the Board, while executed and monitored at the operational level by its ESG committee of the Group ("**ESG Committee**").

#### The Board

The Board is the highest decision-making and management authority of the Group. It is responsible for overseeing all ESG-related issues, the Board's ESG management approach and strategy, including the process used to evaluate, prioritise, and manage material ESG issues, risks and opportunities. This process involves reviewing with regular Board updates, where the results of the materiality assessment are reviewed and discussed to ensure appropriate relevance and materiality to the Group. The Board updates include the work progress reported by the ESG Committee, policies setting and amendments, ESG-related risks identification, latest information on ESG- related compliance matters, and any other pertinent ESG information. For more information on the results of the materiality assessment, please refer to subsection "Materiality Assessment".

The Group believes setting ESG-related targets can enhance the Group's commitment to corporate social responsibility and allow the Group's stakeholders to have a clear understanding of the Group's ESG performance. To provide additional oversight and direction, the Board was also involved with reviewing progress of the ESG-related goals and targets set in FY2021. The Board has reviewed and disclosed the progress the Group has made in achieving these targets. For further details, please refer to subsection "Environmental Policy and Targets" under section "Green Operations".

## APPROACH TO SUSTAINABILITY *(continued)*

### Sustainability Governance *(continued)*

#### ESG Committee

Formally set up in FY2020, the ESG Committee is chaired by the Company Secretary, representing Director's Office and comprises department heads of different functions, including Operations Department, Business Development Department, Human Resources and Administration Department ("**HRA Department**") and Product and Supply Chain Department.

The ESG Committee is responsible for assisting the Board in managing, administering, and handling all ESG matters, as well as monitoring the implementation of the ESG strategies at the operational level.

| ESG Committee Responsibilities |
| --- |
| • Develop and review the Group's ESG visions, objectives and strategies, and make recommendations to the Board for the approval of relevant initiatives;<br>• Set out ESG principles and prioritise in managing ESG impacts and create sustained values for the Group's stakeholders;<br>• Identify, determine, and evaluate ESG risks and opportunities of the Group, which shall be reported to the Board;<br>• Identify, assess, and determine relevant matters that significantly affect the operation of the Group and/or stakeholders' interests in the ESG aspects;<br>• Advise the Board on the allocation of resources on ESG initiatives;<br>• Review and update as necessary the Group's policies and procedures on social responsibility management, corporate governance, environmental protection or other relevant ESG aspects;<br>• Monitor and review the Group's operations to ensure that they are in compliance with relevant ESG policies and procedures, as well as applicable laws and regulations and international standards;<br>• Oversee the implementation of the Group's ESG strategy and initiatives;<br>• Set targets to measure the attainment of the initiatives and develop continuous improvement programme for ESG performance;<br>• Measure and evaluate performance of the Group against ESG targets set, which shall be reported to the Board, and advise on actions needed to improve performance;<br>• Ensure sufficient and adequate training on ESG issues has been provided to relevant staff;<br>• Review and evaluate the performance of the ESG Committee and the terms of reference to ensure its operating effectiveness, and recommend any appropriate changes for the Board's approval; and<br>• Report the ESG Committee's findings and recommendations to the Board on a regular basis. |

## APPROACH TO SUSTAINABILITY *(continued)*

### Sustainability Strategies

The Group's sustainability strategies are divided into three phases and reviewed annually by the Board. The long-term visions in managing ESG issues would be maintaining the sustainability of the Group's operation and it involves communicating its prioritised set of sustainability-related actions and commitments to its different stakeholders. Covered by four long-term commitments in different material aspects, it is reflected by its four core values, "Empathetic" (仁心), "Earnest" (稱心), "Evolutionary" (創新) and "Ethical" (求真). It provides a framework to focus investment and drive performance, as well as engages its internal and external stakeholders.

In order to ensure the Group's operations align with its long-term visions, the Group considered that the medium-term strategies under each commitment are expected to be accomplished within 5 to 8 years, as shown below.

| Long-term Visions and Medium-term Strategies | Our Mottos |
|---|---|
| **I. Deliver quality healthcare services**<br>A. Explore possibilities in improving healthcare services<br>B. Engage qualified professional team with diversified packages<br>C. Build positive customer relations and trust | Empathetic; Earnest; Evolutionary; Ethical |
| **II. Respect workforce**<br>A. Promote a safe and healthy work environment<br>B. Encourage continuous professional growth<br>C. Attract and retain exceptional talents | Earnest; Ethical |
| **III. Embrace green operations**<br>A. Minimise emissions and waste<br>B. Optimise resource efficiency<br>C. Effectively manage environmental risks | Evolutionary; Ethical |
| **IV. Be an ethical and responsible corporate citizen**<br>A. Develop robust relationships with the communities in which it operates in<br>B. Operate under the highest standards of openness, probity, and accountability | Earnest; Evolutionary; Ethical |

## APPROACH TO SUSTAINABILITY *(continued)*

### Sustainability Strategies *(continued)*

The Group's short-term strategies shall be implemented by integrating and allocating the public needs, market trends, as well as the Group's operational resources. As the cornerstone of its three-phase strategies, the short-term strategies shall be consistently reviewed and updated by the Board, with an aim to efficiently monitor the Group's ESG performance and thereby achieve the long-term visions. During the Reporting Period, the short-term strategies have been reviewed and are expected to be accomplished within 2 to 4 years. The Group considered that the short-term strategies remain align with its long-term visions and the progress of implementing the short-term strategies during the Reporting Period are detailly described as below.

| Long-term Visions | | Medium-term Strategies | | Short-term Strategies |
|---|---|---|---|---|
| I | Deliver quality healthcare services | I(A) | Explore possibilities in improving healthcare services | To establish and launch a digital registration programme in order to streamline the registration procedure, increase the data accuracy and as such, improve the service quality. During the Reporting Period, the Group has devoted resources for the development of a next generation integrated clinic operating platform and it is expected that the first phase of the platform can be launched in the coming financial year, together with the well-established digital registration programme which are expected to empower the Group to better manage its business engagement with consumer (B2C), corporate partners (B2B) as well as the Hong Kong Government (B2G). |
| I | Deliver quality healthcare services | I(C) | Build positive customer relations and trust | To establish and promote a wellness membership programme for building customer relationship and to fully understand the specific needs of customers in order to deliver customised healthcare solutions with all-round service portfolio that fit the customers' physical and mental needs. During the Reporting Period, the Group further enhanced customer engagement and loyalty through its membership programmes. One is designed for its e-shop, which allows customers to access exclusive discounts, promotions, and personalised recommendations. The other one is the H2 Rewards Application for the mega health hub, Healthy Square H2, which offers members unique benefits such as discounts on healthcare products and services, and redeemable rewards points. |
| III | Embrace green operations | III(A)<br>III(B) | Minimise emissions and waste<br>Optimise resource efficiency | To implement waste and paper usage reduction, water efficiency, and emissions reduction measures and set respective target(s). During the Reporting Period, the Group monitored the environmental KPIs targets and implemented various measures on waste management. For example, all plastic bags with the logos of the Group procured in the medical centres providing general practice services and specialties services are totally degradable. |

## APPROACH TO SUSTAINABILITY *(continued)*

### Aligning Sustainability Approach with the United Nations Sustainable Development Goals

The United Nations 17 Sustainable Development Goals ("**SDGs**") were adopted by all United Nations Member States in 2015 as a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030. Recognising the role the Group plays in the global effort to address worldwide challenges and to showcase its commitment in promoting the universal sustainable development agenda, during the Reporting Period, the Group remained the alignment of its sustainability strategies with 4 of the 17 SDGs.

| SDGs | Implications |
|---|---|
| Good Health and Well-being | Good health is essential to sustainable development. Achieving universal health coverage and providing equitable access of healthcare services to the public is a common goal in a sustainable society. Upholding its sustainability strategy, the Group is committed to leveraging its resources, assets, and expertise in the healthcare industry to cope with the challenges in the post COVID-19 era. With an aim to address people's physical and mental health needs and offer customised care, the Group has utilised big data to devise tailor-made healthcare solutions that address the needs of its customers and promote wellness services through different means. |
| Quality Education | Education is a powerful tool for sustainable development. The Group endeavours to emphasise the importance of healthcare to the public. Through the provision of community health talks, assessments, and education programmes, the Group aspires to make positive social impacts by raising public health awareness and promoting a healthy lifestyle. The Group also invests in building knowledge, skills and abilities to inspire the next generation of healthcare innovators and prepare them for their healthcare careers. |
| Responsible Consumption and Production | Not only is the Group committed to people's health, but also to the world in which we live in. The Group upholds a prudent and responsible attitude in resource consumption in each of its medical centres, warehouses and offices. The Group closely monitors the usage of environmental resources and carries out corresponding sustainable consumption guidelines. By prioritising environmental sustainability in its corporate agenda and ensuring energy efficiency usage for its operations, the Group aims to help people achieve lifelong well-being. |
| Partnerships for the Goals | The SDGs can only be realised with strong, inclusive partnerships and cooperation. At the Group, its partnerships are built upon principles and values, and upon a shared vision and goal that places people and the planet at the centre. During the Reporting Period, the Group actively collaborated with allies from different industries who uphold the same vision – to deliver professional health information and thereby promote healthy lifestyles within the whole society. |

Moving forward, the Group believes its sustainable development will intertwine with the SDGs in a more concrete manner. The Group shall consider integrating more material SDGs into its operations and reviewing their applicability to the Group on a regular basis.

## APPROACH TO SUSTAINABILITY *(continued)*

### Stakeholder Engagement

Communication and engagement with stakeholders are an integral part of the Group's business. The Group engages its stakeholders annually to understand their priorities, expectations, and perceptions regarding sustainability issues. This enables the Group to further explore the materiality of different ESG issues and review its business and sustainability initiatives using a multi-perspective approach, which can ultimately help the Group formulate better sustainability related decisions.

During the Reporting Period, multiple engagement channels have been established to foster continuous and dynamic interaction with the Group's internal and external stakeholders.

| Internal Stakeholders | Engagement Channels |
|---|---|
| • Board and Management<br>• Employees | • Meetings<br>• Interviews<br>• Engagement Surveys<br>• Email<br>• Letters<br>• Seminars<br>• Suggestion Box<br>• Telephone<br>• Annual Appraisal<br>• Trainings<br>• Annual and Interim Reports<br>• Announcements and Circulars<br>• Company Website |
| **External Stakeholders** | |
| • Shareholders and Investors<br>• Customers<br>• Suppliers | |

### Materiality Assessment

The Group values its stakeholders' opinions and recognise there are many intersections between its stakeholders' and the Group's interests. During the Reporting Period, the Group engaged an independent sustainability consultant to conduct a materiality assessment to prioritise and validate material sustainability topics.

## APPROACH TO SUSTAINABILITY *(continued)*

### Materiality Assessment *(continued)*

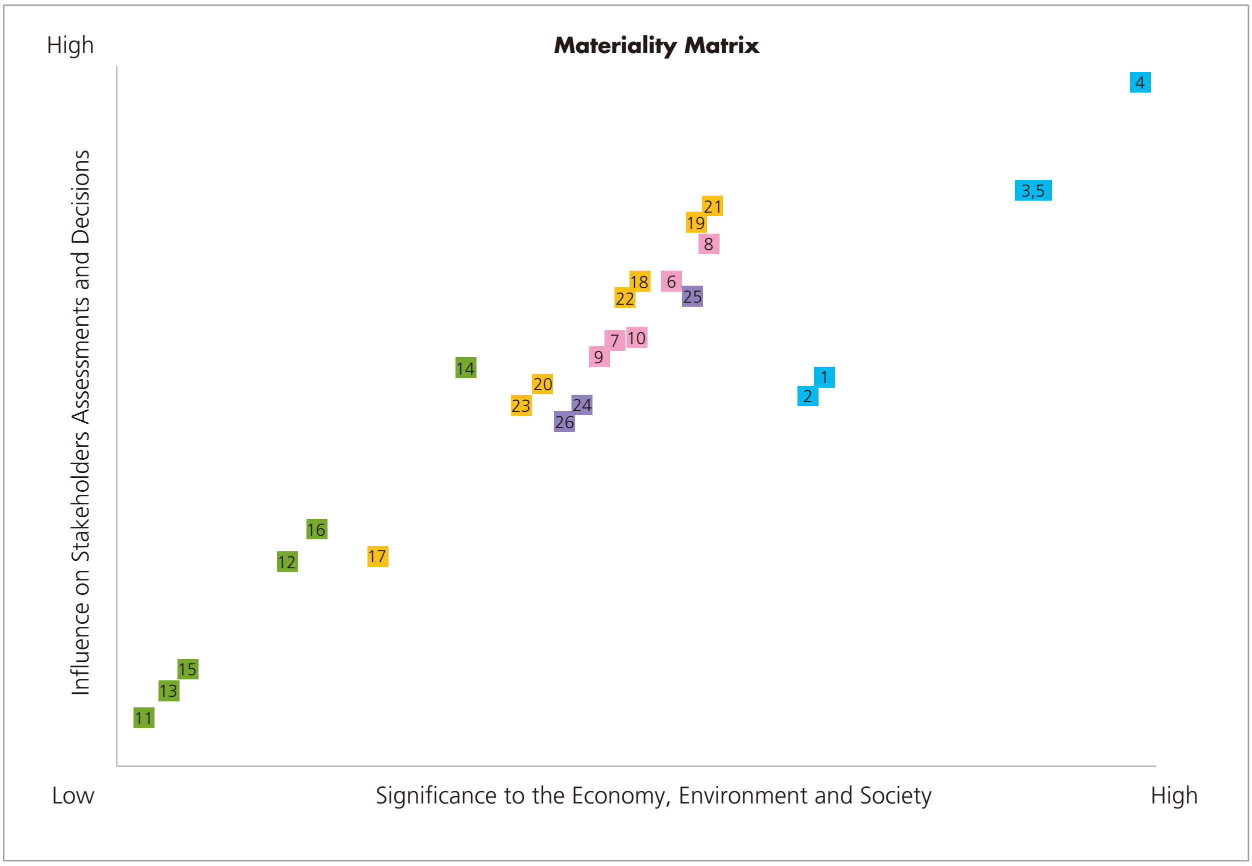
With reference to external reporting requirements, the assessment identified and evaluated the most important sustainability issues to the Group's stakeholders during the Reporting Period, as well as determined the coverage and structure of this ESG Report. Through the process of engaging its stakeholders, the Group was also able to gain insights on how to further improve its sustainability agenda. The Group is committed to performing this exercise annually to ensure its existing priorities, strategies and policies align with stakeholder expectations. A 4-step approach was adopted to assess the materiality of ESG issues.

| | |
|---|---|
| **Step 1: Identification** | A list of potential material issues was identified with reference to the following sources:<br><br>• The Global Reporting Initiatives Standards<br>• The SDGs<br>• The SASB Standards – Health care industry materiality finder<br>• MSCI – ESG Industry Materiality Map<br>• Previous ESG Reports from the Group<br>• Industry benchmarking[1]<br><br>The criteria for the selection of material ESG issues include whether the issue has substantial influence on the assessments and decisions of stakeholders, and whether the issue reflects the Group's significant economic, environmental and social impacts. Through these criteria, 26 ESG issues were identified and defined. |
| **Step 2: Prioritisation** | Different stakeholder groups were selected and engaged based on their influence on the Group. They were tasked to rate the relative importance of 26 ESG issues. The identified stakeholder groups are the Board and management, employees, Shareholders and investors, customers, and suppliers. In total, 172 participants responded to the survey. A standard questionnaire was utilised to ensure consistent and systematic evaluation of material issues. |
| **Step 3: Validation** | The Group's management confirmed and validated the list of material topics for disclosure in this ESG Report. |
| **Step 4: Review** | The Board reviewed the identified material issues and the results to ensure appropriate relevance and materiality to the Group. |

1 The process of identifying industry peers considers companies that are reasonably similar to the Group in terms of industry classification, service scope and target market.

## APPROACH TO SUSTAINABILITY *(continued)*

### Materiality Assessment *(continued)*




**Healthcare Service**

1. Supply Chain Management
2. Technology Development/Product Innovation
3. Patient Data Protection and Privacy Management
4. Product Quality and Safety
5. Customer Service and Satisfaction

**Employment**

6. Good Employment Practices
7. Talent Nurturing and Development
8. Occupational Health and Safety
9. Diversity and Equal Opportunities
10. Labour Standard

**Environment**

11. Carbon Emissions
12. Waste Management
13. Energy Management
14. Medical Packaging Management
15. Climate Adaptation and Mitigation
16. Environmental Strategy and Goal Setting

**Governance**

17. Ownership and Control
18. Business Ethics and Anti-corruption
19. Risk Management
20. Protection of Intellectual Property Rights
21. Protection of Rights and Interests of Customers
22. Transparency in Information Disclosure
23. Stakeholder Engagement

**Corporate Social Responsibility**

24. Participation of Community and Social Events
25. Raising Public Health Awareness
26. Community Investment

## APPROACH TO SUSTAINABILITY *(continued)*

### Materiality Assessment *(continued)*

Based on the materiality assessment and further validated by the Group's management and determined by the Board, the key ESG issues identified by the Group are (4) Product Quality and Safety, (3) Patient Data Protection and Privacy Management, (5) Customer Service and Satisfaction, (21) Protection of Rights and Interests of Customers (8) Occupational Health and Safety, (19) Risk Management, (25) Raising Public Health Awareness, (6) Good Employment Practices, (18) Business Ethics and Anti-corruption and (22) Transparency in Information Disclosure. Throughout this ESG Report, the Group shall focus more on these key ESG issues which are both important to sustainable development of the Group and to its stakeholders.

## QUALITY HEALTHCARE SERVICES

For over 20 years, the commitment to advancing better health for all has been the focus of the Group. With the mission "Elevate Your Health Values, Elevate Your Life", we strive to provide one-stop medical services for all, including but not limited to general practice services, specialties services, dental services, Chinese medicine, physiotherapy, medical aesthetic, diagnostics and imaging, health check and wellness services. Since 1997, we have supported over 2.6 million clients through the operation of medical centres with convenient locations and dedication of our professional team and staff. During the Reporting Period, the Group has established the mega health hub – Healthy Square H2 at Star House in Tsim Sha Tsui, which is a healthcare facility that offers a wide range of medical and health-tech services. The health hub integrates several services under one roof, making it convenient for patients and customers to access more comprehensive care at once. The one-stop services provided at the mega health hub mainly include specialties, day surgery, dental, community pharmacy, physical examination, early detection, nutritionist consultations, wellness management, sales of healthcare products as well as a creative activity centre offering health lectures and activities, etc.

Our commitment to improving people's health and well-being grows stronger with each year. This is especially relevant this year as turbulent times require us to deepen our pledge to account for how we meet the long-term needs of our customers. During the Reporting Period, we continued to deliver world-class care to our customers by attending to service quality and safety, prioritising clients' needs, and closely overseeing the supply chain. In doing so, we hope to create a better healthcare experience for all.

## QUALITY HEALTHCARE SERVICES *(continued)*

### Quality of Medical Services and Products

The Group's medical services and products play a significant role in improving people's lives. We are therefore highly conscious of our responsibility to deliver high quality services and products to achieve and maintain patients' health and well-being.

In our day-to-day business, we have adopted a comprehensive service quality management approach, which strictly monitors our operations from patient registration, clinical consultation procedures (including but not limited to diagnosis and treatment), to efficiency management. This is clearly communicated in our Operating Manual, Nursing Handbook, as well as the Internal Guidelines for Medical Centres, which are all readily accessible to our professional team and frontline staff in all of our medical centres in Hong Kong and shall be reviewed regularly to ensure the policies are up-to-date.

To ensure the quality control of our medical team, they are required to participate in our orientation and induction programme, clinical attachment, on-the job training, site visits and experience sharing in their first six months of service. The Doctor Advisory Board ("**DAB**") is also responsible for coaching incoming medical team on aspects such as medical centre operations, patient handling, as well as documentation and management of safety and complicated issues. Their performances are closely monitored by our doctor management team through regular meetings, clinical practices, patient feedbacks, and an annual performance review.

#### Quality Inspection

To ensure the quality of our services, an annual performance review is conducted by our DAB. During the performance review, the DAB will assess medical team's general service attitude and professionalism.

| Performance Review Objectives |
|---|

- Inspect if the medical centres are running smoothly;
- Determine if proper conduct and good practice exists to maintain high standards of care;
- Monitor if medical centre is operating in the best interest of the clients;
- Analyse the number of patient visits in the medical centres;
- Identify the trend of complaint cases and medical incidents; and
- Analyse the overall quality of the services.

We are committed to the continuous improvement and advancement of our service quality. Hence, in addition to the performance review, regular meetings with frontline staff are also organised to discuss industry best practices. Organised by the operation managers, the meetings cover topics such as administrative best practices, case studies from the industry, clinical learning, as well as personal development subjects. Furthermore, the doctor management team is responsible for organising the annual doctors general meeting, regional meeting, and individual doctor meeting to raise issues identified within the daily operations of the medical centres and devise appropriate solutions.

## QUALITY HEALTHCARE SERVICES *(continued)*

### Quality of Medical Services and Products *(continued)*

#### Quality Inspection *(continued)*

Regarding the quality of our medical prescriptions, our internal guidelines state that all prescriptions must be properly dispensed by responsible staff members according to the "3-check-7-rights" rule. All prescribed medications must also be packed and sealed in separate bags with corresponding drug labels, patient details and drug information. If pharmaceutical products are suspected of being potentially harmful to users due to their defective quality, safety, or efficacy, they may be subjected to recall by the Department of Health in Hong Kong ("**DOH**") or the pharmaceutical products manufacturer before distributing to our medical centres for our patients. Under such circumstances, staff may refer to our internal policy for product reporting and recall procedures. In relation to the product recall of consumer products by requesting the consumers to return, exchange, or replace a product after defects have been discovered that could hinder performance or harm consumers, there was no such product recalls by the Group during the Reporting Period (FY2022: 0 recalls).

During the Reporting Period, the following laws and regulations had a significant impact on the Group in relation to labelling relating to products and services provided by the Group:

- Dangerous Drugs Ordinance (Cap 134 of the Laws of Hong Kong), which governs the use of medications being supplied and dispensed which are classified as dangerous drugs under the Ordinance.

- Antibiotics Ordinance (Cap 137 of the Laws of Hong Kong), which controls the sale and supply of certain antibiotic substances.

- Pharmacy and Poisons Ordinance (Cap 138 of the Laws of Hong Kong), which governs the manufacture, supply and labeling of, and the keeping of records relating to, pharmaceutical products and advanced therapy products.

- Trade Descriptions Ordinance (Cap 362 of the Laws of Hong Kong), which prohibits false trade descriptions, false, misleading or incomplete information, false marks and misstatements in respect of goods and products.

The Group was not aware of any material non-compliance with the above laws and regulations, and has ensured its compliance by engaging registered medical practitioners and registered dentists in dispensing medications in the daily operations of the Group, as well as engaging our staff in double checking the labelling of the products before delivery to our customers.

## QUALITY HEALTHCARE SERVICES *(continued)*

### Quality of Medical Services and Products *(continued)*

#### Quality Inspection *(continued)*

During the Reporting Period, the following laws and regulations had a significant impact on the Group in relation to advertising by the Group:

- Undesirable Medical Advertisements Ordinance (Cap 231 of the Laws of Hong Kong), which restricts certain advertisements relating to medical and health matters.

The Group was not aware of any material non-compliance with the above laws and regulations, and has ensured its compliance by monitoring the advertisement or promotion materials made by the Group.

### Putting Safety First

We recognise that our fundamental responsibility is to provide safe services to our customers. Our medical centres, and offices have adopted an Infection Control Policy drafted by the Operations Department and the HRA Department on 10 February 2020, which was reviewed regularly. It covers all the medical centres, and the offices of the Group in Hong Kong. Protection measures are stipulated in the policy, including guidelines on how to perform proper hand hygiene, dispose of potentially infected equipment, use and store personal protective equipment, perform injections safely and maintain hygiene etiquette. The Infection Control Policy was monitored by the Operations Department and the HRA Department.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations that have a significant impact on the Group in relation to health and safety of the services provided by the Group.

### Customer Satisfaction

The Group strives to cultivate and nurture positive relationships with our clients by regularly engaging them through customer satisfaction surveys. Under our Mystery Shopper Programme, these annual surveys enable us to gauge customer needs and understand their expectations in an honest manner so that we can continuously enhance our service quality and improve medical centre operations. Customers were asked to rate how the Group handles phone enquiries, our ability to handle complaints and quality of services, among other criteria. All information from the customer satisfaction surveys is treated as strictly confidential. During the Reporting Period, 38 medical centres were selected to undergo the programme, and the average score on customer satisfaction was approximately 87%.

## QUALITY HEALTHCARE SERVICES *(continued)*

### Customer Satisfaction *(continued)*

Standard procedures are also in place to address customer complaints in a timely and professional manner. The procedures outline measures to handle complaints according to different levels of severity and by nature of the complaint. As communicated within the Internal Guidelines for Medical Centres, Business Development Department and Operations Department are responsible for investigating each complaint, evaluating possible causes, providing detailed response to the customer and issuing corrective actions if appropriate. All complaints are then appropriately recorded and filed for follow-up and future references. To understand how we can further enhance customer experience, complaints are reviewed regularly and analysed for improvement during our regular meetings. During the Reporting Period, 149 complaints were recorded, and 102 customers provided feedback. All cases have been resolved accordingly.

### Supply Chain Management

We manage a complex network of supplier relationships that are critical to our business success and our ability to fulfil our obligations as a healthcare service provider. We strongly prioritise maintaining a strong and professional relationship with our key suppliers, comprising medical team (comprising general practitioners, specialists, dentists and clinical psychologists), pharmaceutical and healthcare product distributors and manufacturers as well as laboratory and imaging centres. As at 30 June 2023, the number of key suppliers was 448 and please refer to the section "Key Performance Table" for the number of suppliers by geographical region.

### Medical Team

All our general practitioners, specialists, dentists and clinical psychologists cooperate with the Group by entering independent contracts with us. To ensure that the assessment processes are carried out fairly, transparently and consistently, we have a Doctor Engagement Policy in place, which was approved on 1 July 2015, implemented by the DAB and doctor management team, and was last reviewed on 1 January 2021. It covers all the medical centres of the Group in Hong Kong. As outlined in the policy, candidates are engaged based on their academic background, professional qualifications, work experience, skill sets, beliefs and morals, previous compliance records and overall working attitude. The Doctor Engagement Policy covers the engagement of all the general practitioners, specialists, dentists and clinical psychologists of the Group.

During the Reporting Period, we applied the aforementioned policy to 236 medical team members. We also monitor the compliance of all our medical team with relevant laws and regulations, including the Code of Professional Conduct for the Guidance of Registered Medical Practitioners issued by the Medical Council of Hong Kong and the Code of Professional Discipline for the Guidance of Dental Practitioners in Hong Kong issued by the Dental Council of Hong Kong by obtaining certificates annually, holding regular meetings with DAB and doctor management team and evaluating feedbacks and complaints in relation to the medical team.

## QUALITY HEALTHCARE SERVICES *(continued)*

### Medical Team *(continued)*

#### Medical and Healthcare Product Suppliers

The Group has formulated the Policy and Procedure on Procurement of Medicine, Goods and Services[2] on 1 June 2015 which was last reviewed on 1 January 2022. It covers all the medical centres and offices of the Group in Hong Kong. The Policy and Procedure of Medicine, Goods and Services was approved and implemented by all departments of the Group and was designed to ensure that procurement is conducted in an efficient and cost effective manner, while respecting sustainability principles. As communicated in the policy, all procurement activities must adhere to the following objective – "to buy the right goods or services of the right quality in the proper quantity at the right time from the proper source at the right price".

**Policy and Procedure on Procurement of Medicine, Goods and Services: Key Points**

- Only necessary procurement shall be undertaken;
- Goods and services shall be procured in an economically rational manner;
- The Group shall obtain best value for money, taking into consideration quality, quantity, timing and source;
- All purchasing practices shall consider the effective conservation of natural resources and protection of the environment;
- Suppliers shall be eligible to participate in procurement transactions in an open, fair and transparent process;
- Procurement activities shall be undertaken in a manner that ensures all potential suppliers have been fairly treated and given an equal opportunity to make a bid; and
- Procurement activities shall be conducted with integrity and transparency and protect the Group and its staff from claims of maladministration, and reduce the risks of fraud, corruption, waste or other irregularities.

Furthermore, as part of our policy, the Product and Supply Chain Department is responsible for ensuring that all purchase orders of pharmaceutical products are registered and recognised by the Drug Office of the DOH. The policy also outlines a set of criteria for selecting medical and healthcare product suppliers, including the history of suppliers' quality, quantity, timing of delivery, source of the products, price and supplier's reputation in the industry. Regarding the selection of laboratory and imaging centres, we have developed a selection criterion to ensure their quality, safety and efficiency.

2 Medicine includes all kinds of drugs used in the medical centres under the Group. Goods include equipment, consumables, materials, supplies and the construction of physical infrastructure. Services include all kinds of outsourcing services such as recruitment agencies, medical waste handling companies, as well as cleaning and pest control services.

## QUALITY HEALTHCARE SERVICES *(continued)*

### Medical Team *(continued)*

#### Medical and Healthcare Product Suppliers *(continued)*

| Selection Criteria for Laboratory and Imaging Centres |
| --- |

- Location (such as number of outlets and distance between our medical centres and the laboratories);
- Scope of service (such as the variety of equipment and testing offered by the laboratories);
- Quality (such as the time required for report delivery, accuracy of the report);
- Price; and
- Feedback from medical team.

The procurement procedure sets out in the Policy and Procedure on Procurement of Medicine, Goods and Services and the practices set out above shall be followed by all the departments of the Group. During the Reporting Period, we applied the above practices to 147 pharmaceutical and healthcare product distributors and manufacturers and 65 laboratory and imaging centres. The practices are further monitored by way of regular checking by the internal control team of the Group.

#### Social and Environmental Impact in the Supply Chain

We believe in maintaining strict controls to minimise negative impacts of our supply activity on the environment and people, and seek to ensure human rights are upheld in our supply chain. We work with suppliers who share the same values and commitment to operating responsibly.

## QUALITY HEALTHCARE SERVICES *(continued)*

### Medical Team *(continued)*

#### Social and Environmental Impact in the Supply Chain *(continued)*

To address the social and environmental risks within our supply chain, all suppliers (except the medical team) are expected to comply with our newly established Supplier Code of Conduct. The Supplier Code of Conduct was adopted on 28 April 2021 and was last reviewed on 21 June 2021. The Supplier Code of Conduct identifies five key areas in which environmental and social risks may occur within our supply chain: labour and human rights, health and safety, environmental protection, ethics, and management systems. To address these risks, the Supplier Code of Conduct also outlines our expectations for the five areas, topics of which are summarised below:

| | |
|---|---|
| **Labour and Human Rights** | • Free choice of employment<br>• Child labour or underage labour<br>• Non-discrimination<br>• Fair treatment<br>• Salary, benefits and working hours<br>• Freedom of association |
| **Health and Safety** | • Staff protection<br>• Process safety<br>• Emergency prevention and response<br>• Hazard information<br>• Anti-counterfeiting |
| **Environmental Protection** | • Environmental authorisation<br>• Waste and discharge<br>• Spills and leaks<br>• Restricted substances |
| **Ethics** | • Integrity management<br>• Intellectual property rights<br>• Raw material procurement responsibilities<br>• Privacy and information security<br>• Accessible environment |
| **Management Systems** | • Commitment and responsibility<br>• Legal and customer requirements<br>• Risk management<br>• Documentation<br>• Training and competence<br>• Continuous improvement<br>• Communication |

## QUALITY HEALTHCARE SERVICES *(continued)*

### Medical Team *(continued)*

#### Social and Environmental Impact in the Supply Chain *(continued)*

During the Reporting Period, the Group has implemented risk management procedures along the supply chain to identify environmental and social risks. As set out in the Supplier Code of Conduct, all suppliers (except the medical team) are recommended to have a mechanism to determine and control risks in all five areas. The Supplier Code of Conduct was implemented by the Director's Office and was monitored through regular review by the ESG Committee.

To promote environmentally preferable products and services when selecting suppliers, the Group may request its suppliers to obtain all necessary environmental permits, licenses, and approvals, and comply with all applicable operating and reporting requirements, if and when necessary. The suppliers shall also have relevant systems in place to prevent and promptly respond to all accidental spills and leaks, as well as systems to ensure that waste and wastewater discharge are safely treated, moved, stored, recycled, reused or managed. Furthermore, the suppliers must comply with all applicable laws relating to restricted substances. During the Reporting Period, the practices used to promote environmentally preferable products and services are implemented by the Product and Supply Chain Department and the Business Development Department by checking all the necessary permits and licenses when the suppliers are being engaged by the Group and was monitored through regular review by the ESG Committee.

## DEDICATED WORKFORCE

Fostering a culture that is value-based, responsible, ethical, and inclusive motivates and empowers staff members. This culture precisely explains why the Group has been able to attract and retain the most talented people, engage them in meaningful and inspiring work, and as a result, fulfil our business goals and objectives. The contributions, spirit, and visions of our staff allow us to propel our purpose to advance health for the community at large.

To build this culture that we pride ourselves on, we ensure to create a safe and comfortable working environment, value staff welfare, abide by non-discriminatory and equal opportunity employment practices, as well as nurture and retain talents through training and development.

## DEDICATED WORKFORCE *(continued)*

### A Safe Work Environment

Staff safety is a core value, inseparable from our mission to improve human health for all. Healthcare workers have a high risk of workplace injuries, hence, the Group is committed to providing and maintaining a safe working environment. The Group has formulated various internal policies and guidelines on the prevention, mitigation, and handling of emergencies, as well as the protection of the health and safety of our staff members. These policies were set out in the Staff Handbook which was adopted on 1 September 2003 and was last reviewed on 14 November 2022. They cover all the medical centres, and offices of the Group in Hong Kong. These policies were approved and implemented by the HRA Department. Furthermore, additional safety guidelines have been formulated in our medical centres.

**Group-wide Safety Measures**

- Provide staff with free flu shots on dates designated and arranged by the Group;
- Provide clear and comprehensive guidelines to all staff on how to handle typhoons and rainstorm warnings as well as accidents and work-related injuries;
- Arrange cleaning of air-conditioning systems and disinfection treatment of carpets regularly;
- Organise occupational health seminars to enhance the health awareness of staff members;
- Encourage staff to maintain a good and correct posture, while maintaining an appropriate eye level with the computer screen to reduce stress and strain on their bodies;
- Keep passages clear and the working environment clean and tidy;
- Set up first aid kits and fire extinguishers in workplace;
- Ensure that all staff are familiar with the fire protection equipment and fire escape routes; and
- Comprehensive disinfection procedures will immediately be organised in the medical centres, and offices if there is an infected case reported.

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

**Safety Measures in Medical Centres**

- Proper handling of clinical and domestic waste;
- Routine disinfection of workplace and medical equipment;
- Management of injury-on-duty cases;
- Abide by the Fire Safety Guidelines;
- Abide by the Infection Control Policy, especially when the Alert Response Level is activated, as required by the Hong Kong Government's "Preparedness and Response Plan"; and
- Adopt the "Care for the Carer" approach and monitor the health of frontline staff.

The above measures are implemented by disseminating guidelines by HRA Department and the Operations Department and engaging external service providers in providing a safe workplace. In addition, the implementation of the above measures are monitored by the registered medical or dental practitioners and the nurses stationed in the medical centres and the Operations Department.

## DEDICATED WORKFORCE *(continued)*

### A Safe Work Environment *(continued)*

If a staff member is injured in the workplace, he/she should immediately notify his/her direct supervisor as well as receive immediate treatment. A Notice of Work Injury Accident must also be filed within three days after the occurrence of the work injury to the HRA Department.

During the past three years including the Reporting Period, the Group had zero work-related fatalities. The number of lost days due to work-related injury during the Reporting Period was 4 days in which all cases were due to minor injuries. The Group will continue to remind all employees to maintain a high standard of safety awareness and develop the staff training to achieve the goal to minimise work injury and accident.

If a staff member is infected by COVID-19, he/she should immediately notify his/her direct supervisor and follow the respective guidelines issued by HRA Department.

During the Reporting Period, the following laws and regulations had a significant impact on the Group in relation to providing a safe working environment and protecting employees from occupational hazards:

- Waste Disposal Ordinance (Cap 354 of the Laws of Hong Kong), Waste Disposal (Clinical Waste) (General) Regulation (Cap 354O of the Laws of Hong Kong), and Waste Disposal (Chemical Waste) (General) Regulation (Cap 354C of the Laws of Hong Kong) which govern the control and regulation of the production, storage, collection and disposal of clinical waste.

- Occupational Safety and Health Ordinance (Cap 509 of the Laws of Hong Kong) which ensures the safety and health of persons when they are in their workplace.

The Group was not aware of any non-compliance with the above laws and regulations, and has ensured its compliance by engaging qualified third-party clinical/chemical waste collector for the disposal of clinical wastes and chemical wastes in the medical centres of the Group and by regular checking of such disposals and the safety of the workplace by the Operations Department.

## DEDICATED WORKFORCE *(continued)*

### Value Employee Welfare

Our staff work hard to help people. In turn, we offer them a variety of benefits to promote their well-being.

#### Talent Recruitment and Retainment

We embrace our employees as the most valuable assets of the Group. The objective of the Group's human resources management is to reward and recognise outstanding employees by providing competitive remuneration packages with basic salary and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression within the Group by providing adequate training and opportunities.

Our competitive remuneration packages include basic salaries, discretionary year-end bonuses, insurance, as well as contributions to mandatory provident funds. The Group also offers paid holidays and leave, including annual, wedding, maternity, paternity, bereavement, and sick leaves. Recruitment plans are revised annually based on the Group's operational strategic goals and industry development.

As a healthcare service provider, it is our fundamental duty to ensure that all our staff have access to quality medical support. Relevant staff can enjoy free general practice services and subsidies for hospitalisation and surgery protection. Moreover, all full-time staff who have served the Group for over three months and their immediate family members (including parents, spouses, and children under 18) can enjoy the Employee Medical Benefit Discount Plan. The preferential plan includes general practice services, specialist services, Chinese medicine, diagnosis and treatment, inspection or laboratory tests, and dental services.

In terms of the dismissal policy, if the employee is underperformed against the role requirements or commits serious misconduct which he/she fails to improve despite repeated warnings, the supervisor of such employee and the senior management of the Company will have a thorough internal discussion and allow the employee to answer and explain. If eventually the Company is considered to terminate his/her employment contract, the Company shall comply with relevant laws and regulations and the reasons for the dismissal will be conveyed to the employee clearly. The turnover rate by gender, age group and geographical region can refer to the section "Key Performance Table".

These policies in relation to compensation and dismissal, recruitment and promotion and other benefits and welfare were set out in the Staff Handbook. They cover all the medical centres and offices of the Group in Hong Kong. These policies were approved and implemented by the HRA Department.

## DEDICATED WORKFORCE *(continued)*

### Value Employee Welfare *(continued)*

#### Corporate Culture

The Group prides itself in having a strong corporate culture that is grounded in mutual trust, communication, respect, and understanding. Staff are thus encouraged to candidly share their views and provide constructive criticism periodically. Staff can directly express their opinions to their immediate superiors or the HRA Department in writing. Management will subsequently review all opinions and adopt feasible measures.

Moreover, as we highly value transparency and open communication in the workplace, we also encourage staff to communicate with each other via the intranet, emails, notice boards or other informal channels.

To further nurture our corporate culture, we also strongly encourage and promote a healthy work-life balance. During the Reporting Period, the Group organised various recreational events and activities, including Christmas tree workshop, Christmas party, a surprise lucky draw event on the Chinese New Year, Canvas workshop and surprise day event on Mid-Autumn Day, Halloween Day, etc..

Attributing to our strong corporate culture, staff members of the Group understand what is required of them and act in accordance with our core values. To further motivate our staff and enable them to better understand our expectations, we have an annual appraisal system in place to assess their performance. Staff members' attendance records, initiative, sense of responsibility, work quality and their commitment to assisting in promoting quality medical services are all used as evaluation criteria. In completion of the appraisal, staff will be considered for a discretionary award, including but not limited to, salary adjustments, discretionary bonus, and promotions. During these meetings, we also assist staff in formulating clear work goals to better perform next year.

These policies in relation to working hours, rest period and performance appraisal were set out in the Staff Handbook. They cover all the medical centres and offices of the Group in Hong Kong. These policies were approved and implemented by the HRA Department.

#### Equal Opportunity Employer

The Group is committed to creating an inclusive culture and considers diversity as an asset and a driver of innovation. We strictly prohibit any form of discrimination of staff and job candidates on the grounds of gender, race, religion, age, disability, family status and other status protected by laws. We pride ourselves in being a competence-based employer and solely evaluate our candidates based on their experience, professionalism, skills and educational and training background. During the Reporting Period, there were no reported cases of discriminatory behaviour, harassment, or unlawful treatment in the workplace.

These policies in relation to equal opportunity, diversity and anti-discrimination were set out in the Staff Handbook. They cover all the medical centres and offices of the Group in Hong Kong. These policies were approved and implemented by the HRA Department.

## DEDICATED WORKFORCE *(continued)*

### Value Employee Welfare *(continued)*

#### Equal Opportunity Employer *(continued)*

During the Reporting Period, the following laws and regulations had a significant impact on the Group in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare:

- Employment Ordinance (Cap 57 of the Laws of Hong Kong), which provides for the protection of the wages of employees and the general conditions of employment in Hong Kong.
- Mandatory Provident Fund Schemes Ordinance (Cap 485 of the Laws of Hong Kong), which provides for (i) the establishment of non-governmental mandatory provident fund schemes for the purpose of funding benefits on retirement; (ii) contributions to such schemes; (iii) the registration of such schemes, to provide for a regulatory regime.
- Minimum Wage Ordinance (Cap 608 of the Laws of Hong Kong), which provides for a minimum wage at an hourly rate for certain employees.
- Sex Discrimination Ordinance (Cap 480 of the Laws of Hong Kong), which renders certain kinds of sex discrimination, discrimination on the ground of marital status, pregnancy or breastfeeding, sexual harassment and harassment of breastfeeding women unlawful and promotes equality of opportunity between men and women generally.
- Disability Discrimination Ordinance (Cap 487 of the Laws of Hong Kong), which renders discrimination against persons on the ground of their or their associates' disability in respect of their employment unlawful.
- Family Status Discrimination Ordinance (Cap 527 of the Laws of Hong Kong) which renders discrimination against persons on the ground of family status unlawful.
- Race Discrimination Ordinance (Cap 602 of the Laws of Hong Kong), which renders discrimination, harassment and vilification on the ground of race unlawful.
- Protection of Wages on Insolvency Ordinance (Cap 380 of the Laws of Hong Kong), which provides for (i) the establishment of a board to administer the Protection of Wages on Insolvency Fund and (ii) payment of monies from the Fund to employees whose employers become insolvent.
- Labour Relations Ordinance (Cap 55 of the Laws of Hong Kong), which provides for improvement of labour- management relations and the settlement of trade disputes.
- Immigration Ordinance (Cap 115 of the Laws of Hong Kong), which provides the law relating to immigration and deportation.

## DEDICATED WORKFORCE *(continued)*

### Value Employee Welfare *(continued)*

#### Equal Opportunity Employer *(continued)*

The Group was not aware of any material non-compliance with the above laws and regulations, and has ensured its compliance by implementing the relevant laws and regulations by the HRA Department.

### Nurture and Develop Talents

The healthcare landscape is continuously changing. To continue to lead in the evolving healthcare industry, our staff must be equipped with advanced knowledge and skills and be motivated by the prospects of new challenges or career development opportunities.

The Group offers staff members from all levels diverse opportunities to develop their professionalism. We tailor made all our training courses to meet the varying needs of our different business segments. For probationary staff, they are required to attend training courses organised by the HRA Department and Operations Department, with the aims to help probationary staff members better adapt to the work environment, as well as deepen their understanding of the Group's structure and daily operations.

Mandatory internal and external training courses are also organised regularly to keep our staff informed with the latest developments in the healthcare industry. During the Reporting Period, training courses organised or training materials sent to relevant staff include Public-Private Partnership Programmes for Healthcare Services – Corruption Prevention Guide for Service Providers, Work Stress Management, ICAC training videos in respect of business ethics and integrity and 2022 Analysis of ESG Practice Disclosure, among others. All training programmes are regularly assessed and monitored to ensure their relevancy, quality, and effectiveness. To further encourage lifelong learning among our staff members and maximise their potential, the Group provides study leave and allowances. Those who have served the Group for more than one year can apply for a study subsidy. During the Reporting Period, the total training hours of full-time employees of our medicals centres and offices ("**FTE**") summed up to 2,380.70 hours, averaging 6.25 hours per FTE as at 30 June 2023. For more details on the percentage of employees trained and the average training hours completed per employee by gender and employee category, please refers to the section "Key Performance Table".

These policies in relation to improving employees' knowledge and skills for discharging duties at work were set out in the Staff Handbook. They cover all the medical centres and offices of the Group in Hong Kong. These policies were approved and implemented by the HRA Department.

## CORPORATE CITIZENSHIP

The Group demonstrate a strong commitment to ethical behaviour by creating a balance between the needs of shareholders and the needs of the community and environment in the surrounding areas. We take responsibility in the way how we conduct our business, how we treat our staff, and how we support community activities that aim to promote a healthy and prosperous society.

### Anti-Corruption

As one of Hong Kong's largest and most diversified healthcare companies, we are inevitably exposed to corruption risk. Nevertheless, the Group is committed to maintaining the highest level of integrity and ethical culture by operating with the highest standards of openness, probity, and accountability. We prohibit any form of bribery, extortion, fraud, money laundering or any illegal offers that may inappropriately influence patients or customers.

To upholding high standards of business integrity, honesty and transparency in all its business dealings, an Anti-Corruption Policy was adopted by the Board on 30 May 2022. The Board is accountable to the implementation of the anti-fraud and bribery efforts of the Group (which includes values, code of ethics, risk management, internal controls, communication and training, oversight and monitoring). This policy applies to the Group, and to all Directors, officers and employees of the Group (which for these purposes includes temporary or contract staff) (collectively the "**Relevant Persons**"). This policy sets out the minimum standards of conduct to which Relevant Persons are required to adhere. All Relevant Persons are required to adhere to this policy, as well as the Staff Handbook, Conflict of Interest Policy (for staff), Whistleblowing Policy and the Data Protection Policy of the Group.

As stipulated in the Anti-Corruption Policy and the Staff Handbook, soliciting, accepting, or offering any advantages, including but not limited to gifts, coupons, and tips, from or to our clients, suppliers or any person having a business relationship with the Group, is strictly prohibited. Staff and medical team are also prohibited from advising or dealing in any transaction that may give rise to potential conflicts of interest and must be declared to the HRA Department or doctor management team of the Group if there is a potential risk of such conflicts of interest. Any breach of conduct will lead to termination of the employment contract or consultancy agreement (as the case may be) and the subject may be liable for legal consequences. These policies in relation to bribery, extortion, fraud and money laundering were set out in the Anti-Corruption Policy, the Staff Handbook and Conflict of Interest Policy (for staff) and Conflict of Interest Policy – Doctor (for medical team). The Conflict of Interest Policy (for staff) was adopted on 1 June 2015 and was last reviewed on 1 January 2022. The Conflict of Interest Policy – Doctor (for medical team) was adopted on 1 June 2015 and was last reviewed on 1 January 2021. These policies were approved and implemented by the HRA Department and Operations Department respectively. During the Reporting Period, there are zero concluded legal cases (FY2022: 0 cases) regarding corrupt practices brought against the Group or its employees.

## CORPORATE CITIZENSHIP *(continued)*

### Anti-Corruption *(continued)*

During the Reporting Period, the following laws and regulations had a significant impact on the Group in relation to bribery, extortion, fraud and money laundering:

- Prevention of Bribery Ordinance (Cap 201 of the Laws of Hong Kong) which makes provisions for prevention of bribery.

- Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap 615 of the Laws of Hong Kong) which provides for the imposition of requirements relating to customer due diligence and record-keeping on specified financial institutions and designated non-financial businesses and professions and other matters relating to anti-money laundering and counter-terrorist financing.

The Group was not aware of any material non-compliance with the above laws and regulations, and has ensured its compliance by implementing Anti-Corruption Policy and Whistleblowing Policy as to bribery, extortion, fraud by the HRA Department and by monitoring the funds paid and received by the Group by the Finance Department of the Group.

The Whistleblowing Policy is an important means of detecting corrupt, illegal, or other undesirable conduct. The policy is designed to enable staff and those third parties who deal with the Group (e.g. customers, suppliers, contractors, etc) to raise concerns internally and disclose information that the whistleblower believes shows malpractice or impropriety to bribery, extortion, fraud, and money laundering. Ensuring the safety and confidentiality of all whistleblowers, the policy states that if the whistleblower notices any suspicious behaviour, he/she is encouraged to report it at the first instance to his/her head of department or HRA Department or any one of the member of Audit Committee in writing or verbally. The member of the Audit Committee and an investigating officer will subsequently handle the matter promptly, professionally, and diligently.

The Whistleblowing Policy was adopted on 1 June 2015 and was last reviewed on 29 May 2023. The above preventive measures and whistleblowing procedures are implemented by disseminating the above relevant policies to every employees of the Group and publishing the relevant policies on the website of the Company. In addition, the implementation of the above measures are monitored by way of review of the policies by Director's Office and HRA Department regularly.

Furthermore, raising awareness, knowledge, and accountability among our staff in regard to anti-corruption is a top priority for the Group. The Group provides anti-corruption training or related reading materials to its employees and Directors at an annual basis. During the Reporting Period, we distributed anti-corruption reading materials to our Directors, medical team and staff. The reading materials contain information on what constitutes corruption, tips on how to avoid it, international best practices, the relevant laws and regulations in Hong Kong, and the legal consequences of non-compliance. In view of the active collaboration with the Hong Kong Government in recent years, reading materials in relation to the definition of public servants, the gist of anti-corruption laws and the integrity and corruption prevention guide on managing relationship with public servants have been dispatched to all staff for reading during the Reporting Period.

## CORPORATE CITIZENSHIP *(continued)*

### Data Privacy Protection

We are committed to continuously enhancing and strengthening our technological infrastructure and security protocols to protect our customer data. The Group has a comprehensive Data Protection Policy in place, which communicates the rules and procedures in regard to the collection, transfer and processing of personal data. The Data Protection Policy was adopted on 1 June 2015 and was last reviewed on 1 January 2021. It was approved and implemented by the Director's Office. The policy applies to and is made readily available to all full- and part-time staff and medical team who have access to personal data collected or processed by the Group. As stipulated in the policy, measures have been set up to ensure that personal data held by a data user are protected against unauthorised or accidental access, processing, erasure, loss, or use.

| Data Privacy Protection Measures |
|---|
| • Physical records containing personal data are securely stored and locked when not in use;<br>• Prevent unauthorised persons from gaining access to data and data processing systems in which personal data are processed;<br>• Prevent persons entitled to use data or a data processing system from accessing data beyond their needs and authorised limits;<br>• Ensure that personal data in the course of electronic transmission during transport or during storage on a data carrier cannot be read, copied, modified or removed without authorisation;<br>• Ensure that personal data are protected against undesired destruction or loss;<br>• Ensure that data collected for different purposes can and will be processed separately;<br>• Ensure that data is not kept longer than is necessary for the fulfilment of the purpose, including by requiring that data transferred to third persons be returned or destroyed; and<br>• Ensure all hardware with capability of storing data are destroyed and reformatted properly after use. |

The above data privacy protection measures are required to be followed by the medical team and staff of the Group who will be handling personal data. The implementation of the above measures are monitored by way of review of the policy by the Director's Office and conducting checks by Operations Department regularly.

In addition to the Data Protection Policy, the Staff Handbook, Patient Information Policy, Business and Operational Information Policy and Inside/Price Sensitive Information Policy also communicate the rules for using IT facilities and the importance of data confidentiality. Regular meetings, trainings and sharing sessions are also organised to remind staff that without the consent of the Group, they are not permitted to disclose any confidential information relating to the Group's business, including operating information, financial information, operating procedures and other confidential documents.

## CORPORATE CITIZENSHIP *(continued)*

### Data Privacy Protection *(continued)*

Personnel who improperly use or disclose confidential information will be subject to disciplinary action, including summary dismissal (for staff) and termination of agreement (for medical team). During the Reporting Period, the following laws and regulations had a significant impact on the Group in relation to privacy:

- Personal Data (Privacy) Ordinance in Hong Kong (Cap 486 of the Laws of Hong Kong) which protects the privacy of individuals in relation to personal data.

The Group was not aware of any material non-compliance with the above laws and regulations, and has ensured its compliance has ensured compliance with the above laws and regulations by disseminating relevant polices and to conduct trainings on protection of personal data by Director's Office and HRA Department.

### Labour Standards

In accordance with the Employment Ordinance (Cap 57 of the Laws of Hong Kong) and the International Labour Organisation Conventions, the Group respects all basic human rights and forbids any form of child or forced labour practices. These policies in relation to prevention of child and forced labour were set out in the Staff Handbook. They cover all the medical centres and offices of the Group in Hong Kong. These policies were approved and implemented by the HRA Department.

During the recruitment process, the HRA Department conducts a thorough background check on all prospective staff. Staff must be at least the legal age at the time of employment and hold Hong Kong permanent identity cards or valid travel documents to ensure that they can be employed legally. If a staff member is discovered to have provided false information or acted dishonestly, the Group will immediately terminate the employment and conduct investigation.

The Group does not encourage overtime work, the number of working hours is clearly stated on the staff handbook and the employment contract. If employees are required to work overtime due to work or business needs, it must be on a voluntary basis to prevent any breach of labour standards. In addition, the Group will provide compensation leave for respective non-managerial employees who work overtime on Saturday, Sunday and/or public holiday. In case any forced labour is discovered, the Group will immediately suspend his/her work and investigate the incident to find out the reasons to prevent the recurrence of similar incidents.

During the Reporting Period, the following laws and regulations had a significant impact on the Group in relation to prevention of child and forced labour:

- Employment Ordinance (Cap 57 of the Laws of Hong Kong), which provides for the protection of the wages of employees and the general conditions of employment in Hong Kong.

The Group was not aware of any material non-compliance with the above laws and regulations, and has ensured its compliance. Additionally, zero cases of child or forced labour were reported during FY2023 (FY2022: zero cases).

## CORPORATE CITIZENSHIP *(continued)*

### Intellectual Property Rights

We respect intellectual property rights, including but not limited to trademarks, patents, and copyrights. During the Reporting Period, the Group kept a full record of intellectual property rights owned by the Group and will seek legal advice and take actions against any infringement of intellectual property rights owned by the Group. As stipulated in the Staff Handbook, if staff members are found to violate the relevant laws and regulations, not only will they be subject to disciplinary action, but may also be punished by the law and bear criminal or civil liabilities. During the Reporting Period, we were not aware of any infringement (i) by us of any intellectual property rights owned by third parties; or (ii) by any third parties of any intellectual property rights owned by us.

### Community Participation and Investment

Helping communities and people grow stronger benefits us all. That is why we focus on partnering with the communities and making positive impacts on them.

We strongly encourage our staff to give back to their local communities and connect with their sense of purpose. As a healthcare service provider, we leverage the majority of our resources and professional expertise to improve community health – this means investing on a local level to help community members achieve greater health equity. Recognising that it takes time, a deep understanding of the community, and strong relationships to create positive change and greater health equity for all, we are committed to developing long-term, sustainable relationships with our communities.

These policies in relation to community engagement were set out in the Staff Handbook. They cover all the employees of the Group. These policies were approved and implemented by the HRA Department.

#### Raising Health Equity

The Group works closely with different organisations to provide health talks, assessments, and education programmes, and provides medical and wellness information as well as healthcare tips through its website and major social media platforms, with the aims of delivering professional and accurate health information, raising health awareness, and promoting healthy lifestyles.

During the Reporting Period, we continuously collaborated with the Hong Kong Lutheran Social Service in organising various health talks to enhance health awareness in relation to gastroenteritis, cataract and glaucoma, influenza and COVID-19 vaccination, prevention of three-hypers and osteoporosis. With over hundreds of Lutheran members joining our health talks, we aspire to continue to progress and grow to better serve our community.

## CORPORATE CITIZENSHIP *(continued)*

### Community Participation and Investment *(continued)*

#### Volunteering and Community Services

The Group joined various volunteering and community services, including "The Blessing Box" held by Kerry Property Management Services Limited, "Prepare Meal Boxes" organised by the Food Angel and also joined the Chinese New Year and Dragon Boat Festival activities organised by the Lok Sin Tong.

During the Reporting Period, the Group supported several charitable organisations and institutions such as Lok Sin Tong, and the Hong Kong Lutheran Social Service by offering donations and event sponsorship. We also continued to show support to charity organisations such as the Medecins Sans Frontieres Hong Kong and Orbis Hong Kong by placing donation boxes at our medical centres. During the Reporting Period, the Group donated approximately HK$32,000 to various charitable organisations.

#### Awards and Recognitions

We are honoured to have received recognition for our corporate responsibility efforts from a number of prominent organisations, including but not limited to the following:

| Awards | Awarding Organisation | Year of Award |
|---|---|---|
| 10 year + Caring Company<br>10年+商界展關懷 | The Hong Kong Council of Social Service | 2023–2024 |
| Social Capital Builder Award 2022–24<br>2022–24社會資本動力獎 | Home and Youth Affairs Bureau & Community Investment and Inclusion Fund | 2023 |
| Partner Employer Award 2022<br>2022友商有良嘉許計劃 | The Hong Kong General Chamber of Small and Medium Business | 2017–2022 |
| Happiness at Work Promotional Scheme 2023<br>2023開心工作間 | Promoting Happiness Index Foundation | 2023 |
| Brand Design Awards 2023<br>2023最佳設計品牌大獎 | Hong Kong Designers Association | 2023 |
| HKIM Power Brand Award 2022/2023<br>2022/2023香港市務學會權威品牌大獎 | Hong Kong Institute of Marketing | 2022–2023 |
| Hong Kong Marketer of the Year 2022/2023 | Hong Kong Institute of Marketing | 2023 |
| 地區網絡西醫 | Wong Tai Sin District Health Centre | 2023 |

## CORPORATE CITIZENSHIP *(continued)*

### Community Participation and Investment *(continued)*

#### Awards and Recognitions *(continued)*

These awards reaffirm our dedicated efforts to nurture a robust relationship with the communities we operate in. Looking forward, we will continue to empower volunteerism and altruism in the community with our expertise in the healthcare industry to make real and lasting contribution.

## GREEN OPERATIONS

The Group's commitment to the health of our planet is stronger than ever. Not only do we recognise that embracing green operations directly contribute to improving overall performance and efficiency, we also recognise the undeniable connection between our physical and emotional well-being and the health of the environment. Therefore, the Group emphasise the importance of its environmental strategy and goals setting, effluent and waste management, as well as medical packaging consumption. Other aspects such as air and greenhouse gases ("**GHG**") emissions, and climate change are relatively immaterial to the Group. Nevertheless, we shall continue to invest our time and resources in measures that help minimise unnecessary disruption or mitigate any adverse impacts to our natural environment.

### Environmental Policy and Targets

The Group is committed to proactively managing our environmental impact as an integral part of our operations. As a step forward for the Group, we formalised our commitment to the environment by following and implementing the Environmental Policy. The policy is to provide transparency into our environmental sustainability work, as well as setting out how we plan to operate our business responsibly to create long-term and sustainable value. The policy is reviewed at least annually by the ESG Committee, and is made available to all staff members so that environmental stewardship can be promoted amongst the Group.

## GREEN OPERATIONS *(continued)*

### Environmental Policy and Targets *(continued)*

As stipulated in the Environmental Policy, the Group is responsible for and committed to reducing the harmful effects our operations have on both the local and global environment mainly by way of Scope 2 GHG emissions by using electricity and generation of solid wastes by disposal of hazardous and non-hazardous wastes. Below are the commitments set out in the Environmental Policy as well as steps taken to achieve the set environmental targets.

| Environmental Policy Commitments and Steps Taken to Achieve Environmental Targets |
|---|
| • Identify and mitigate the adverse impacts of air and GHG emissions, wastewater discharge, waste generation, natural resources consumption and significant climate-related issues;<br>• Identify and comply with all relevant environmental legislation;<br>• Promote environmental awareness among all staff; and<br>• Adhere to the procedures in the offices and medical centres, as set out in the policy[3]. |

To evaluate and validate the effectiveness of our ESG policies and management systems, as well as to reduce environmental impact brought by the operations of the Group, during the Reporting Period, the Group closely monitored the environmental targets and the interim performance in achieving each target are detailly described as follow.

| Environmental Issues | Targets | Interim Performance |
|---|---|---|
| Emissions | By year ended 30 June 2024 ("**FY2024**"), reduce GHG emissions (Scope 1 & 2) intensity (by location) by 5%, compared with that for the year ended 30 June 2018 ("**FY2018**") baseline. | GHG emissions (Scope 1 & 2) intensity (by location) for FY2023: 7.27 $tCO_2e$ (FY2018: 10.83 $tCO_2e$), reduced by 32.87% as compared to FY2018 baseline.<br>(During the Reporting Period, the number of locations for the calculation of emissions reduction was 59 (medical centres in the mega health hub and locations with limited data were excluded).) |
| Waste Management | By FY2024, all plastic bags with the logos of the Group procured for all our medical centres will be completely degradable. | All plastic bags with the logos of the Group procured for all the medical centres providing general practice services and specialties services are completely degradable for FY2023. |

[3] The procedures of waste handling, resource consumption and emissions mitigation in the offices and medical centres are set out in the following sections.

## GREEN OPERATIONS *(continued)*

### Environmental Policy and Targets *(continued)*

| Environmental Issues | Targets | Interim Performance |
|---|---|---|
| Energy Consumption | By FY2024, reduce energy consumption intensity (by location) by 5%, compared to a FY2018 baseline. | Energy consumption intensity (by location) for FY2023: 64,547.73 MJ (FY2018: 72,216.45 MJ), reduced by 10.62% as compared to FY2018 baseline.<br>(During the Reporting Period, the number of locations for the calculation of energy use efficiency was 59 (medical centres in the mega health hub and locations with limited data were excluded).) |
| Water Consumption | By FY2024, maintain water consumption intensity (by location) not greater than the FY2018 baseline. | Water consumption intensity (by location) for FY2023: 50.09 $m^3$ (FY2018: 60.29 $m^3$), reduced by 16.92% as compared to FY2018 baseline.<br>(During the Reporting Period, the number of locations for the calculation of water efficiency was 46 (medical centres in the mega health hub and locations with limited data were excluded).) |

For meaningful comparisons, the intensity used in the above targets (except the waste management) is based on the number of locations where corresponding data is available. In addition, environmental data from medical centres in the mega health hub were excluded in this ESG Report as explained in the section "Reporting Scope". As we are committed to measuring and reporting on our progress in a transparent and authentic way, the relevant quantitative data and unit regarding the above targets are also set out in the section "Key Performance Table".

The Environmental Policy in relation to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste was adopted on 28 September 2020 and was last revised on 28 April 2021 and shall be reviewed by the ESG Committee at least annually. It covers the entire operations of the Group in Hong Kong. The Environmental Policy was approved by the Board and implemented by the ESG Committee of the Group.

During the Reporting Period, the following laws and regulations had a significant impact on the Group in relation to air and GHG emissions, and discharges into water and land:

- Air Pollution Control Ordinance (Cap 311 of the Laws of Hong Kong) which provides for abating, prohibiting and controlling pollution of the atmosphere.

- Water Pollution Control Ordinance (Cap 358 of the Laws of Hong Kong) which controls the pollutions of the water of Hong Kong.

## GREEN OPERATIONS *(continued)*

### Environmental Policy and Targets *(continued)*

The Group was not aware of any material non-compliance with the above laws and regulations, and has ensured its compliance by monitoring the air and GHG emissions through electricity usage and discharges of water used in the operations of the Group.

During the Reporting Period, the following laws and regulations had a significant impact on the Group in relation to generation of hazardous and non-hazardous waste:

- Pharmacy and Poisons Ordinance (Cap 138 of the Laws of Hong Kong), which governs the manufacture, supply and labeling of, and the keeping of records relating to pharmaceutical product and advanced therapy products.

- Antibiotics Ordinance (Cap 137 of the Laws of Hong Kong), which controls the sale and supply of certain antibiotic substances.

- Dangerous Drugs Ordinance (Cap 134 of the Laws of Hong Kong), which governs the use of medications being supplied and dispensed which are classified as dangerous drugs under the Ordinance.

- Waste Disposal Ordinance (Cap 354 of the Laws of Hong Kong), Waste Disposal (Clinical Waste) (General) Regulation (Cap 354O of the Laws of Hong Kong), and Waste Disposal (Chemical Waste) (General) Regulation (Cap 354C of the Laws of Hong Kong) which govern the control and regulation of the production, storage, collection and disposal of clinical waste.

The Group was not aware of any material non-compliance with the above laws and regulations, and has ensured its compliance by engaging qualified third-party clinical/chemical waste collector licenced by the Environmental Protection Department of the Hong Kong Government for the waste disposal and monitoring by Operations Department and Product and Supply Chain Department.

## GREEN OPERATIONS *(continued)*

### Waste Management

We believe that waste is a sign of inefficiency in our operations and places an avoidable burden on planetary resources. Hence, we strive to reduce waste, promote the effectiveness of resources, and engage in responsible waste management practices. The operations of our healthcare medical services produce both hazardous (clinical and chemical) solid wastes and non-hazardous solid wastes.

#### Hazardous Clinical and Chemical Waste

Clinical wastes mainly consist of sharp boxes that contain clinical use sharps and needles. Chemical wastes on the other hand, primarily consists of Part I poisons and antibiotic preparations and Part II poisons and non-poison pharmaceutical products, as classified in the Pharmacy and Poisons Ordinance (Cap 138 of the Laws of Hong Kong), Antibiotics Ordinance (Cap 137 of the Laws of Hong Kong) and Dangerous Drugs Ordinance (Cap 134 of the Laws of Hong Kong).

To properly dispose of clinical wastes, the Group engages a qualified third-party clinical waste collector licenced by the Environmental Protection Department of the Hong Kong Government. The clinical wastes are put in separately labelled garbage bins and bags prior to being collected by the qualified clinical waste collector.

Regarding the disposal of chemical wastes, the Group engages a chemical waste collector authorised by the Environmental Protection Department of the Hong Kong Government. Collection of wastes are performed on a regular basis. Prior to collection, chemical wastes are separated and categorised. They are then discarded into labelled, leakproof and puncture resistant containers. The containers are subsequently placed in a chemical waste storage area in the medical centres temporarily.

To ensure the proper handling of both clinical and chemical waste, the Environmental Policy further requires the Group to monitor waste separation procedures monthly. Waste handling trainings are also regularly provided to all staff in medical centres. During the Reporting Period, we collected approximately 1.38 and 0.16 tonnes of clinical and chemical wastes respectively, which represents a total of approximately 1.54 tonnes of hazardous waste.

## GREEN OPERATIONS *(continued)*

### Waste Management *(continued)*

#### Non-hazardous Domestic Waste

The collection and treatment of domestic wastes in our offices and medical centres are handled by respective management offices. Currently, we do not have a monitoring system in place to record the amount of non-hazardous waste generated. Nevertheless, a data estimation was performed during the Reporting Period.

To estimate the amount of non-hazardous waste generated, non-hazardous wastes were collected and weighed at the offices for 5 consecutive days. In doing so, we were able to estimate the weight of each bag of non-hazardous waste. Using this methodology, our offices and medical centres produce approximately 9.61 and 69.39 tonnes of non-hazardous waste respectively annually, which represents a total of approximately 79.00 tonnes of non-hazardous waste. During the Reporting Period, the amount of paper consumption was also recorded at our offices and medical centres. The quantification assumes that there was no paper in storage prior to the Reporting Period, and that all purchased papers were consumed within the Reporting Period. Based on the aforementioned methodology, approximately 6.56 tonnes of paper were consumed by the Group during the Reporting Period, and 2.96 tonnes of paper were recycled.

To reduce the amount of waste generated in our offices and medical centres, the Group has adopted the following measures:

| Waste Reduction Measures | Paper Reduction Measures |
|---|---|
| • Collect used fluorescent lamps, ink cartridges, batteries, and CDs for recycling;<br>• Install recycling bins for paper and plastic, among others in a prominent location;<br>• Replace disposable paper cups and cutlery with reusable glasses and cutlery; and<br>• Encourage customers to bring reusable bags. | • Set computer defaults to print double-sided when possible;<br>• Use electronic messages for internal information distribution; and<br>• Implement a spreadsheet system such as an online application system for leave and electronic payslip. |

## GREEN OPERATIONS *(continued)*

### Resource Efficiency

With the advent of global climate change, depleting natural resources, and rising expectations on corporate environmental performance, pursuing resource efficiency is a major priority of the Group. By using resources responsibly and efficiently, it is our intention to reduce our environmental footprint and achieve greater corporate social responsibility. The policies on efficient use of resources were set out in the Environmental Policy. They cover all the medical centres and offices of the Group in Hong Kong. These policies were approved by the Board and implemented by disseminating guidelines by the ESG Committee.

The resources consumed in our operations largely include packaging materials, electricity, water, and paper. During the Reporting Period, various measures were adopted to minimise unnecessary usage of these resources. As paper usage has already been covered in the "Waste Management" subsection above, only initiatives regarding conservation of packaging materials, energy, and water are covered below.

#### Packaging Materials

Packaging plays a critical role in maintaining the quality, safety, and integrity of our products. All medications prescribed must be packaged individually and labelled properly with relevant patient and drug information for identification purposes. Plastic packaging, including plastic bags, drug bags, potion bottles, ointment boxes and thermal labels, were currently used in our medical centres, but as set out in our Environmental Policy, we are striving and assessing the possibility to preserve and recycle plastic packaging materials whenever possible, as well as purchase sustainable packaging materials.

To quantify the amount of packaging materials consumed during the Reporting Period, the quantification methodology in estimating packaging materials consumption was performed in a similar manner to that of paper. It is assumed that the materials purchased were consumed within the Reporting Period and that there were no packaging materials in storage prior to the Reporting Period. Based on the aforementioned methodology, approximately 8.65 tonnes of plastic were consumed and approximately 3.05 tonnes of other packaging materials, which represents a total of 11.70 tonnes of packaging materials, were consumed by the Group during the Reporting Period.

## GREEN OPERATIONS *(continued)*

### Resource Efficiency *(continued)*

#### Energy Consumption

The energy consumption in the Reporting Period increased by 63,155.19 MJ, representing an increase of approximately 1.69% from FY2022. During the Reporting Period, the majority of the Group's energy consumption stemmed from electricity consumption in the offices and medical centres. A proportion of the energy usage can also be traceable to gasoline consumption used for powering mobile vehicles owned by the Group.

| Indicator | Unit | FY2023 Offices & Warehouses | FY2023 Medical Centres | FY2023 Total | FY2022 Offices & Warehouses | FY2022 Medical Centres | FY2022 Total |
|---|---|---|---|---|---|---|---|
| **Energy Consumption** | | | | | | | |
| Purchased Electricity (Indirect Consumption) | kWh | 173,846.26 | 833,910.79 | 1,007,757.05 | 133,206.92 | 868,135.80 | 1,001,342.72 |
| Gasoline Consumption (Direct Consumption) | L | 5,170.43 | – | 5,170.43 | 4,022.11 | – | 4,022.11 |
| Total Energy Consumption | MJ | 806,237.08 | 3,002,078.84 | 3,808,315.92 | 619,871.85 | 3,125,288.88 | 3,745,160.73 |
| Energy Consumption Intensity by FTE | MJ/Person | 6,718.64 | 11,502.22 | 9,995.58 | 6,390.43 | 12,601.97 | 10,855.54 |
| Energy Consumption Intensity by No. of Locations | MJ/No. | – | – | 64,547.73 | – | – | 64,571.74 |

All figures in the above table are approximate quantities.

The calculation of unit conversion was based on, including but not limited to the "Energy Statistics Manual" issued by the International Energy Agency.

To reduce the energy consumption and achieve the energy consumption targets, the Group has adopted several energy-saving practices in the offices and medical centres. For further details, please refer to the subsection "Air Emissions".

## GREEN OPERATIONS *(continued)*

### Resource Efficiency *(continued)*

#### Water Consumption

The availability of clean water in health facilities is critical to providing quality healthcare. From personal hygiene to washing tools and equipment used on the patients, water is vital in maintaining a hygienic, healthy, and safe environment within the medical centres. During the Reporting Period, the Group consumed approximately 2,304.10 $m^3$ of water in total, indicating an increase of 15.38% from the previous Reporting Period. We had no issues in sourcing water that is fit for purpose.

Due to the nature of the Group's operations as a healthcare industry that prioritises clean and safe sanitation facilities, clean water must be made available at all times. The Group must ensure the health and safety of all employees, customers and other relevant stakeholders. However, the Group will still strive to maintain efficient use of water and in order to achieve our water efficiency target, we have adopted the following measures in our offices and medical centres:

| Water Consumption Measures |
|---|
| • Put up water conservation signs to raise awareness on water conservation;<br>• Remind the staff to use water conscientiously; and<br>• Carry out regular leakage tests. |

### Emissions Management

#### Air Emissions

The Group's air emissions mainly stemmed from the operation of company vehicles, which generates air pollutants, including nitrogen oxides ("**$NO_x$**"), sulphur oxides ("**$SO_x$**") and particulate matter ("**PM**").

| | | FY2023 | | | FY2022 | | |
|---|---|---|---|---|---|---|---|
| Indicators | Unit | Offices and Warehouses | Medical Centres | Total | Offices and Warehouses | Medical Centres | Total |
| $NO_x$ Emissions | kg | 2.11 | – | 2.11 | 1.37 | – | 1.37 |
| $SO_x$ Emissions | kg | 0.08 | – | 0.08 | 0.06 | – | 0.06 |
| PM Emissions | kg | 0.16 | – | 0.16 | 0.10 | – | 0.10 |

All figures in the above table are approximate quantities.

The calculation method of air emissions and the related emission factors were based on, including but not limited to, "How to Prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange.

## GREEN OPERATIONS *(continued)*

### Emissions Management *(continued)*

#### GHG Emissions

Regarding GHG emissions, scope 1 direct GHG emissions largely derived from mobile combustion of fossil fuels, due to the use of our Group's own vehicles. Scope 2 energy indirect GHG emissions are traceable to the fossil fuels used to generate purchase electricity we use in our operations.

To accurately quantify and assess the Group's GHG emissions, we engaged an independent consultant to evaluate our overall GHG emissions. The Group would provide data collected to the independent consultant for quantification purposes. The quantification process makes reference to both local and international guidelines, including the "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong" published by the Environmental Protection Department and the Electrical and Mechanical Services Department of the Hong Kong Government, "How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" published by the Stock Exchange, as well as other international standards such as the "Greenhouse Gas Protocol" published by the World Resources Institute and World Business Council for Sustainable Development. We also utilised the latest emission factors, which are periodically published by relevant power companies.

| | | FY2023 | | | FY2022 | | |
|---|---|---|---|---|---|---|---|
| Indicators | Unit | Offices and Warehouses | Medical Centres | Total | Offices and Warehouses | Medical Centres | Total |
| Scope 1 Direct Emissions – Mobile Combustion Sources | $tCO_2e$ | 13.75 | – | 13.75 | 10.70 | – | 10.70 |
| Scope 2 Energy Indirect Emissions – Purchased Electricity | $tCO_2e$ | 67.80 | 347.48 | 415.28 | 51.95 | 361.90 | 413.85 |
| Scope 1 & 2 Emissions | $tCO_2e$ | 81.55 | 347.48 | 429.03 | 62.65 | 361.90 | 424.55 |
| Scope 1 & 2 Emissions Intensity by FTE | $tCO_2e$/ Person | 0.68 | 1.33 | 1.13 | 0.65 | 1.46 | 1.23 |
| GHG Emissions (Scope 1 & 2) Intensity by No. of Locations | $tCO_2e$/No. | – | – | 7.27 | – | – | 7.32 |

All figures in the above table are approximate quantities.

## GREEN OPERATIONS *(continued)*

### Emissions Management *(continued)*

#### GHG Emissions *(continued)*

We recognise the impact of our GHG and air emissions and are determined to play an active role in managing and minimising our environmental impacts. To ensure that we fulfil our emission targets, during the Reporting Period we were committed to adopting the following measures in our offices and medical centres:

| Emissions Reduction Measures |
|---|

- Turn off all electrical appliances when not in use:
  - Turn off lights during lunch hour manually or adopt automatic sensors;
  - Require staff to switch off their computers (including their screen) after work; and
  - The last person leaving the office after work must check and ensure all electrical appliances are turned off;
- Set indoor temperature at 25.5°C;
- Maintain all electrical appliances such as lamps, computers and fridges regularly to ensure efficiency;
- Analyse electricity consumption data periodically to review energy conservation measures for continuous improvement;
- Maximise use of natural light as far as practicable and adopt energy efficient lighting (e.g. LED and T5 fluorescent lamps);
- Install environmental protection posters and signs in prominent locations (e.g. washrooms, next to printer, pantry);
- Source various paper suppliers with sustainability initiatives; and
- Source plastic bags suppliers which produces reusable, recyclable or compostable plastic bags.

Looking forward, the Group will continue to assess, record, and annually disclose its GHG and air emissions, as well as evaluate the effectiveness of current measures to further improve our environmental sustainability.

### Climate Change

Climate change is considered relatively immaterial to the Group's operations. Nevertheless, it is an international environmental problem that has detrimental health and safety consequences to individuals and communities. As a healthcare service provider, our commitment to improving people's health and well-being is certainly at risk. To mitigate and adapt to the direct impacts of climate risk, we have adopted appropriate measures to prepare our operations and staff members to react to extreme weather events.

## GREEN OPERATIONS *(continued)*

### Climate Change *(continued)*

Recognising that extreme weather events (such as storms, floods or heatwaves that may damage our properties, significantly impact our business activities and pose threat to our employees) are becoming more frequent and intense, the Staff Handbook provides clear and comprehensive guidelines to all staff members on how to handle typhoons and rainstorm warnings. During the Reporting Period, we recorded and analysed the locations of our medical centres which are street facing. Through this record, we are able to track which medical centres face a greater risk from extreme weather events, and subsequently devise appropriate risk management strategies to manage the climate-related risks. As at 30 June 2023, 20 out of 59 medical centres were street facing and the Group considered that the impact of extreme weather to our business was relatively immaterial.

The Group considers that the warmer weather caused by the climate change does not have material impact on the business of the Group during the past few years and the Group shall review and monitor this climate-related risk on an ongoing basis.

In addition to the physical risks, the Group is also aware of the transition risks associated with stricter climate legislation and regulations as part of the transition to a low-carbon economy and in alignment with the global goal of carbon neutrality. These more stringent laws and regulations may expose enterprises to higher risks of legal claims and lawsuits. Failure to meet compliance requirements can also have a negative impact on corporate reputation.

The Group acknowledges the increasing demand for climate disclosures and the need to accelerate climate actions as required by regulatory bodies, for instance, the recent consultation by the Stock Exchange on enhancing climate disclosure under its ESG framework. To address these requirements, the Group proactively monitors both existing and emerging trends, policies, and regulations related to climate issues. It regularly assesses the impact of these regulatory updates on the Group and is prepared to notify top management for necessary actions when appropriate. Furthermore, the Group has established targets and implemented various measures to gradually reduce its energy consumption and GHG emissions. These efforts demonstrate the Group's continuous commitment to sustainability and aligning its operations with environmental goals.

Other measures that have been adopted in our offices and medical centres include the following:

| Climate Change Mitigation and Adaptation Measures |
|---|
| • Review and update the Typhoon Policy within the Staff Handbook on an annual basis;<br>• Monitor and review significant climate-related risks and opportunities on an annual basis;<br>• Maintain ongoing communication and engagement with internal and external stakeholders regarding our climate-related performance; and<br>• Attend regular climate-related issues training. |

The above policies on identification and mitigation of significant climate-related issues was set out in the Environmental Policy. They cover all the medical centres and offices of the Group in Hong Kong. These policies were approved by the Board and implementing by disseminating guidelines by ESG Committee.

## KEY PERFORMANCE TABLE*

| Key Performance Indicators | Unit | FY2023 Offices & Warehouses | FY2023 Medical Centres | FY2023 Total | FY2022 Offices & Warehouses | FY2022 Medical Centres | FY2022 Total |
|---|---|---|---|---|---|---|---|
| **Environmental KPIs** | | | | | | | |
| **Greenhouse Gas Emissions** | | | | | | | |
| GHG Emissions (Scope 1 & 2) | $tCO_2e$ | 81.55 | 347.48 | 429.03 | 62.65 | 361.90 | 424.55 |
| GHG Emission (Scope 1 & 2) Intensity by Revenue[4] | $tCO_2e$/HK$'million | – | – | 0.43 | – | – | 0.38 |
| GHG Emissions (Scope 1 & 2) Intensity by FTE | $tCO_2e$/Person | 0.68 | 1.33 | 1.13 | 0.65 | 1.46 | 1.23 |
| GHG Emission (Scope 1 & 2) Intensity by No. of Locations[5, 8] | $tCO_2e$/No. | – | – | 7.27 | – | – | 7.32 |
| **Energy Consumption** | | | | | | | |
| Electricity Consumption | kWh | 173,846.26 | 833,910.79 | 1,007,757.05 | 133,206.92 | 868,135.80 | 1,001,342.72 |
| Gasoline Consumption | L | 5,170.43 | – | 5,170.43 | 4,022.11 | – | 4,022.11 |
| Total Energy Consumption | MJ | 806,237.08 | 3,002,078.84 | 3,808,315.92 | 619,871.85 | 3,125,288.88 | 3,745,160.73 |
| Energy Consumption Intensity by Revenue[4] | MJ/HK$'million | – | – | 3,801.68 | – | – | 3,338.55 |
| Energy Consumption Intensity by FTE | MJ/Person | 6,718.64 | 11,502.22 | 9,995.58 | 6,390.43 | 12,601.97 | 10,855.54 |
| Energy Consumption Intensity by No. of Locations[6, 8] | MJ/No. | – | – | 64,547.73 | – | – | 64,571.74 |
| **Water Consumption** | | | | | | | |
| Water Consumption | $m^3$ | 165.37 | 2,138.73 | 2,304.10 | 114.07 | 1,882.84 | 1,996.91 |
| Water Consumption Intensity by Revenue[4] | $m^3$/HK$'million | – | – | 2.30 | – | – | 1.78 |
| Water Consumption Intensity by FTE | $m^3$/Person | 1.38 | 8.19 | 6.05 | 1.18 | 7.59 | 5.79 |
| Water Consumption Intensity by No. of Locations[7, 8] | $m^3$/No. | – | – | 50.09 | – | – | 42.49 |
| **Waste Disposed** | | | | | | | |
| Chemical Waste | Tonnes | – | 0.16 | 0.16 | – | 0.41 | 0.41 |
| Clinical Waste | Tonnes | – | 1.38 | 1.38 | – | 1.61 | 1.61 |
| Hazardous Waste Intensity by Revenue[4] | Tonnes/HK$'million | – | – | 0.0015 | – | – | 0.0018 |
| Hazardous Waste Intensity by FTE | Tonnes/Person | – | 0.0059 | 0.0040 | – | 0.0059 | 0.0059 |
| Other Non-hazardous Waste | Tonnes | 9.61 | 69.39 | 79.00 | 6.82 | 47.48 | 54.30 |
| Non-hazardous Waste Intensity by Revenue[4] | Tonnes/HK$'million | – | – | 0.08 | – | – | 0.05 |
| Non-hazardous Waste Intensity by FTE | Tonnes/Person | 0.08 | 0.27 | 0.21 | 0.07 | 0.19 | 0.16 |
| Paper Consumed | Tonnes | 1.95 | 4.62 | 6.57 | 1.56 | 3.88 | 5.44 |
| Paper Recycled | Tonnes | 2.96 | – | 2.96 | 2.67 | – | 2.67 |
| **Packaging Material** | | | | | | | |
| Plastic | Tonnes | – | 8.65 | 8.65 | – | 8.24 | 8.24 |
| Others | Tonnes | – | 3.05 | 3.05 | – | 2.24 | 2.24 |
| Packaging Material Intensity by Revenue[4] | Tonnes/HK$'million | – | – | 0.01 | – | – | 0.01 |
| Packaging Material Intensity by FTE | Tonnes/Person | – | 0.04 | 0.03 | – | 0.04 | 0.03 |

4 During the Reporting Period, the Group generated a total revenue of HK$1,001,746,000 (FY2022: HK$1,121,793,000).
5 The baseline figure from FY2018 of GHG emissions intensity (by location) is 10.83 $tCO_2e$.
6 The baseline figure from FY2018 of energy usage intensity (by location) is 72,216.45 MJ.
7 The baseline figure from FY2018 of water consumption intensity (by location) is 60.29 $m^3$.
8 During the Reporting Period, the number of locations for the calculation (by location) of GHG emissions (Scope 1 & 2) intensity and energy consumption intensity was 59 (FY2022: 58) respectively and for water consumption intensity was 46 (FY2022: 47).
* All figures in the above table are approximate quantities.

## KEY PERFORMANCE TABLE* *(continued)*

| Key Performance Indicators | Unit | FY2023 Offices & Warehouses | FY2023 Medical Centres | FY2023 Total | FY2022 Offices & Warehouses | FY2022 Medical Centres | FY2022 Total |
|---|---|---|---|---|---|---|---|
| **Social KPIs** | | | | | | | |
| **Workforce** | | | | | | | |
| **Workforce by Employment Type** | | | | | | | |
| Full-time[9] | Persons | 120 | 261 | 381 | 97 | 248 | 345 |
| Part-time[9] | Persons | 1 | 102 | 103 | 3 | 51 | 54 |
| **FTE by Gender** | | | | | | | |
| Male | Persons | 38 | 6 | 44 | 29 | 2 | 31 |
| Female | Persons | 82 | 255 | 337 | 68 | 246 | 314 |
| **FTE by Employment Level** | | | | | | | |
| Management | Persons | 14 | 0 | 14 | 12 | 0 | 12 |
| General | Persons | 106 | 261 | 367 | 85 | 248 | 333 |
| **FTE by Age Group** | | | | | | | |
| <30 | Persons | 30 | 117 | 147 | 29 | 132 | 161 |
| 30–40 | Persons | 50 | 104 | 154 | 36 | 95 | 131 |
| 41–50 | Persons | 28 | 30 | 58 | 21 | 16 | 37 |
| >50 | Persons | 12 | 10 | 22 | 11 | 5 | 16 |
| **FTE by Geographical Region** | | | | | | | |
| Hong Kong | Persons | 120 | 261 | 381 | 97 | 248 | 345 |
| **Turnover Rate** | | | | | | | |
| **Turnover Rate (FTE)** | | | | | | | |
| Turnover Rate[10] | % | 34 | 109 | 87 | 34 | 62 | 55 |
| **Turnover Rate by Gender (FTE)** | | | | | | | |
| Male | % | 42 | 25 | 40 | 35 | 0 | 32 |
| Female | % | 31 | 110 | 92 | 34 | 63 | 57 |
| **Turnover Rate by Age Group (FTE)** | | | | | | | |
| <30 | % | 37 | 128 | 110 | 35 | 84 | 76 |
| 30–40 | % | 26 | 78 | 62 | 44 | 34 | 37 |
| 41–50 | % | 33 | 135 | 82 | 31 | 37 | 33 |
| >50 | % | 61 | 120 | 84 | 0 | 33 | 14 |
| **Turnover Rate by Geographical Region (FTE)** | | | | | | | |
| Hong Kong | % | 34 | 109 | 87 | 34 | 62 | 55 |
| **Occupational Health and Safety** | | | | | | | |
| Work-Related Fatalities[11] | Cases | 0 | 0 | 0 | 0 | 0 | 0 |
| Lost Days Due To Work Injury[12] | Days | 0 | 4 | 4 | 0 | 13[13] | 13[13] |

9 As of 30 June 2023, the Group had 428 full time employees (as at 30 June 2022: 542) and 426 part-time employees (as at 30 June 2022: 1,157), of which 381 full time employees and 103 part-time employees fall within the reporting scope of the ESG Report.

10 Turnover rate (FTE) = number of employees who left employment/average numbers of employees for the Reporting Period x 100%.

11 There were no work-related fatalities cases reported in FY2023, FY2022, FY2021 and FY2020 respectively.

12 Work injuries refer to those were reported under the Employees' Compensation Ordinance.

13 Figures are re-stated to exclude lost days resulting from work injuries by part-time workforce in the testing and vaccination centres for COVID-19 related services as KPIs from the relevant workforce do not fall within the reporting scope of the ESG Report.

## KEY PERFORMANCE TABLE* *(continued)*

| Key Performance Indicators | Unit | FY2023 Offices & Warehouses | FY2023 Medical Centres | FY2023 Total | FY2022 Offices & Warehouses | FY2022 Medical Centres | FY2022 Total |
|---|---|---|---|---|---|---|---|
| **Social KPIs** | | | | | | | |
| **Training and Development** | | | | | | | |
| Percentage of FTE Trained | % | – | – | 89.76 | – | – | 98.84 |
| **Breakdown of FTE Trained by Gender** | | | | | | | |
| Male | % | – | – | 11.40 | – | – | 8.50 |
| Female | % | – | – | 88.60 | – | – | 91.50 |
| **Percentage of Employees Trained by Gender** | | | | | | | |
| Male | % | – | – | 88.64 | – | – | 93.55 |
| Female | % | – | – | 89.91 | – | – | 99.36 |
| **Breakdown of FTE Trained by Employee Category** | | | | | | | |
| Management | % | – | – | 4.09 | – | – | 3.23 |
| General | % | – | – | 95.91 | – | – | 96.77 |
| **Percentage of Employees Trained by Employee Category** | | | | | | | |
| Management | % | – | – | 100.00 | – | – | 91.67 |
| General | % | – | – | 89.37 | – | – | 99.10 |
| **Average Training Hours by Gender (FTE)** | | | | | | | |
| Male[14] | Hours | – | – | 8.22 | – | – | 9.33 |
| Female[14] | Hours | – | – | 6.80 | – | – | 5.97 |
| **Average Training Hours by Employee Category (FTE)** | | | | | | | |
| Management[14] | Hours | – | – | 21.01 | – | – | 26.00 |
| General[14] | Hours | – | – | 6.36 | – | – | 5.60 |
| **Supply Chain** | | | | | | | |
| **Number of Suppliers by Geographical Region**[15] | | | | | | | |
| Asia excluding Hong Kong and Mainland China | No. | – | – | 51 | – | – | 52[16] |
| Australia | No. | – | – | 7 | – | – | 5[16] |
| Canada | No. | – | – | 0 | – | – | 0[16] |
| Columbia | No. | – | – | 1 | – | – | 1 |
| Europe | No. | – | – | 51 | – | – | 50[16] |
| Hong Kong | No. | – | – | 310 | – | – | 292 |
| Mainland China | No. | – | – | 12 | – | – | 6[16] |
| UK | No. | – | – | 6 | – | – | 5 |
| US | No. | – | – | 10 | – | – | 8[16] |
| **Product and Service** | | | | | | | |
| Products Recall Rate for Safety and Health Reasons | % | – | – | 0.00 | – | – | 0.00 |
| Products and Service Related Complaints | Cases | – | – | 149 | – | – | 136 |
| **Anti-corruption** | | | | | | | |
| Concluded Legal Cases Regarding Corrupt Practices | Cases | – | – | 0 | – | – | 0 |

14 Average training hours by category = total training hours by category for the Reporting Period/number of trained employees by category as at the end of the Reporting Period.

15 The geographical region of suppliers is determined by (i) the primary location where products or services are provided by each supplier to the Group as at the end of the Reporting Period; or (ii) the country of origin of majority of products (in terms of monetary value) supplied by each supplier to the Group as at the end of the Reporting Period. In comparison to FY2022, the definition was updated by including "in terms of monetary value" for criterion (ii). Consequently, relevant figures in FY2022 were updated to align with the revised definition.

16 Figures are re-stated.

## STOCK EXCHANGE CONTENT INDEX

| Aspects, General Disclosures and KPIs | Description | Relevant Chapter or Explanation |
|---|---|---|
| **Mandatory Disclosure Requirements** | | |
| **Governance Structure** | | |
| | A statement from the board containing the following elements:<br><br>(i) a disclosure of the board's oversight of ESG issues;<br><br>(ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and<br><br>(iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses. | Approach to Sustainability – Sustainability Governance; Sustainability Strategy; Aligning Sustainability Approach with the United Nations SDGs |
| **Reporting Principles** | | |
| | A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG Report:<br><br>**Materiality:** The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement.<br><br>**Quantitative:** Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be discussed.<br><br>**Consistency:** The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison. | About this Report – Reporting Standards; Reporting Principles<br><br>Approach to Sustainability – Aligning Sustainability Approach with the United Nations SDGs; Stakeholder Engagement; Materiality Assessment |
| **Reporting Boundary** | | |
| | A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change. | About this Report – Reporting Scope |

## STOCK EXCHANGE CONTENT INDEX *(continued)*

| Aspects, General Disclosures and KPIs | Description | Relevant Chapter or Explanation |
|---|---|---|
| **"Comply or explain" Provisions** | | |
| **A. Environmental** | | |
| **Aspect A1: Emissions** | | |
| General Disclosure | Information on:<br><br>(a) the policies; and<br><br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br><br>relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | Green Operations – Environmental Policy and Targets; Emissions Management; Waste Management |
| KPI A1.1 | The types of emissions and respective emissions data. | Green Operations – Emissions Management<br><br>Key Performance Table |
| KPI A1.2 | Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Green Operations – Emissions Management<br><br>Key Performance Table |
| KPI A1.3 | Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Green Operations – Waste Management<br><br>Key Performance Table |
| KPI A1.4 | Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Green Operations – Waste Management<br><br>Key Performance Table |
| KPI A1.5 | Description of emission target(s) set and steps taken to achieve them. | Green Operations – Environmental Policy and Targets; Emissions Management |
| KPI A1.6 | Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them. | Green Operations – Environmental Policy and Targets; Waste Management |

## STOCK EXCHANGE CONTENT INDEX *(continued)*

| Aspects, General Disclosures and KPIs | Description | Relevant Chapter or Explanation |
|---|---|---|
| **Aspect A2: Use of Resources** | | |
| General Disclosure | Policies on the efficient use of resources, including energy, water and other raw materials. | Green Operations – Resource Efficiency; Air Emissions |
| KPI A2.1 | Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility). | Green Operations – Resource Efficiency<br><br>Key Performance Table |
| KPI A2.2 | Water consumption in total and intensity (e.g. per unit of production volume, per facility). | Green Operations – Resource Efficiency<br><br>Key Performance Table |
| KPI A2.3 | Description of energy use efficiency target(s) set and steps taken to achieve them. | Green Operations – Environmental Policy and Targets; Resource Efficiency; Air Emissions |
| KPI A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them. | Green Operations – Environmental Policy and Targets; Resource Efficiency |
| KPI A2.5 | Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. | Green Operations – Resource Efficiency<br><br>Key Performance Table |
| **Aspect A3: The Environment and Natural Resources** | | |
| General Disclosure | Policies on minimising the issuer's significant impact on the environment and natural resources. | Green Operations – Environmental Policy and Targets |
| KPI A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | Green Operations – Environmental Policy and Targets |
| **Aspect A4: Climate Change** | | |
| General Disclosure | Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer. | Green Operations – Climate Change |
| KPI A4.1 | Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them. | Green Operations – Climate Change |

## STOCK EXCHANGE CONTENT INDEX *(continued)*

| Aspects, General Disclosures and KPIs | Description | Relevant Chapter or Explanation |
|---|---|---|
| **B. Social** | | |
| **Employment and Labour Practices** | | |
| **Aspect B1: Employment** | | |
| General Disclosure | Information on:<br><br>(a) the policies; and<br><br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br><br>relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. | Dedicated Workforce – Value Employee Welfare |
| KPI B1.1 | Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region. | Key Performance Table |
| KPI B1.2 | Employee turnover rate by gender, age group and geographical region. | Key Performance Table |
| **Aspect B2: Health and Safety** | | |
| General Disclosure | Information on:<br><br>(a) the policies; and<br><br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br><br>relating to providing a safe working environment and protecting employees from occupational hazards. | Dedicated Workforce – A Safe Work Environment |
| KPI B2.1 | Number and rate of work-related fatalities occurred in each of the past three years including the reporting year. | Key Performance Table |
| KPI B2.2 | Lost days due to work injury. | Key Performance Table |
| KPI B2.3 | Description of occupational health and safety measures adopted, how they are implemented and monitored. | Dedicated Workforce – A Safe Work Environment |

## STOCK EXCHANGE CONTENT INDEX *(continued)*

| Aspects, General Disclosures and KPIs | Description | Relevant Chapter or Explanation |
|---|---|---|
| **Aspect B3: Development and Training** | | |
| General Disclosure | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | Dedicated Workforce – Nurture and Develop Talents |
| KPI B3.1 | The percentage of employees trained by gender and employee category (e.g. senior management, middle management). | Key Performance Table |
| KPI B3.2 | The average training hours completed per employee by gender and employee category. | Key Performance Table |
| **Aspect B4: Labour Standards** | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to preventing child and forced labour. | Corporate Citizenship – Labour Standards |
| KPI B4.1 | Description of measures to review employment practices to avoid child and forced labour. | Corporate Citizenship – Labour Standards |
| KPI B4.2 | Description of steps taken to eliminate such practices when discovered. | Corporate Citizenship – Labour Standards |
| **Operating Practices** | | |
| **Aspect B5: Supply Chain Management** | | |
| General Disclosure | Policies on managing environmental and social risks of the supply chain. | Quality Healthcare Services – Supply Chain Management |
| KPI B5.1 | Number of suppliers by geographical region. | Key Performance Table |
| KPI B5.2 | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored. | Quality Healthcare Services – Supply Chain Management |
| KPI B5.3 | Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored. | Quality Healthcare Services – Supply Chain Management |
| KPI B5.4 | Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored. | Quality Healthcare Services – Supply Chain Management |

## STOCK EXCHANGE CONTENT INDEX *(continued)*

| Aspects, General Disclosures and KPIs | Description | Relevant Chapter or Explanation |
|---|---|---|
| **Aspect B6: Product Responsibility** | | |
| General Disclosure | Information on:<br><br>(a) the policies; and<br><br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br><br>relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | Quality Healthcare Services – Quality of Medical Services and Products; Putting Safety First; Customer Satisfaction<br><br>Corporate Citizenship – Data Privacy Protection; Intellectual Property Rights |
| KPI B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons. | Quality Healthcare Services – Quality of Medical Services and Products<br><br>Key Performance Table |
| KPI B6.2 | Number of products and service related complaints received and how they are dealt with. | Quality Healthcare Services – Customer Satisfaction<br><br>Key Performance Table |
| KPI B6.3 | Description of practices relating to observing and protecting intellectual property rights. | Corporate Citizenship – Intellectual Property Rights |
| KPI B6.4 | Description of quality assurance process and recall procedures. | Quality Healthcare Services – Quality of Medical Services and Products; Putting Safety First |
| KPI B6.5 | Description of consumer data protection and privacy policies, how they are implemented and monitored. | Corporate Citizenship – Data Privacy Protection |

## STOCK EXCHANGE CONTENT INDEX *(continued)*

| Aspects, General Disclosures and KPIs | Description | Relevant Chapter or Explanation |
|---|---|---|
| **Aspect B7: Anti-corruption** | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to bribery, extortion, fraud and money laundering. | Corporate Citizenship – Anti-Corruption |
| KPI B7.1 | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases. | Key Performance Table |
| KPI B7.2 | Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored. | Corporate Citizenship – Anti-Corruption |
| KPI B7.3 | Description of anti-corruption training provided to directors and staff. | Corporate Citizenship – Anti-Corruption |
| **Community** | | |
| **Aspect B8: Community Investment** | | |
| General Disclosure | Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests. | Corporate Citizenship – Community Participation and Investment |
| KPI B8.1 | Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport). | Corporate Citizenship – Community Participation and Investment |
| KPI B8.2 | Resources contributed (e.g. money or time) to the focus area. | Corporate Citizenship – Community Participation and Investment |

# Independent Auditor's Report

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**To the shareholders of Human Health Holdings Limited**
*(Incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of Human Health Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 131 to 231, which comprise the consolidated statement of financial position as at 30 June 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including 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 30 June 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the 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 judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

## KEY AUDIT MATTERS *(continued)*

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

| **Key audit matter** | **How our audit addressed the key audit matter** |
|---|---|
| ***Impairment of trade receivables*** | |
| As at 30 June 2023, the Group recorded gross trade receivables of HK$113,571,000 before impairment of HK$11,943,000.<br><br>Management used a provision matrix and probability-weighted loss default model to calculate expected credit losses ("**ECLs**") for trade receivables. For the provision matrix, it was initially based on the Group's historical default rates, and specific factors that management considered in the estimation of the rates including the type of customers, ageing of the balances and recent historical payment patterns. Management then calibrated the matrix to adjust the historical credit loss experience with forward-looking information, such as forecasted economic conditions. For probability-weighted loss default model, it was initially using probability of default, loss given default, exposure at default and discount factor, which is adjusted for forward-looking estimates.<br><br>Management has also performed an individual impairment assessment for the trade receivables relating to accounts which are long overdue with significant balances with known insolvencies and non-response to collection activities.<br><br>We focused on this area because it requires a high level of management's judgement and due to the materiality of the amounts involved.<br><br>Relevant disclosures are included in notes 3 and 21 to the consolidated financial statements. | We tested the controls over the Group's collection procedures and the Group's estimation of ECLs. We evaluated the competence, capabilities and objectivity of the independent valuer engaged by the Group.<br><br>We, with the assistance of our internal valuation specialists, evaluated management's assessment on the provision matrix to calculate ECLs for trade receivables by taking into account the historical default rate, subsequent settlements, ageing analysis of the trade receivables and other external market information, and evaluating the forward-looking adjustment based on current local economic environment and forward-looking information that is available in the market. We also considered the adequacy of the Group's disclosure about the degree of estimation involved in arriving at the allowance amount. |

## KEY AUDIT MATTERS *(continued)*

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| ***Impairment of goodwill, intangible assets and property, plant and equipment*** | |
| As at 30 June 2023, the Group had goodwill of HK$31,964,000, intangible assets of HK$3,767,000 and property, plant and equipment of HK$221,864,000. The Group is required to perform impairment test for goodwill at least on an annual basis, and intangible assets and property, plant and equipment where an indicator of impairment of these assets exists. The impairment test is based on the recoverable amounts of cash-generating units to which the goodwill, intangible assets and property, plant and equipment are associated with. During the year, impairment losses of HK$61,801,000 have been recorded to reduce the carrying amount of certain property, plant and equipment to their estimated recoverable amounts.<br><br>Relevant disclosures are included in notes 3, 13, 15 and 16 to the consolidated financial statements. | Our audit procedures included, inter alia, evaluating the Group's policies and procedures and assessing the valuation methodology used by management to estimate value-in-use of the cash-generating units to which goodwill, intangible assets and property, plant and equipment are associated with. We also evaluated the process by which management's future cash flow forecasts were prepared. In addition, we performed a sensitivity analysis and assessed the budgeted gross margins, the growth rate and expenditure assumptions with reference to the Group's historical pattern. We have also involved our internal expert to assist us in evaluating the assumptions and methodologies, including the discount rate, used in the estimation of value in use of the related cash-generating units.<br><br>Furthermore, we evaluated the adequacy of disclosures on the impairment assessment. |

## KEY AUDIT MATTERS *(continued)*

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| ***Valuation of financial assets at fair value*** | |
| The Group has unlisted equity investments, investment in redeemable preference shares, unlisted investment funds and other unlisted investment which are measured at fair value. As at 30 June 2023, the financial assets at fair value amounting to HK$95,443,000 were categorised as Level 3 within the fair value hierarchy. For Level 3 valuation, the Group has applied valuation techniques to determine the fair value of the financial assets at fair value that are not quoted in active markets. These valuation techniques, in particular those that included significant unobservable inputs, involved subjective judgements and assumptions. The sensitivity of the assumptions used may have material impact on the valuation of these financial assets at fair value.<br><br>Relevant disclosures are included in notes 3, 18, 19 and 39 to the financial statements. | We evaluated the competence, capabilities and objectivity of the independent valuer engaged by the Group. We obtained and reviewed the subscription agreements or sales and purchase agreements of the financial assets. We focused on valuation methodologies and assumptions used for the valuation of financial assets that were categorised as Level 3 within the fair value hierarchy. We, with the assistance of our internal valuation specialists, evaluated the valuation techniques, inputs and assumptions, such as market comparables, discount rates, volatility, through comparison with the valuation methodologies that are commonly used in the market and checking unobservable inputs used against available market information.<br><br>Furthermore, we evaluated the adequacy of the related disclosures in the notes to the consolidated financial statements. |

## OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

## OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT *(continued)*

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 THE DIRECTORS 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities 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. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Chan Sai Yu.

**Ernst & Young**
*Certified Public Accountants*
Hong Kong

26 September 2023

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

*Year ended 30 June 2023*

| | Notes | **2023** | 2022 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| **REVENUE** | 5 | **1,001,746** | 1,121,793 |
| Cost of services rendered | | **(408,510)** | (462,108) |
| Gross profit | | **593,236** | 659,685 |
| Other income and gains, net | 5 | **3,384** | 32,321 |
| Administrative expenses | | **(347,964)** | (241,833) |
| Finance costs | 7 | **(8,297)** | (2,934) |
| Share of losses of associates | | **(1,543)** | (1,977) |
| **PROFIT BEFORE TAX** | 6 | **238,816** | 445,262 |
| Income tax expense | 10 | **(57,977)** | (69,953) |
| **PROFIT FOR THE YEAR** | | **180,839** | 375,309 |
| **OTHER COMPREHENSIVE INCOME/(LOSS)** | | | |
| Other comprehensive income that will not be reclassified to profit or loss: | | | |
| Changes in fair value of financial assets at fair value through other comprehensive income, net | | **619** | 2,224 |
| Other comprehensive loss that may be reclassified to profit or loss in subsequent periods: | | | |
| Exchange differences on translation of foreign operations | | **(1,335)** | (240) |
| **OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR** | | **(716)** | 1,984 |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **180,123** | 377,293 |
| Profit attributable to: | | | |
| Owners of the Company | | **180,839** | 375,309 |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | **180,123** | 377,293 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY** | 12 | | |
| Basic | | **HK47.6 cents** | HK98.9 cents |
| Diluted | | **HK47.6 cents** | HK98.9 cents |

# Consolidated Statement of Financial Position

*30 June 2023*

| | Notes | 2023 HK$'000 | 2022 HK$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 13 | **221,864** | 224,378 |
| Investment properties | 14 | **25,950** | 27,300 |
| Goodwill | 15 | **31,964** | 31,964 |
| Other intangible assets | 16 | **3,767** | 5,379 |
| Investments in associates | 17 | **11,158** | 1,175 |
| Loan to an associate | 17 | **11,340** | – |
| Financial assets at fair value through other comprehensive income | 18 | **11,904** | 11,285 |
| Financial assets at fair value through profit or loss | 19 | **83,539** | 83,125 |
| Prepayments, deposits and other receivables | 22 | **62,595** | 37,139 |
| Deferred tax assets | 29 | **2,414** | 4,936 |
| Total non-current assets | | **466,495** | 426,681 |
| **CURRENT ASSETS** | | | |
| Inventories | 20 | **28,326** | 18,329 |
| Trade receivables | 21 | **101,628** | 422,336 |
| Prepayments, deposits and other receivables | 22 | **22,657** | 18,887 |
| Tax recoverable | | **2,110** | – |
| Pledged deposits | 23 | **1,013** | 2,049 |
| Cash and cash equivalents | 23 | **641,257** | 270,332 |
| Total current assets | | **796,991** | 731,933 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | 24 | **57,357** | 40,375 |
| Other payables and accruals | 25 | **79,443** | 77,361 |
| Lease liabilities | 34 | **48,131** | 39,248 |
| Contract liabilities | 26 | **29,111** | 5,717 |
| Interest-bearing bank borrowings | 28 | **36,510** | 42,216 |
| Tax payable | | **98,625** | 96,177 |
| Total current liabilities | | **349,177** | 301,094 |
| **NET CURRENT ASSETS** | | **447,814** | 430,839 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **914,309** | 857,520 |

# Consolidated Statement of Financial Position

*30 June 2023*

| | Notes | 2023 HK$'000 | 2022 HK$'000 |
|---|---|---|---|
| **NON-CURRENT LIABILITIES** | | | |
| Other long-term payables | 25 | **7,620** | 7,681 |
| Lease liabilities | 34 | **97,850** | 107,006 |
| Deferred tax liabilities | 29 | **622** | 887 |
| Total non-current liabilities | | **106,092** | 115,574 |
| **NET ASSETS** | | **808,217** | 741,946 |
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | 30 | **3,796** | 3,796 |
| Reserves | 32 | **804,421** | 738,150 |
| Total equity | | **808,217** | 741,946 |

**Mr. Chan Kin Ping, BBS, JP**
*Director*

**Dr. Pang Lai Sheung**
*Director*

# Consolidated Statement of Changes in Equity

*Year ended 30 June 2023*

| | | Attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Notes | Share capital HK$'000 | Share premium* HK$'000 | Other reserve* HK$'000 | Exchange reserve* HK$'000 | Share option reserve* HK$'000 | Retained profit* HK$'000 | Total equity HK$'000 |
| **At 1 July 2021** | | 3,796 | 190,221 | 24,568 | (398) | 2,040 | 189,904 | 410,131 |
| Profit for the year | | – | – | – | – | – | 375,309 | 375,309 |
| Other comprehensive income/(loss) for the year: | | | | | | | | |
| Fair value gain on financial assets at fair value through other comprehensive income, net | | – | – | 2,224 | – | – | – | 2,224 |
| Exchange differences on translation of foreign operations | | – | – | – | (240) | – | – | (240) |
| Total comprehensive income for the year | | – | – | 2,224 | (240) | – | 375,309 | 377,293 |
| Final 2021 dividend | | – | – | – | – | – | (45,546) | (45,546) |
| Equity-settled share option arrangements | 31 | – | – | – | – | 68 | – | 68 |
| **At 30 June 2022 and 1 July 2022** | | **3,796** | **190,221** | **26,792** | **(638)** | **2,108** | **519,667** | **741,946** |
| Profit for the year | | **–** | **–** | **–** | **–** | **–** | **180,839** | **180,839** |
| Other comprehensive income/(loss) for the year: | | | | | | | | |
| Fair value gain on financial assets at fair value through other comprehensive income, net | | **–** | **–** | **619** | **–** | **–** | **–** | **619** |
| Exchange differences on translation of foreign operations | | **–** | **–** | **–** | **(1,335)** | **–** | **–** | **(1,335)** |
| Total comprehensive income for the year | | **–** | **–** | **619** | **(1,335)** | **–** | **180,839** | **180,123** |
| Final 2022 dividend | 11 | **–** | **–** | **–** | **–** | **–** | **(113,866)** | **(113,866)** |
| Equity-settled share option arrangements | 31 | **–** | **–** | **–** | **–** | **14** | **–** | **14** |
| Lapse of share options | 31 | **–** | **–** | **–** | **–** | **(1,899)** | **1,899** | **–** |
| **At 30 June 2023** | | **3,796** | **190,221** | **27,411** | **(1,973)** | **223** | **588,539** | **808,217** |

* These reserve accounts comprise the consolidated reserves of HK$804,421,000 (2022: HK$738,150,000) in the consolidated statement of financial position.

# Consolidated Statement of Cash Flows

*Year ended 30 June 2023*

| | Notes | 2023 HK$'000 | 2022 HK$'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit before tax | | **238,816** | 445,262 |
| Adjustments for: | | | |
| Depreciation | 6 | **73,178** | 61,463 |
| Amortisation of other intangible assets | 6 | **1,612** | 1,611 |
| (Reversal of write-down)/write-down of inventories to net realisable value | 6 | **(80)** | 58 |
| Equity-settled share option expense | | **14** | 68 |
| Impairment of trade receivables, net | 6 | **189** | 1,099 |
| Impairment of property, plant and equipment | 6 | **61,801** | 10,957 |
| Share of losses of associates | | **1,543** | 1,977 |
| Loss/(gain) on disposal of items of property, plant and equipment, net | 6 | **314** | (30) |
| Gain on early termination of leases | 34 | **–** | (2) |
| Changes in fair value of investment properties, net | 14 | **1,350** | (959) |
| Fair value loss/(gain) of financial assets at fair value through profit or loss, net | 5 | **6,266** | (25,521) |
| Overprovision for reinstatement costs | 27 | **(148)** | (1,012) |
| Interest on bank borrowings | 7 | **1,655** | 476 |
| Interest on lease liabilities | 7 | **6,447** | 2,426 |
| Interest in discounted amounts of provision for reinstatement costs arising from the passage of time | 7 | **195** | 32 |
| Interest in discounted amounts of rental deposits arising from the passage of time | 5 | **(254)** | – |
| COVID-19-related rent concessions from lessors | 5 | **–** | (2,543) |
| Interest income | 5 | **(8,237)** | (199) |
| | | **384,661** | 495,163 |
| Increase in inventories | | **(9,917)** | (4,426) |
| Decrease/(increase) in trade receivables | | **320,519** | (189,949) |
| Increase in prepayments, deposits and other receivables | | **(26,948)** | (23,950) |
| Increase in trade payables | | **16,982** | 6,184 |
| Increase in other payables and accruals | | **2,942** | 19,158 |
| Increase/(decrease) in contract liabilities | | **23,394** | (1,680) |
| Cash generated from operations | | **711,633** | 300,500 |
| Interest received | | **8,032** | 199 |
| Hong Kong profits tax paid, net | | **(55,401)** | (4,885) |
| Net cash flows from operating activities | | **664,264** | 295,814 |

# Consolidated Statement of Cash Flows

*Year ended 30 June 2023*

| | Notes | **2023**<br>***HK$'000*** | 2022<br>*HK$'000* |
|---|---|---|---|
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Proceeds from disposal of items of property, plant and equipment | | **–** | 135 |
| Advances of loans to associates | | **(22,940)** | – |
| Purchase of investment properties | 14 | **–** | (26,341) |
| Purchase of items of property, plant and equipment | | **(84,023)** | (76,516) |
| Purchase of a financial asset at fair value through other comprehensive income | | **–** | (45) |
| Purchase of a financial asset at fair value through profit or loss | | **(6,680)** | – |
| Net inflow of cash and cash equivalents in respect of acquisition of assets through acquisition of a subsidiary | 37 | **58** | – |
| Settlement of provision | 27 | **(1,245)** | (359) |
| Increase in time deposits with maturity of more than three months when acquired | | **(220,514)** | (100,093) |
| Net cash flows used in investing activities | | **(335,344)** | (203,219) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| New of bank loan | | **–** | 35,520 |
| Repayment of bank loan | | **(5,706)** | (4,963) |
| Bank loan interest paid | | **(1,486)** | (401) |
| Lease interest | | **(6,447)** | (2,426) |
| Repayment of principal portion of lease liabilities | | **(50,783)** | (49,631) |
| Dividend paid | | **(113,863)** | (45,546) |
| Net cash flows used in financing activities | | **(178,285)** | (67,447) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | **150,635** | 25,148 |
| Cash and cash equivalents at beginning of year | | **145,729** | 120,755 |
| Effect of foreign exchange rate changes, net | | **(1,260)** | (174) |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | | **295,104** | 145,729 |

| | Notes | 2023 HK$'000 | 2022 HK$'000 |
|---|---|---|---|
| **ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS** | | | |
| Cash and bank balances | 23 | **192,903** | 144,690 |
| Non-pledged time deposits | 23 | **448,354** | 125,642 |
| Cash and cash equivalents as stated in the consolidated statement of financial position | | **641,257** | 270,332 |
| Pledged time deposits with maturity less than three months when acquired | | **–** | 1,039 |
| Non-pledged time deposits with maturity more than three months when acquired | | **(346,153)** | (125,642) |
| Cash and cash equivalents as stated in the consolidated statement of cash flows | | **295,104** | 145,729 |

# Notes to the Financial Statements

## 1. CORPORATE AND GROUP INFORMATION

Human Health Holdings Limited is a limited liability company incorporated in the Cayman Islands. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at 12th Floor, Enterprise Square Two, 3 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong.

The Company is an investment holding company. During the year, the Group is principally engaged in the provision of comprehensive, one-stop and quality healthcare services.

In the opinion of the directors, the immediate holding company and the ultimate holding company of the Company is Treasure Group Global Limited, a company incorporated in the British Virgin Islands ("**BVI**").

### Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

| Company name | Place of incorporation/ registration and business | Issued ordinary share capital/ paid-up registered capital | Percentage of equity attributable to the Company Direct | Indirect | Principal activities |
|---|---|---|---|---|---|
| Actmax Limited | Hong Kong | HK$2 | – | 100 | Provision of general practice services |
| Actwise Limited | Hong Kong | HK$1 | – | 100 | Investment holding |
| Be Health Specialist Limited | Hong Kong | HK$5,000,100 | – | 100 | Provision of specialties services |
| Happy Reach Limited | Hong Kong | HK$1 | – | 100 | Properties investment |
| Healthvision (Asia) Limited | Hong Kong | HK$1 | – | 100 | Retailing of pharmaceutical and healthcare products |
| Human Health Associate Limited | Hong Kong | HK$2 | – | 100 | Provision of general practice services |
| Human Health (H.K.) Limited | Hong Kong | HK$2 | – | 100 | Head office management |
| Human Health Medical Services Limited | Hong Kong | HK$2 | – | 100 | Management of cooperation agreements with doctors and dentists |

## 1. CORPORATE AND GROUP INFORMATION *(continued)*

### Information about subsidiaries *(continued)*

| Company name | Place of incorporation/ registration and business | Issued ordinary share capital/ paid-up registered capital | Percentage of equity attributable to the Company Direct | Percentage of equity attributable to the Company Indirect | Principal activities |
|---|---|---|---|---|---|
| Impact Medical Imaging Centre Company Limited | Hong Kong | HK$7,500,000 | – | 100 | Provision of medical imaging services |
| Poly Dental Services Limited | Hong Kong | HK$100 | – | 100 | Provision of dental services |
| We Health Medical Diagnostic Limited | Hong Kong | HK$1 | – | 100 | Provision of medical diagnostic services |
| Win Ocean Limited | Hong Kong | HK$1 | – | 100 | Provision of general practice services |
| 盈健企業管理諮詢(上海)有限公司 ("**Yingjian Qiye**")# | People's Republic of China ("**PRC**")/ Mainland China | Registered capital of HK$44,400,000 | – | 100 | Investment holding |

# Wholly-foreign-owned enterprise under PRC Law.

The above table lists the subsidiaries of the company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

## 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and investment properties which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

## 2.1 BASIS OF PREPARATION *(continued)*

### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 30 June 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

## 2.1 BASIS OF PREPARATION *(continued)*

### Basis of consolidation *(continued)*

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

| | |
|---|---|
| Amendments to HKFRS 3 | *Reference to the Conceptual Framework* |
| Amendments to HKAS 16 | *Property, Plant and Equipment: Proceeds before Intended Use* |
| Amendments to HKAS 37 | *Onerous Contracts – Cost of Fulfilling a Contract* |
| *Annual Improvements to HKFRSs 2018–2020* | Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 |

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "**Conceptual Framework**") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 July 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 July 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 July 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to HKFRSs 2018–2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 July 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

| | |
|---|---|
| Amendments to HKFRS 10 and HKAS 28 (2011) | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3] |
| Amendments to HKFRS 16 | *Lease Liability in a Sale and Leaseback*[2] |
| HKFRS 17 | *Insurance Contracts*[1] |
| Amendments to HKFRS 17 | *Insurance Contracts*[1, 5] |
| Amendment to HKFRS 17 | *Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*[6] |
| Amendments to HKAS 1 | *Classification of Liabilities as Current or Non-current (the "***2020 Amendments***")*[2, 4] |
| Amendments to HKAS 1 | *Non-current Liabilities with Covenants (the "***2022 Amendments***")*[2] |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | *Disclosure of Accounting Policies*[1] |
| Amendments to HKAS 8 | *Definition of Accounting Estimates*[1] |
| Amendments to HKAS 12 | *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1] |

1 Effective for annual periods beginning on or after 1 January 2023

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

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. Upon initial application of these amendments, the Group will recognise deferred tax for all temporary differences related to leases at the beginning of the earliest comparative period presented. The Group is in the process of making an assessment of the impact of amendments to HKAS 12.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise 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.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of the associates is included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investment in an associate, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of an associate is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of acquiree and the equity interests issued by the Group in exchange for control of acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 30 June. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Business combinations and goodwill *(continued)*

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

### Fair value measurement

The Group measures its financial assets at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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 asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Fair value measurement *(continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

| | |
|---|---|
| Building | Over the shorter of lease terms and 4% |
| Computer | 25% |
| Office and medical equipment | 10% to 25% |
| Furniture and fixtures | 25% |
| Motor vehicles | 25% |
| Leasehold improvements | Over the shorter of lease terms and 33.3% |

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

### Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

#### Trademark

Trademark is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 12 years.

#### Customer lists

Customer lists are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Leases

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

#### Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

*(a) Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

| | |
|---|---|
| Leasehold land | 27 years |
| Properties | 1 to 6 years |

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

*(b) Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Leases *(continued)*

#### Group as a lessee *(continued)*

*(b)* *Lease liabilities (continued)*

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

*(c)* *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

#### Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Investments and other financial assets

#### Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

#### Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

*Financial assets at amortised cost (debt instruments)*

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Investments and other financial assets *(continued)*

#### Subsequent measurement *(continued)*

*Financial assets designated at fair value through other comprehensive income (equity investments)*

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

#### General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, 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 and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

#### Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

### Financial liabilities

#### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, financial liabilities included in other payables and accruals, lease liabilities and interest-bearing bank borrowings.

#### Subsequent measurement

The subsequent measurement of financial liabilities is as follows:

*Financial liabilities at amortised cost (loans and borrowings)*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to disposal.

### Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash which are not restricted as to use.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Provision

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Provision for reinstatement costs is recognised based on past experience of the actual costs incurred.

### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Income tax *(continued)*

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Revenue recognition

#### Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Revenue generated from the rendering of integrated healthcare services is recognised when the services are rendered, given that the integrated healthcare service is generally completed within a short period of time.

#### Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Rental income is recognised on a time proportion basis over the lease term.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

### Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 31 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Share-based payments *(continued)*

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

### Other employee benefits

#### Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the end of the reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of the reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward.

#### Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividend are disclosed in the notes to the financial statements.

### Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of an overseas subsidiary and an associate are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the exchange rates that approximate to those prevailing at the dates of the transaction.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of a subsidiary are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

### Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

#### Current tax and deferred tax

The Group is subject to income taxes in Hong Kong. The Group carefully evaluates tax implications of its transactions in accordance with prevailing tax regulations and makes tax provision accordingly. Judgement is required in determining the amount of the provision for tax as there are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and deferred tax provisions in the periods in which such determination is made.

### Estimation uncertainty

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

#### Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 30 June 2023 was HK$31,964,000 (2022: HK$31,964,000). Further details are given in note 15 to the financial statements.

#### Impairment of intangible assets and property, plant and equipment

The Group determines whether intangible assets with definite useful lives, property, plant and equipment, including right-of-use assets are impaired when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying values of these assets exceed their recoverable amounts, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair values less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in notes 13 and 16 to the financial statements.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

### Estimation uncertainty *(continued)*

#### Impairment of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The information about the ECLs on the Group's trade receivables is disclosed in note 21 to the financial statements.

#### Provision for obsolete inventories and write-down of inventories to net realisable value

The Group reviews an ageing analysis of its inventories at the end of each reporting period, and makes allowances if there are obsolete and slow-moving inventory items identified that are no longer suitable for use or selling. The Group also reviews the expiration of its inventory items at the end of each reporting period, and makes allowances if there are inventory items identified that are expired. The estimated net realisable value of the Group's inventories is based primarily on the latest selling prices and current market conditions. As at 30 June 2023, the carrying amount of inventories was HK$28,326,000 (2022: HK$18,329,000). Further details are given in note 20 to the financial statements.

#### Fair values of financial assets at fair value

The fair values of financial assets at fair value that are not quoted in active markets are determined by using valuation techniques. Management judgement and estimates are required for the selection of appropriate valuation parameters, assumptions and modeling techniques. As at 30 June 2023, the carrying amount of financial assets at fair value was HK$95,443,000 (2022: HK$94,410,000). Further details are given in notes 18 and 19 to the financial statements.

## 4. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) General practice services segment engages in the provision of general medical consultation and related services;

(b) Specialties services segment engages in the provision of specialist services and related medical services; and

(c) Dental services segment which comprises the provision of dental services and related treatments.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that interest income, share of losses of associates, as well as head office and corporate income and expenses are excluded from such measurement.

Segment assets exclude other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

## 4. SEGMENT INFORMATION *(continued)*

| | General practice services | | Specialties services | | Dental services | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **Segment revenue** | | | | | | | | |
| Revenue from external customers | **819,067** | 954,143 | **115,413** | 104,419 | **67,266** | 63,231 | **1,001,746** | 1,121,793 |
| Intersegment sales | **2,716** | 2,648 | **5,121** | 6,011 | **27** | 14 | **7,864** | 8,673 |
| | | | | | | | **1,009,610** | 1,130,466 |
| *Reconciliation:* | | | | | | | | |
| Elimination of intersegment sales | | | | | | | **(7,864)** | (8,673) |
| | | | | | | | **1,001,746** | 1,121,793 |
| **Segment results** | **397,497** | 489,028 | **(72,784)** | (677) | **10,090** | 8,303 | **334,803** | 496,654 |
| *Reconciliation:* | | | | | | | | |
| Interest income | | | | | | | **8,491** | 199 |
| Corporate and unallocated income | | | | | | | **4,985** | 28,943 |
| Corporate and unallocated expenses | | | | | | | **(106,265)** | (78,081) |
| Finance costs | | | | | | | **(1,655)** | (476) |
| Share of losses from associates | | | | | | | **(1,543)** | (1,977) |
| Profit before tax | | | | | | | **238,816** | 445,262 |
| Income tax expense | **(56,442)** | (69,372) | **(614)** | (173) | **(921)** | (408) | **(57,977)** | (69,953) |
| Profit for the year | | | | | | | **180,839** | 375,309 |
| **Segment assets** | **795,011** | 712,305 | **167,668** | 161,705 | **63,816** | 63,685 | **1,026,495** | 937,695 |
| *Reconciliation:* | | | | | | | | |
| Elimination of intersegment receivables | | | | | | | **(112,641)** | (53,121) |
| Corporate and other unallocated assets | | | | | | | **349,632** | 274,040 |
| Total assets | | | | | | | **1,263,486** | 1,158,614 |

## 4. SEGMENT INFORMATION *(continued)*

| | General practice services | | Specialties services | | Dental services | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2023 HK$'000** | 2022 HK$'000 | **2023 HK$'000** | 2022 HK$'000 | **2023 HK$'000** | 2022 HK$'000 | **2023 HK$'000** | 2022 HK$'000 |
| **Segment liabilities** | **249,787** | 196,835 | **216,483** | 154,130 | **21,138** | 26,116 | **487,408** | 377,081 |
| *Reconciliation:* | | | | | | | | |
| Elimination of intersegment payables | | | | | | | **(112,641)** | (53,121) |
| Corporate and other unallocated liabilities | | | | | | | **80,502** | 92,708 |
| Total liabilities | | | | | | | **455,269** | 416,668 |
| **Other segment information** | | | | | | | | |
| Depreciation | **31,545** | 35,294 | **25,492** | 10,308 | **5,226** | 5,996 | **62,263** | 51,598 |
| Unallocated depreciation | | | | | | | **10,915** | 9,865 |
| Total | | | | | | | **73,178** | 61,463 |
| Amortisation of other intangible assets | **737** | 737 | **346** | 346 | **529** | 528 | **1,612** | 1,611 |
| Impairment of trade receivables, net | **281** | 108 | **(116)** | 989 | **24** | 2 | **189** | 1,099 |
| Impairment of property, plant and equipment | **14,375** | 10,957 | **47,426** | – | **–** | – | **61,801** | 10,957 |
| Loss on disposal of items of property, plant and equipment, net | **118** | 1 | **189** | 9 | **–** | – | **307** | 10 |
| Unallocated loss/(gain) on disposal of items of property, plant and equipment, net | | | | | | | **7** | (40) |
| | | | | | | | **314** | (30) |
| Finance costs | **2,675** | 1,305 | **3,752** | 814 | **144** | 190 | **6,571** | 2,309 |
| Unallocated finance costs | | | | | | | **1,726** | 625 |
| | | | | | | | **8,297** | 2,934 |
| Capital expenditures# | **24,073** | 5,407 | **52,351** | 635 | **5,048** | 350 | **81,472** | 6,392 |
| Unallocated capital expenditures# | | | | | | | **797** | 75,443 |
| | | | | | | | **82,269** | 81,835 |

\# Capital expenditure consists of additions to property, plant and equipment, other than right-of-use assets of properties.

## 4. SEGMENT INFORMATION *(continued)*

### Geographical information

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. As the Group's major operations and markets are principally located in Hong Kong, no further geographical segment information is provided.

### Information about major customers

During the year ended 30 June 2023, 45.7% (2022: 53.3%) of the Group's total revenue was derived from a single customer of the general practice services segment.

## 5. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of the Group's revenue is as follows:

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Revenue** | | |
| Integrated healthcare services income | **1,001,746** | 1,121,793 |

### (i) Disaggregated revenue information

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Types of services** | | |
| General practice services | **819,067** | 954,143 |
| Specialties services | **115,413** | 104,419 |
| Dental services | **67,266** | 63,231 |
| | **1,001,746** | 1,121,793 |

## 5. REVENUE, OTHER INCOME AND GAINS, NET *(continued)*

### (i) Disaggregated revenue information *(continued)*

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Revenue recognised that was included in contract liabilities at the beginning of the reporting period: | | |
| Integrated healthcare services income | **2,912** | 4,909 |

The Group's revenue are all derived from Hong Kong based on the location of services delivered.

### (ii) Performance obligations

Information about the Group's performance obligations is summarised below:

#### Provision of integrated healthcare services

The performance obligation is satisfied when the services are rendered and payment is due immediately, except for patients using medical cards or corporate customers, where the terms are generally due within 1 to 6 months.

The following table shows unsatisfied performance obligation resulting from the provision of integrated healthcare services.

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **At end of year** | | |
| Amounts expected to be recognised as revenue: | | |
| Within one year | **18,601** | 5,717 |
| After one year | **10,510** | – |
| | **29,111** | 5,717 |

## 5. REVENUE, OTHER INCOME AND GAINS, NET *(continued)*

An analysis of the Group's other income and gains, net is as follows:

| | 2023 | 2022 |
|---|---|---|
| | HK$'000 | HK$'000 |
| **Other income and gains, net** | | |
| Bank interest income | 8,032 | 199 |
| Interest income from loan to an associate | 205 | – |
| Interest in discounted amounts of rental deposits arising from the passage of time | 254 | – |
| Fair value gain/(loss) of financial assets at fair value through profit or loss, net | (6,266) | 25,521 |
| Fair value gain/(loss) of investment properties, net | (1,350) | 959 |
| Government subsidies | 1,509 | 2,582 |
| COVID-19-related rent concessions from lessors | – | 2,543 |
| Rental income from investment properties | 520 | 261 |
| Others | 480 | 256 |
| | 3,384 | 32,321 |

The Group recognised government subsidies of approximately HK$1,072,000 (2022: HK$2,275,000) in respect of Coronavirus Disease 2019 ("**COVID-19**") related subsidies, of which are related to Employment Support Scheme ("**ESS**") and Retailed Sector Subsidy Scheme under Anti-Epidemic Fund. Under the term of the ESS, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees. As at the end of the reporting period, there were no unfulfilled conditions or other contingencies attaching to the government subsidies that had been recognised by the Group.

## 6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Cost of pharmaceutical supplies | **83,417** | 140,899 |
| Fees payable to doctors and dentists | **189,307** | 167,231 |
| Laboratory expenses | **5,020** | 3,821 |
| Depreciation charge (note i) | **73,178** | 61,463 |
| Amortisation of other intangible assets (note i) | **1,612** | 1,611 |
| Loss/(gain) on disposal of property, plant and equipment, net | **314** | (30) |
| Auditor's remuneration | **2,053** | 1,606 |
| Employee benefit expense (excluding directors' remuneration): | | |
| Wages and salaries | **137,466** | 103,534 |
| Equity-settled share option expense | **14** | 44 |
| Pension scheme contributions (defined contribution schemes) (note iii) | **4,465** | 3,825 |
| | **141,945** | 107,403 |
| Impairment of trade receivables, net (note i) | **189** | 1,099 |
| Impairment of property, plant and equipment (note i) | **61,801** | 10,957 |
| (Reversal of write-down)/write-down of inventories to net realisable value (note ii) | **(80)** | 58 |

Notes:

(i) The depreciation charge, amortisation of other intangible assets, impairment of trade receivables, net and impairment of property, plant and equipment for the year are included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

(ii) The (reversal of write-down)/write-down of inventories to net realisable value is included in cost of services rendered in the consolidated statement of profit or loss and other comprehensive income.

(iii) As at 30 June 2023 and 2022, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years.

## 7. FINANCE COSTS

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest on bank borrowings | **1,655** | 476 |
| Interest on lease liabilities | **6,447** | 2,426 |
| Interest in discounted amounts of provision for reinstatement costs arising from the passage of time | **195** | 32 |
| | **8,297** | 2,934 |

## 8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Fees | **540** | 540 |
| Other emoluments | | |
| Salaries, allowances and benefits in kind | **8,663** | 8,988 |
| Discretionary performance-related bonuses | **9,984** | 3,425 |
| Equity-settled share option expense | **–** | 24 |
| Pension scheme contributions | **66** | 72 |
| | **18,713** | 12,509 |
| | **19,253** | 13,049 |

## 8. DIRECTORS' REMUNERATION *(continued)*

### (a) Independent non-executive directors

The fees paid to independent non-executive directors during the year are as follows:

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Dr. Lui Sun Wing | **180** | 180 |
| Mr. Chan Yue Kwong Michael | **180** | 180 |
| Mr. Sin Kar Tim | **180** | 180 |
| | **540** | 540 |

There were no other emoluments payable to the independent non-executive directors during the year (2022: Nil).

## 8. DIRECTORS' REMUNERATION *(continued)*

### (b) Executive directors

| | Fees | Salaries, allowances and benefits in kind | Discretionary performance-related bonuses | Equity-settled share option expenses | Pension scheme contributions | Total remuneration |
|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **2023** | | | | | | |
| Executive directors: | | | | | | |
| Mr. Chan Kin Ping, BBS, JP* | **–** | **2,424** | **2,460** | **–** | **18** | **4,902** |
| Dr. Pang Lai Sheung | **–** | **2,424** | **2,460** | **–** | **18** | **4,902** |
| Dr. Sat Chui Wan# | **–** | **1,619** | **2,396** | **–** | **12** | **4,027** |
| Mr. Poon Chun Pong | **–** | **2,196** | **2,668** | **–** | **18** | **4,882** |
| | **–** | **8,663** | **9,984** | **–** | **66** | **18,713** |
| 2022 | | | | | | |
| Executive directors: | | | | | | |
| Mr. Chan Kin Ping, BBS, JP* | – | 2,316 | 671 | – | 18 | 3,005 |
| Dr. Pang Lai Sheung | – | 2,316 | 671 | – | 18 | 3,005 |
| Dr. Sat Chui Wan | – | 2,256 | 1,090 | 15 | 18 | 3,379 |
| Mr. Poon Chun Pong | – | 2,100 | 993 | 9 | 18 | 3,120 |
| | – | 8,988 | 3,425 | 24 | 72 | 12,509 |

* Mr. Chan Kin Ping, BBS, JP is also the chief executive officer of the Company during the year.

# Dr. Sat Chui Wan resigned as executive director of the Company with effect from 1 March 2023.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2022: Nil).

## 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2022: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining one (2022: one) highest paid employee who is neither a director nor chief executive of the Company are as follows:

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Salaries, allowances and benefits in kind | **2,161** | 2,065 |
| Discretionary performance-related bonuses | **855** | 562 |
| Pension scheme contributions | **18** | 18 |
| | **3,034** | 2,645 |

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

| | **Number of employees** | |
|---|---|---|
| | **2023** | 2022 |
| HK$1,000,001 to HK$2,000,000 | **–** | – |
| HK$2,000,001 to HK$3,000,000 | **–** | 1 |
| HK$3,000,001 to HK$4,000,000 | **1** | – |
| | **1** | 1 |

## 10. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (2022: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%). No provision for PRC corporate income tax has been made as the Group's PRC subsidiary had no estimated assessable profits for the year (2022: Nil).

| | **2023**<br>***HK$'000*** | 2022<br>*HK$'000* |
|---|---|---|
| Current | | |
| Charge for the year | **55,737** | 71,370 |
| Overprovision in prior years | **(17)** | (4) |
| Deferred (note 29) | **2,257** | (1,413) |
| Total tax charge for the year | **57,977** | 69,953 |

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate are as follows:

| | **2023**<br>***HK$'000*** | 2022<br>*HK$'000* |
|---|---|---|
| Profit before tax | **238,816** | 445,262 |
| Tax at the statutory tax rate of 16.5% | **39,405** | 73,468 |
| Adjustments in respect of current tax of previous periods | **(17)** | (4) |
| Income not subject to tax | **(1,648)** | (4,949) |
| Expenses not deductible for tax | **2,718** | 920 |
| Tax losses not recognised | **7,230** | 1,095 |
| Tax losses utilised from previous periods | **(57)** | (1,040) |
| Temporary differences not recognised | **10,256** | 302 |
| Profits or losses attributable to associates | **255** | 326 |
| Others | **(165)** | (165) |
| Tax charge at the Group's effective rate of 24.3% (2022: 15.7%) | **57,977** | 69,953 |

## 11. DIVIDENDS

| | **2023** **HK$'000** | 2022 *HK$'000* |
|---|---|---|
| Proposed final dividend – HK16 cents (2022: HK30 cents) per ordinary share | **60,728** | 113,866 |

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

## 12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK$180,839,000 (2022: HK$375,309,000), and the weighted average number of ordinary shares of 379,552,000 (2022: 379,552,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 30 June 2023 and 2022 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

## 13. PROPERTY, PLANT AND EQUIPMENT

| | Right-of-use assets | | | Owned assets | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Leasehold land<br>*HK$'000* | Properties<br>*HK$'000* | Sub-total<br>*HK$'000* | Building<br>*HK$'000* | Computer<br>*HK$'000* | Office and medical equipment<br>*HK$'000* | Furniture and fixtures<br>*HK$'000* | Motor vehicles<br>*HK$'000* | Leasehold improvements<br>*HK$'000* | Sub-total<br>*HK$'000* | Total<br>*HK$'000* |
| **30 June 2023** | | | | | | | | | | | |
| At 1 July 2022: | | | | | | | | | | | |
| Cost | **54,565** | **216,619** | **271,184** | **12,315** | **15,730** | **34,388** | **2,669** | **2,735** | **35,889** | **103,726** | **374,910** |
| Accumulated depreciation and impairment | **(1,197)** | **(77,128)** | **(78,325)** | **(270)** | **(10,558)** | **(29,317)** | **(2,192)** | **(1,079)** | **(28,791)** | **(72,207)** | **(150,532)** |
| **Net carrying amount** | **53,368** | **139,491** | **192,859** | **12,045** | **5,172** | **5,071** | **477** | **1,656** | **7,098** | **31,519** | **224,378** |
| At 1 July 2022, net of accumulated depreciation | **53,368** | **139,491** | **192,859** | **12,045** | **5,172** | **5,071** | **477** | **1,656** | **7,098** | **31,519** | **224,378** |
| Additions | **–** | **50,510** | **50,510** | **–** | **12,832** | **18,770** | **888** | **–** | **49,779** | **82,269** | **132,779** |
| Disposals | **–** | **–** | **–** | **–** | **(155)** | **(143)** | **(1)** | **–** | **(15)** | **(314)** | **(314)** |
| Impairment | **–** | **(32,063)** | **(32,063)** | **–** | **(6,152)** | **(4,363)** | **(185)** | **–** | **(19,038)** | **(29,738)** | **(61,801)** |
| Depreciation provided during the year | **(2,053)** | **(56,351)** | **(58,404)** | **(463)** | **(2,905)** | **(3,545)** | **(232)** | **(517)** | **(7,112)** | **(14,774)** | **(73,178)** |
| **At 30 June 2023, net of accumulated depreciation and impairment** | **51,315** | **101,587** | **152,902** | **11,582** | **8,792** | **15,790** | **947** | **1,139** | **30,712** | **68,962** | **221,864** |
| **At 30 June 2023:** | | | | | | | | | | | |
| Cost | **54,565** | **203,567** | **258,132** | **12,315** | **27,014** | **48,510** | **3,133** | **2,735** | **75,283** | **168,990** | **427,122** |
| Accumulated depreciation and impairment | **(3,250)** | **(101,980)** | **(105,230)** | **(733)** | **(18,222)** | **(32,720)** | **(2,186)** | **(1,596)** | **(44,571)** | **(100,028)** | **(205,258)** |
| **Net carrying amount** | **51,315** | **101,587** | **152,902** | **11,582** | **8,792** | **15,790** | **947** | **1,139** | **30,712** | **68,962** | **221,864** |
| **30 June 2022** | | | | | | | | | | | |
| At 1 July 2021: | | | | | | | | | | | |
| Cost | – | 125,427 | 125,427 | – | 13,608 | 31,977 | 2,626 | 1,564 | 31,893 | 81,668 | 207,095 |
| Accumulated depreciation | – | (71,652) | (71,652) | – | (9,282) | (27,466) | (2,499) | (684) | (30,169) | (70,100) | (141,752) |
| **Net carrying amount** | – | 53,775 | 53,775 | – | 4,326 | 4,511 | 127 | 880 | 1,724 | 11,568 | 65,343 |
| At 1 July 2021, net of accumulated depreciation | – | 53,775 | 53,775 | – | 4,326 | 4,511 | 127 | 880 | 1,724 | 11,568 | 65,343 |
| Additions | 54,565 | 149,875 | 204,440 | 12,315 | 3,079 | 3,279 | 449 | 1,171 | 6,977 | 27,270 | 231,710 |
| Disposals | – | (150) | (150) | – | (88) | (16) | (1) | – | – | (105) | (255) |
| Impairment | – | (10,957) | (10,957) | – | – | – | – | – | – | – | (10,957) |
| Depreciation provided during the year | (1,197) | (53,052) | (54,249) | (270) | (2,145) | (2,703) | (98) | (395) | (1,603) | (7,214) | (61,463) |
| **At 30 June 2022, net of accumulated depreciation and impairment** | 53,368 | 139,491 | 192,859 | 12,045 | 5,172 | 5,071 | 477 | 1,656 | 7,098 | 31,519 | 224,378 |
| **At 30 June 2022:** | | | | | | | | | | | |
| Cost | 54,565 | 216,619 | 271,184 | 12,315 | 15,730 | 34,388 | 2,669 | 2,735 | 35,889 | 103,726 | 374,910 |
| Accumulated depreciation and impairment | (1,197) | (77,128) | (78,325) | (270) | (10,558) | (29,317) | (2,192) | (1,079) | (28,791) | (72,207) | (150,532) |
| **Net carrying amount** | 53,368 | 139,491 | 192,859 | 12,045 | 5,172 | 5,071 | 477 | 1,656 | 7,098 | 31,519 | 224,378 |

## 13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Right-of-use assets included in the Group's property, plant and equipment:

| | Leasehold land<br>*HK$'000* | Properties<br>*HK$'000* | Total<br>*HK$'000* |
|---|---|---|---|
| Aa at 1 July 2021 | – | 53,775 | 53,775 |
| Additions | 54,565 | 96,641 | 151,206 |
| Lease modification | – | 53,234 | 53,234 |
| Disposal and early termination | – | (150) | (150) |
| Impairment | – | (10,957) | (10,957) |
| Depreciation charge | (1,197) | (53,052) | (54,249) |
| As at 30 June 2022 and 1 July 2022 | **53,368** | **139,491** | **192,859** |
| Additions | **–** | **2,875** | **2,875** |
| Lease modification | **–** | **47,635** | **47,635** |
| Impairment | **–** | **(32,063)** | **(32,063)** |
| Depreciation charge | **(2,053)** | **(56,351)** | **(58,404)** |
| As at 30 June 2023 | **51,315** | **101,587** | **152,902** |

As at 30 June 2023, the Group's property, plant and equipment with a carrying value of HK$62,897,000 (2022: HK$65,412,000) were pledged to secure the mortgage loans granted to the Group as detailed in note 28 to the financial statements.

### Impairment assessment of property, plant and equipment

As at 30 June 2023, the Group's management identified certain cash generating units ("**CGUs**") which were underperformed during the year and estimated the corresponding recoverable amounts. Based on management's estimates, an impairment loss of HK$61,801,000 (2022: HK$10,957,000) was recognised to write-down the carrying amounts of the property, plant and equipment of the CGUs to their aggregate recoverable amounts of HK$97,260,000 as at 30 June 2023 (2022: HK$109,000). The recoverable amounts of the CGUs are determined based on value in use calculations using cash flow projections based on financial budgets covering a period of the remaining lease terms approved by senior management. The pre-tax discount rates applied for the cash flow projection is ranged from 12.2% to 16.0% (2022: 15.4%).

## 14. INVESTMENT PROPERTIES

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| Carrying amount at 1 July | **27,300** | – |
| Additions | **–** | 26,341 |
| Net gain/(loss) from a fair value adjustment | **(1,350)** | 959 |
| Carrying amount at 30 June | **25,950** | 27,300 |

The Group's investment properties consist of two commercial properties and one car park space in Hong Kong. The directors of the Company have determined that the investment properties consist of two classes of assets, i.e., commercial and car park space, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 30 June 2023 based on valuations performed by Graval Consulting Limited, independent professionally qualified valuers, at HK$25,950,000. Each year, the Group's finance team decides to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's finance team has discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for annual financial reporting.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 34 to the financial statements.

As at 30 June 2023, the Group's investment properties with a carrying value of HK$25,950,000 (2022: HK$27,300,000) were pledged to secure the mortgage loans granted to the Group as detailed in note 28 to the financial statements.

## 14. INVESTMENT PROPERTIES *(continued)*

### Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

| | **Fair value measurement as at 30 June 2023** | | | |
|---|---|---|---|---|
| | **Quoted prices in active market (Level 1)** | **Significant observable inputs (Level 2)** | **Significant unobservable inputs (Level 3)** | **Total** |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| Recurring fair value measurement for: | | | | |
| Commercial properties | **–** | **–** | **24,000** | **24,000** |
| Car park space | **–** | **–** | **1,950** | **1,950** |
| | **–** | **–** | **25,950** | **25,950** |

| | Fair value measurement as at 30 June 2022 | | | |
|---|---|---|---|---|
| | Quoted prices in active market (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Recurring fair value measurement for: | | | | |
| Commercial properties | – | – | 25,400 | 25,400 |
| Car park space | – | – | 1,900 | 1,900 |
| | – | – | 27,300 | 27,300 |

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3 (2022: Nil).

## 14. INVESTMENT PROPERTIES *(continued)*

### Fair value hierarchy *(continued)*

Reconciliation of fair value measurements categorised within level 3 of the fair value hierarchy:

| | Commercial properties HK$'000 | Car park space HK$'000 | Total HK$'000 |
|---|---|---|---|
| Carrying amount at 1 July 2021 | – | – | – |
| Additions | 24,508 | 1,833 | 26,341 |
| Net gain from a fair value adjustment recognised in profit and loss | 892 | 67 | 959 |
| Carrying amount at 30 June 2022 and 1 July 2022 | **25,400** | **1,900** | **27,300** |
| Net gain/(loss) from a fair value adjustment recognised in profit and loss | **(1,400)** | **50** | **(1,350)** |
| Carrying amount at 30 June 2023 | **24,000** | **1,950** | **25,950** |

Set out below is a summary of the valuation technique used and the key inputs to the valuation of the Group's properties held for own use:

| | Valuation technique | Significant Unobservable input | Range 2023 | Range 2022 |
|---|---|---|---|---|
| Commercial properties | Direct comparison approach | Market unit selling price (per sq. ft.) | **HK$10,016 to HK$12,001** | HK$11,122 to HK$11,910 |
| Car park space | Direct comparison approach | Market unit selling price (per car park) | **HK$1,700,000 to HK$2,120,000** | HK$1,800,000 to HK$2,000,000 |

Under the direct comparison approach, fair value is estimated by the direct comparison method on the assumption of the sale of the property interest with the benefit of vacant possession and by referring to comparable sales transactions as available in the market.

The valuation takes into account the characteristics of the investment properties, which included the location, size, shape, view, floor level, year of completion and other factors collectively, to arrive at the market price of each investment properties.

The key input was the market price of investment properties, where a significant increase/(decrease) in the market price would result in a significant increase/(decrease) in the fair value of the investment properties.

## 15. GOODWILL

| | HK$'000 |
|---|---|
| At 1 July 2021, 30 June 2022, 1 July 2022 and 30 June 2023 | |
| Cost | 31,964 |
| Accumulated impairment | – |
| Net carrying amount | 31,964 |

### Impairment testing of goodwill

The carrying amount of the goodwill acquired through acquisitions of subsidiaries is allocated to the following cash-generating units:

| | **2023** **HK$'000** | 2022 HK$'000 |
|---|---|---|
| General practice services | **5,897** | 5,897 |
| Specialties services | **2,774** | 2,774 |
| Dental services | **23,293** | 23,293 |
| | **31,964** | 31,964 |

### General practice services cash-generating unit

The recoverable amount of the general practice services cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 15.2% (2022: 15.4%) for the year ended 30 June 2023. The growth rate used to extrapolate the cash flows of the general practice services cash-generating unit beyond the five-year period is 2.5% (2022: 2.5%). This growth rate does not exceed the average growth rate of the healthcare industry. Senior management of the general practice services cash-generating unit believes that this growth rate is justified, given the established business model adopted by the Group. The Group has an extensive medical centre network which has enjoyed the economies of scale to obtain optimum operational efficiency.

## 15. GOODWILL *(continued)*

### Specialties services cash-generating unit

The recoverable amount of the specialties services cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 13.5% (2022: 13.0%) for the year ended 30 June 2023. The growth rate used to extrapolate the cash flows of the specialties services cash-generating unit beyond the five-year period is 2.5% (2022: 2.5%). This growth rate does not exceed the average growth rate of the healthcare industry. Senior management of the specialties services cash-generating unit believes that this growth rate is justified, given the established business model adopted by the Group. The Group has an extensive medical centre network which has enjoyed the economies of scale to obtain optimum operational efficiency.

### Dental services cash-generating unit

The recoverable amount of the dental services cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 13.9% (2022: 13.4%) for the year ended 30 June 2023. The growth rate used to extrapolate the cash flows of the dental services cash-generating unit beyond the five-year period is 2.5% (2022: 2.5%). This growth rate does not exceed the average growth rate of the healthcare industry. Senior management of the dental services cash-generating unit believes that this growth rate is justified, given the medical centre network established by the Group. The Group has an extensive medical centre network which has enjoyed the economies of scale to obtain optimum operational efficiency.

Assumptions were used in the value in use calculation of the general practice services, specialties services and dental services cash-generating units at 30 June 2023. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

Growth rates – The growth rates are determined with reference to the historical growth rates for the relevant unit, adjusted for expected business, market development and economic condition.

The values assigned to the key assumptions on market development of industries and discount rates are consistent with external information sources.

## 16. OTHER INTANGIBLE ASSETS

| | Trademark<br>*HK$'000* | Customer lists<br>*HK$'000* | Total<br>*HK$'000* |
|---|---|---|---|
| **30 June 2023** | | | |
| Cost at 1 July 2022, net of accumulated amortisation | **2,745** | **2,634** | **5,379** |
| Amortisation provided during the year | **(634)** | **(978)** | **(1,612)** |
| At 30 June 2023, net of accumulated amortisation | **2,111** | **1,656** | **3,767** |
| At 30 June 2023: | | | |
| Cost | **7,600** | **9,780** | **17,380** |
| Accumulated amortisation | **(5,489)** | **(8,124)** | **(13,613)** |
| Net carrying amount | **2,111** | **1,656** | **3,767** |
| **30 June 2022** | | | |
| Cost at 1 July 2021, net of accumulated amortisation | 3,378 | 3,612 | 6,990 |
| Amortisation provided during the year | (633) | (978) | (1,611) |
| At 30 June 2022, net of accumulated amortisation | 2,745 | 2,634 | 5,379 |
| At 30 June 2022: | | | |
| Cost | 7,600 | 9,780 | 17,380 |
| Accumulated amortisation | (4,855) | (7,146) | (12,001) |
| Net carrying amount | 2,745 | 2,634 | 5,379 |

## 17. INVESTMENTS IN ASSOCIATES

| | Notes | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|---|
| Share of net assets | | **(442)** | 1,175 |
| Loan to an associate | (a) | **11,600** | – |
| Investments in associates | | **11,158** | 1,175 |
| Loan to an associate | (b) | **11,340** | – |

On 24 April 2015, Yingjian Qiye and Ping An Health Internet Holdings Limited ("**Ping An Health**") which is a third party to the Group, have set up a limited company in the PRC named Pingan Yingjian Medical Management (Shanghai) Limited (平安盈健醫療管理(上海)有限公司) ("**Pingan Yingjian**"), which acts as the Group's medical services provider in Mainland China.

The Group has discontinued the recognition of its share of losses of Pingan Yingjian because the share of losses of the associate exceeded the Group's interest in the associate and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of this associate for the current year and cumulatively were HK$872,000 (2022: Nil) and HK$872,000 (2022: Nil), respectively.

On 15 February 2023, a wholly owned subsidiary of the Group acquired 20% of ProCare Integrated Medical Imaging & Laboratory Centre (Tsim Sha Tsui) Limited ("**ProCare**"), a limited company in Hong Kong which provides medical, imaging and laboratory services.

Notes:

(a) The loan to an associate is unsecured, interest-free and repayable on demand. In the opinion of the directors, this loan is unlikely to be repaid in the foreseeable future and are considered as part of the Group's net investments in associates. There was no recent history of default and past due amount for loan to the associate. As at 30 June 2023, the loss allowance was assessed to be minimal.

(b) The loan to an associate is unsecured, interest-bearing at 4.75% per annum and repayable within three years. There was no recent history of default and past due amount for loan to the associate. As at 30 June 2023, the loss allowance was assessed to be minimal.

## 17. INVESTMENTS IN ASSOCIATES *(continued)*

Particulars of the Group's associates are as follows:

| Name | Particulars of registered capital | Place of registration and business | Percentage of Ownership interest | Percentage of Voting power | Percentage of Profit sharing | Principal activities |
|---|---|---|---|---|---|---|
| Pingan Yingjian Medical Management (Shanghai) Limited (平安盈健醫療管理(上海)有限公司) ("**Pingan Yingjian**") | Renminbi ("**RMB**") 35,000,000 | PRC/Mainland China | 50 | 40 | 50 | Provision of medical services |
| ProCare Integrated Medical Imaging & Laboratory Centre (Tsim Sha Tsui) Limited ("**ProCare**") | HK$100 | Hong Kong | 20 | 20 | 20 | Provision of medical, imaging and laboratory services |

The following table illustrates the aggregate financial information of the Group's associates that is not individually material:

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Share of the associates' loss for the year | **(1,543)** | (1,977) |
| Share of the associates' total comprehensive loss for the year | **(1,543)** | (1,977) |
| Aggregate carrying amount of the Group's investments in associates | **11,158** | 1,175 |

## 18. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Unlisted equity investments, at fair value | | |
| – Heals Healthcare | **1,982** | 3,714 |
| – Unlisted company | **9,922** | 7,571 |
| | **11,904** | 11,285 |

Management irrevocably designated the above equity investments as financial assets at fair value through other comprehensive income, as the Group considers these investments to be strategic in nature.

On 10 December 2018, the Group subscribed 156,667 ordinary shares of Heals Healthcare (Asia) Limited ("**Heals Healthcare**"), an independent third party, at a deemed consideration of HK$13,040,000. On 3 May 2021, the Group disposed 51,804 shares at a consideration of HK$10,361,000.

On 24 January 2018, the Group acquired 100,000 ordinary shares of an unlisted company incorporated in Hong Kong, at a consideration of HK$3,500,000. On 26 July 2021, the Group acquired additional 38,793 ordinary shares at a consideration of HK$45,000. At 30 June 2023, the Group has 10.29% equity interest in the above-mentioned company.

## 19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Investment in redeemable preference shares | **33,844** | 30,549 |
| Unlisted investment funds | **43,015** | 52,576 |
| Other unlisted investment | **6,680** | – |
| | **83,539** | 83,125 |

During the year ended 30 June 2019, the Group subscribed redeemable preference shares in an unlisted company established in the British Virgin Islands, at a consideration of US$3,000,000 (equivalent to HK$23,550,000). As the rights and obligations of the ownership over this redeemable preference shares are substantially different from the ownership of ordinary shares of the unlisted company, the Group's investment in this redeemable preference shares is measured at fair value through profit or loss.

## 19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

During the year ended 30 June 2019, the Group entered into an amended and restated exempted limited partnership agreement with Inno Healthcare Limited in relation to the formation of New Journey Healthcare LP ("**Limited Partnership**") and subscribed 8.8% of the committed fund size amounting to RMB30,000,000 (equivalent to HK$34,125,000). As detailed in the Company's announcement dated 10 January 2020, following the change of composition of the Limited Partnership in late 2019, the Group was the holder of approximately 73.2% of the partnership interest in the Limited Partnership as at 30 June 2023 and 2022, and Limited Partnership invested in New Journey Hospital Group. Pursuant to the terms of the limited partnership agreement, the directors of the Company considered the control of the limited partnership remained with the general partner and the Group as a limited partner does not have any controlling power nor exert any significant influence over the limited partnership.

During the year ended 30 June 2023, the Group invested in an unlisted investment, which represent a convertible loan issued by a private company in BVI of US$850,000 (equivalent to HK$6,680,000).

## 20. INVENTORIES

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Pharmaceutical supplies | **28,326** | 18,329 |

## 21. TRADE RECEIVABLES

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **113,571** | 434,090 |
| Impairment | **(11,943)** | (11,754) |
| | **101,628** | 422,336 |

Most of the patients of the medical and dental practices settle in cash and credit cards. Payments by patients using medical cards or corporate customers will normally be settled within 1 to 6 months. The Group allows an average credit period of 90 days to its trade customers under other business activities. The Group seeks to maintain strict control over its outstanding receivables and has personnel to monitor the implementation of measures to minimise the credit risk.

There is a certain concentration of credit risk. The total trade receivable due from the Group's largest debtor as at 30 June 2023 and 2022 accounted for 52% and 86% of the Group's total trade receivable, respectively, while 74% and 94% of the total trade receivables were due from the five largest debtors as at 30 June 2023 and 2022, respectively.

## 21. TRADE RECEIVABLES *(continued)*

The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 2 months | **73,897** | 131,565 |
| 2 to 4 months | **6,767** | 146,392 |
| 4 to 6 months | **17,757** | 139,920 |
| Over 6 months | **3,207** | 4,459 |
| | **101,628** | 422,336 |

The movements in the loss allowance for impairment of trade receivables are as follows:

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| At beginning of year | **11,754** | 10,655 |
| Impairment losses, net (note 6) | **189** | 1,099 |
| At end of year | **11,943** | 11,754 |

An impairment analysis is performed of each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

## 21. TRADE RECEIVABLES *(continued)*

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

**As at 30 June 2023**

| Group A | **Current** | **Past due ≤181 days** | **Past due >181 days but ≤365 days** | **Past due >365 days** | **Total** |
|---|---|---|---|---|---|
| Expected credit loss rate | **0.03%** | **0.11%** | **5.11%** | **46.29%** | **0.50%** |
| Gross carrying amount (HK$'000) | **77,946** | **21,782** | **1,584** | **823** | **102,135** |
| Expected credit losses (HK$'000) | **21** | **24** | **81** | **381** | **507** |

| Group B | **Current** | **Past due ≤181 days** | **Past due >181 days but ≤365 days** | **Past due >365 days** | **Total** |
|---|---|---|---|---|---|
| Expected credit loss rate | **0%** | **0%** | **0%** | **100%** | **100%** |
| Gross carrying amount (HK$'000) | **–** | **–** | **–** | **11,436** | **11,436** |
| Expected credit losses (HK$'000) | **–** | **–** | **–** | **11,436** | **11,436** |

As at 30 June 2022

| Group A | Current | Past due ≤181 days | Past due >181 days but ≤365 days | Past due >365 days | Total |
|---|---|---|---|---|---|
| Expected credit loss rate | 0.02% | 0.05% | 4.65% | 86.67% | 0.08% |
| Gross carrying amount (HK$'000) | 194,813 | 226,258 | 1,463 | 120 | 422,654 |
| Expected credit losses (HK$'000) | 37 | 109 | 68 | 104 | 318 |

| Group B | Current | Past due ≤181 days | Past due >181 days but ≤365 days | Past due >365 days | Total |
|---|---|---|---|---|---|
| Expected credit loss rate | 0% | 0% | 100% | 100% | 100% |
| Gross carrying amount (HK$'000) | – | – | 1,301 | 10,135 | 11,436 |
| Expected credit losses (HK$'000) | – | – | 1,301 | 10,135 | 11,436 |

## 21. TRADE RECEIVABLES *(continued)*

The Group categories the customers by making reference to the customer type in the following groups:

Group A: Independent customers of integrated healthcare services

Group B: Independent customers of the trading of wellness related products and the provision of medical aesthetic services

## 22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Prepayments | **42,147** | 5,332 |
| Deposits | **42,621** | 49,391 |
| Other receivables | **484** | 1,303 |
| | **85,252** | 56,026 |
| Less: Non-current portion | **(62,595)** | (37,139) |
| | **22,657** | 18,887 |

Deposits and other receivables mainly represent rental deposits. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. As at 30 June 2023 and 2022, the Group assessed the loss allowance and the expected credit loss rate under the application of HKFRS 9 were minimal.

None of the above assets is either past due or impaired. The financial assets included in the above balances related to receivables for which there was no recent history of default.

## 23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Cash and bank balances | **192,903** | 144,690 |
| Time deposits | **449,367** | 127,691 |
| | **642,270** | 272,381 |
| Less: Pledged time deposits for credit facilities | **(1,013)** | (2,049) |
| Cash and cash equivalents | **641,257** | 270,332 |

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to HK$4,879,000 (2022: HK$5,304,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rate. Short-term time deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

## 24. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 1 month | **48,936** | 27,057 |
| 1 to 3 months | **8,411** | 12,543 |
| Over 3 months | **10** | 775 |
| | **57,357** | 40,375 |

The trade payables are non-interest-bearing and are normally settled on terms of 60 days.

The trade payables of the Group included fee payable to doctors and dentists who are related parties of the Group for the amount of HK$2,259,000 (2022: HK$1,794,000).

## 25. OTHER PAYABLES AND ACCRUALS

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Other payables | **39,233** | 34,147 |
| Accruals | **38,038** | 39,905 |
| Provision for reinstatement costs (note 27) | **9,792** | 10,990 |
| | **87,063** | 85,042 |
| Less: Non-current portion | **(7,620)** | (7,681) |
| | **79,443** | 77,361 |

Other payables and accruals are unsecured, non-interest-bearing and are normally repayable on demand.

## 26. CONTRACT LIABILITIES

| | **30 June 2023** | 30 June 2022 | 1 July 2021 |
|---|---|---|---|
| | ***HK$'000*** | *HK$'000* | *HK$'000* |
| Short-term advances received from customers | | | |
| Integrated healthcare services | **29,111** | 5,717 | 7,397 |

Contract liabilities represented short-term advances received to render integrated healthcare services. The increase in contract liabilities in 2023 was mainly due to the increase in short-term advances received from customers in relation to the rendering of integrated healthcare services at the end of the year. The decrease in contract liabilities in 2022 was mainly due to the decrease in short-term advances received from customers in relation to the rendering of integrated healthcare services at the end of the year.

## 27. PROVISIONS

| | Reinstatement cost |
|---|---|
| | *HK$'000* |
| At 1 July 2021 | 7,049 |
| Additional provision | 5,280 |
| Accretion of interest recognised during the year (note 7) | 32 |
| Overprovision in prior years | (1,012) |
| Amounts utilised during the year | (359) |
| At 30 June 2022 and 1 July 2022 | **10,990** |
| Accretion of interest recognised during the year (note 7) | **195** |
| Overprovision in prior years | **(148)** |
| Amounts utilised during the year | **(1,245)** |
| At 30 June 2023 | **9,792** |

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current liabilities | **2,172** | 3,309 |
| Non-current liabilities | **7,620** | 7,681 |
| | **9,792** | 10,990 |

The Group provides for reinstatement costs for its medical centres, as estimated based on past experience of the actual costs incurred. The estimation basis is reviewed on an ongoing basis and revised where appropriate. The timing of outflows is expected to be utilised in one to five years.

## 28. INTEREST-BEARING BANK BORROWINGS

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | **Contractual interest rate (%)** | **Maturity** | ***HK$'000*** | Contractual interest rate (%) | Maturity | *HK$'000* |
| Current: | | | | | | |
| Bank loans – secured | **HIBOR + 1.75** | **2024** | **3,869** | HIBOR + 1.75 | 2024 | 7,764 |
| Bank loans – secured | **HIBOR + 1.2** | **2036** | **32,641** | HIBOR + 1.2 | 2036 | 34,452 |
| | | | **36,510** | | | 42,216 |

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Analysed into: | | |
| Bank loans repayable: | | |
| Within one year or on demand | **36,510** | 42,216 |

The Group's bank loans are secured by:

(a) the corporate guarantees of the Company and certain of its subsidiaries;

(b) mortgages over the Group's property, plant and equipment situated in Hong Kong, which had an aggregate carrying value at the end of the reporting period of HK$62,897,000 (2022: HK$65,412,000); and

(c) mortgages over the Group's investment properties situated in Hong Kong, which had an aggregate carrying value at the end of the reporting period of HK$25,950,000 (2022: HK$27,300,000).

## 29. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

### Deferred tax liabilities

| | Accelerated depreciation allowance<br>*HK$'000* | Others<br>*HK$'000* | Total<br>*HK$'000* |
|---|---|---|---|
| At 1 July 2021 | 183 | 1,153 | 1,336 |
| Deferred tax credited to profit or loss during the year (note 10) | (183) | (266) | (449) |
| **At 30 June 2022 and 1 July 2022** | **–** | **887** | **887** |
| Deferred tax charged/(credited) to profit or loss during the year (note 10) | **1,416** | **(265)** | **1,151** |
| Gross deferred tax liabilities at 30 June 2023 | **1,416** | **622** | **2,038** |

### Deferred tax assets

| | Losses available for offsetting against future taxable profits<br>*HK$'000* | Depreciation in excess of depreciation allowance<br>*HK$'000* | Right-of-use assets<br>*HK$'000* | Others<br>*HK$'000* | Total<br>*HK$'000* |
|---|---|---|---|---|---|
| At 1 July 2021 | 2,244 | 1,728 | – | – | 3,972 |
| Deferred tax credited/(charged) to profit or loss during the year (note 10) | (971) | 92 | 1,808 | 35 | 964 |
| At 30 June 2022 and 1 July 2022 | **1,273** | **1,820** | **1,808** | **35** | **4,936** |
| Deferred tax credited/(charged) to profit or loss during the year (note 10) | **859** | **(914)** | **(1,084)** | **33** | **(1,106)** |
| Gross deferred tax assets at 30 June 2023 | **2,132** | **906** | **724** | **68** | **3,830** |

## 29. DEFERRED TAX *(continued)*

### Deferred tax assets *(continued)*

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Net deferred tax assets recognised in the consolidated statement of financial position | **2,414** | 4,936 |
| Net deferred tax liabilities recognised in the consolidated statement of financial position | **(622)** | (887) |
| | **1,792** | 4,049 |

The Group has tax losses arising in Hong Kong of HK$148,320,000 (2022: HK$104,669,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets in respect of these losses of HK$135,401,000 (2022: HK$96,956,000) and deductible temporary differences of HK$55,295,000 (2022: HK$833,000) have not been recognised as they have arisen in subsidiaries that have been loss-making for some time and in the opinions of the directors, it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

There are no income tax consequences attaching to the payment of dividends by the Company to the shareholders.

## 30. SHARE CAPITAL

### Shares

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Issued and fully paid: 379,552,233 (2022: 379,552,233) ordinary shares at HK$0.01 each | **3,796** | 3,796 |

The Company has authorised share capital of HK$100,000,000 divided into 10,000,000,000 ordinary shares of HK$0.01 each.

## 31. SHARE OPTION SCHEME

Pursuant to the written resolution of the shareholders of the Company on 17 February 2016, the Company adopted a share option scheme (the "**Scheme**") for the purpose of providing incentives or rewards to eligible participants for their contribution to, and continuing efforts to promote the interests of the Group. Eligible participants of the Scheme include any director, employee (whether full time or part time), executive, officer, consultant, adviser, supplier, customer or agent of the Group or such other persons who in the sole opinion of the Company's board of directors have contributed to and/or will contribute to the Group. The Scheme became effective on 1 April 2016, the date of the Listing, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The total number of shares which may be issued upon exercise of all share options to be granted under the Scheme shall not in aggregate exceed 10% of the total number of shares of the Company in issue at the Listing Date. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period shall not exceed 1% of the shares of the Company in issue up to the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors (excluding any independent non-executive director who is a proposed grantee of the options). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at the date of grant or with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period (if any) and ends on a date not later than the last day of the 10-year period after the date on which the option is duly accepted by the grantee in accordance with the terms of the Scheme.

The exercise price of share options is determinable by the directors, but must be at least the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

## 31. SHARE OPTION SCHEME *(continued)*

The following share options were outstanding under the Scheme during the year:

| | Year ended 30 June | | | |
|---|---|---|---|---|
| | **2023** | | 2022 | |
| | **Weighted average exercise price** | **Number of options** | Weighted average exercise price | Number of options |
| | ***HK$ per share*** | ***'000*** | *HK$ per share* | *'000* |
| At 1 July | **2.205** | **2,490** | 2.205 | 2,490 |
| Granted during the year | **–** | **–** | – | – |
| Exercised during the year | **–** | **–** | – | – |
| Lapsed during the year | **2.214** | **(2,310)** | – | – |
| At 30 June | **2.090** | **180** | 2.205 | 2,490 |
| Exercisable at the end of the year | **2.090** | **180** | 2.208 | 2,428 |

The options outstanding at the end of the year have a weighted average remaining contractual life of 3.9 years (2022: 0.6 years) and the weighted average exercise price is HK$2.090 (2022: HK$2.205).

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

**2023**

| **Number of options** | **Exercise price*** | **Exercise period** |
|---|---|---|
| ***'000*** | ***HK$ per share*** | |
| **59** | **2.090** | **1-6-21 to 31-5-27** |
| **59** | **2.090** | **1-6-22 to 31-5-27** |
| **62** | **2.090** | **1-6-23 to 31-5-27** |
| **180** | | |

## 31. SHARE OPTION SCHEME *(continued)*

2022

| Number of options *'000* | Exercise price* *HK$ per share* | Exercise period |
|---:|---:|---|
| 762 | 2.214 | 4-10-19 to 3-10-22 |
| 762 | 2.214 | 4-10-20 to 3-10-22 |
| 786 | 2.214 | 4-10-21 to 3-10-22 |
| 59 | 2.090 | 1-6-21 to 31-5-27 |
| 59 | 2.090 | 1-6-22 to 31-5-27 |
| 62 | 2.090 | 1-6-23 to 31-5-27 |
| 2,490 | | |

* The exercise price of share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The fair value of the share options granted on 4 October 2016 and 28 May 2018 were HK$1,899,000 and HK$223,000 respectively. The Group recognised a share option expense of HK$14,000 during the year ended 30 June 2023 (2022: HK$68,000).

The fair value of equity-settled share options granted was estimated as at the date of grant using the Binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

| | | **Options granted on 4 October 2016** | **Options granted on 28 May 2018** |
|---|---|---:|---:|
| Underlying stock price | | HK$2.19 | HK$2.09 |
| Exercise price | | HK$2.214 | HK$2.09 |
| Contractual option life | | 6 years | 9 years |
| Risk-free rate | | 1.25% | 2.86% |
| Expected dividend yield | | 0.00% | 0.96% |
| Expected volatility of underlying shares | | 38% | 64% |
| Exercise multiple | Directors: | 2.80 | N/A |
| | Employees: | 2.20 | 2.20 |
| Weighted average estimated fair value for | Directors: | HK$0.8236 | N/A |
| each share option | Employees: | HK$0.8184 | HK$1.2413 |

## 31. SHARE OPTION SCHEME *(continued)*

Expected volatility was determined by using the historical volatility of the similar industry as the Company's share price over the previous years. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The exit rate in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

No other feature of the options granted was incorporated into the measurement of fair value. The fair value of the option is subject to the above inputs and the limitation to the binomial model.

At the end of the reporting period, the Company had 180,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 180,000 additional ordinary shares of the Company and additional share capital of HK$1,800 (before issue expenses) and share premium of HK$598,000 (after transfer of the share options' fair value from the share option reserve upon exercise).

At the date of approval of these financial statements, the Company had 180,000 share options outstanding under the Scheme, which represented approximately 0.05% of the Company's shares in issue as at that date.

The share option reserve comprises the fair value of share options granted which are yet to be exercised. The amount will either be transferred to share capital when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

## 32. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 134 of the financial statements.

## 33. NOTE TO THE STATEMENT OF CASH FLOWS

### (a) Major non-cash transactions

(i) In the prior year, the acquisition of property, plant and equipment included the provision for reinstatement costs of HK$5,280,000 included in the other payables and accruals.

(ii) During the year, the Group had non-cash additions and lease modification to right-of-use assets and lease liabilities of HK$50,510,000 (2022: HK$143,163,000) and HK$50,510,000 (2022: HK$143,163,000), respectively, in respect of lease arrangement of properties.

## 33. NOTE TO THE STATEMENT OF CASH FLOWS *(continued)*

### (b) Changes in liabilities arising from financing activities

| | Lease liabilities | Interest-bearing bank borrowings |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| At 1 July 2021 | 55,417 | 11,659 |
| Other changes: | | |
| Addition of leases | 89,929 | – |
| Lease modification | 53,234 | – |
| Finance costs | 2,426 | 401 |
| COVID-19-related rent concessions from lessors | (2,543) | – |
| Early termination | (152) | – |
| Changes from financing cash flows | (52,057) | 30,156 |
| At 30 June 2022 and 1 July 2022 | **146,254** | **42,216** |
| Other changes: | | |
| Addition of leases | **2,875** | **–** |
| Lease modification | **47,635** | **–** |
| Finance costs | **6,447** | **1,486** |
| Changes from financing cash flows | **(57,230)** | **(7,192)** |
| At 30 June 2023 | **145,981** | **36,510** |

## 34. LEASES

### The Group as a lessee

The Group entered into various lease agreements for office premises and medical centres. These leases have remaining non-cancellable lease terms of between 1 to 6 years. All leases held by the Group comprise fixed payments over the lease term.

The carrying amount of lease liabilities and the movement during the year are as follows:

#### Lease liabilities

| | **Properties** |
|---|---|
| | *HK$'000* |
| At 1 July 2021 | 55,417 |
| Additions | 89,929 |
| Lease modification | 53,234 |
| Finance costs | 2,426 |
| Payments | (52,057) |
| Early termination | (152) |
| COVID-19-related rent concessions from lessors | (2,543) |
| At 30 June 2022 and 1 July 2022 | **146,254** |
| Additions | **2,875** |
| Lease modification | **47,635** |
| Finance costs | **6,447** |
| Payments | **(57,230)** |
| At 30 June 2023 | **145,981** |

## 34. LEASES *(continued)*

### The Group as a lessee *(continued)*

#### Lease liabilities *(continued)*

Future lease payments are due as follows:

| | **Contractual undiscounted payments 30 June 2023** | **Interest 30 June 2023** | **Carrying amount 30 June 2023** |
|---|---|---|---|
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| Not later than one year | **53,723** | **(5,592)** | **48,131** |
| Later than one year and not later than two years | **44,787** | **(3,490)** | **41,297** |
| Later than two years and more | **59,653** | **(3,100)** | **56,553** |
| | **158,163** | **(12,182)** | **145,981** |

| | Contractual undiscounted payments 30 June 2022 | Interest 30 June 2022 | Carrying amount 30 June 2022 |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Not later than one year | 44,676 | (5,428) | 39,248 |
| Later than one year and not later than two years | 35,812 | (3,908) | 31,904 |
| Later than two years and more | 80,733 | (5,631) | 75,102 |
| | 161,221 | (14,967) | 146,254 |

The present value of future lease payments are analysed as:

| | **30 June 2023** | 30 June 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current liabilities | **48,131** | 39,248 |
| Non-current liabilities | **97,850** | 107,006 |
| | **145,981** | 146,254 |

## 34. LEASES *(continued)*

### The Group as a lessee *(continued)*

#### Lease liabilities *(continued)*

The amounts recognised in profit or loss in relation to leases are as follows:

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| Interest on lease liabilities | **6,447** | 2,426 |
| Depreciation charge of right-of-use assets | **58,404** | 54,249 |
| Impairment of right-of-use assets | **32,063** | 10,957 |
| COVID-19-related rent concessions from lessors | **–** | (2,543) |
| Gain on early termination of leases | **–** | (2) |
| Total amount recognised in profit or loss | **96,914** | 65,087 |

### The Group as a lessor

The Group leases its investment properties (note 14) consisting of two commercial properties and one car park space located in Hong Kong under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was HK$520,000 (2022: HK$261,000), details of which are included in note 5 to the financial statements.

At 30 June 2023, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with third-party tenants are as follows:

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| Within one year | **433** | 520 |
| After one year but within two years | **–** | 433 |
| | **433** | 953 |

## 35. CAPITAL COMMITMENTS

The Group had the following capital commitments.

| | **2023** **HK$'000** | 2022 HK$'000 |
|---|---|---|
| Contracted, but not provided for: | | |
| Medical equipment | **739** | 1,235 |
| Office equipment | **29** | 20 |
| IT equipment | **1,305** | 1,265 |
| | **2,073** | 2,520 |

## 36. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

| | **Relationship** | **Nature** | **2023** **HK$'000** | 2022 HK$'000 |
|---|---|---|---|---|
| Maxland Limited | | | | |
| Rental paid | (1) | (i) | **2,496** | 2,800 |
| Fees payable to doctors and dentists who are related parties | (2) | (ii) | **14,478** | 14,249 |
| Integrated healthcare services income charged to a related party | (3) | (iii) | **15,937** | 16,097 |
| Donation to a related party | (3) | (iv) | **–** | 3,300 |

## 36. RELATED PARTY TRANSACTIONS *(continued)*

**(a)** *(continued)*

Nature of transactions

i. The rental paid were charged by this related party for the leases of one medical centre (2022: two medical centres) at a total amount of HK$208,000 (2022: HK$246,000) per month, on a mutually agreed basis, which approximated to market rates.

ii. The fees represented the professional fees payable to these doctors and dentists for their professional services rendered to the Group. The fees were determined based on the terms as set out in the respective service contracts entered into by the parties and at a rate considered by the directors to be the market rate.

iii. The income represented the service income charged for the integrated healthcare services provided by the Group. The income was determined based on the terms as set out in the respective service contracts entered into by the parties and at a rate considered by the directors to be the market rate.

iv. In the prior year, a subsidiary of the Company donated HK$3,300,000 to a related party for public welfare services.

Relationship of related parties

1. Mr. Chan Kin Ping, BBS, JP and Dr. Pang Lai Sheung, controlling shareholders of the Company, have beneficial interests in the related party.

2. These doctors and dentists are also directors of certain subsidiaries of the Group or senior management of the Group or associate of controlling shareholder of the Company.

3. Mr. Chan Kin Ping, BBS, JP, controlling shareholder of the Company, is also a director of the related party.

## 36. RELATED PARTY TRANSACTIONS *(continued)*

### (b) Compensation of key management personnel of the Group

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Salaries, allowances and benefits in kind | **8,663** | 8,988 |
| Discretionary performance-related bonus | **9,984** | 3,425 |
| Equity-settled share option expense | **–** | 24 |
| Pension scheme contributions | **66** | 72 |
| | **18,713** | 12,509 |

Further details of Directors' emoluments are included in note 8 to the financial statements.

The related party transactions in respect of note (a) items (i) and fees payable to Dr. Pang Lai Sheung, Dr. Chan Siu Yu, Dr. Lau Wai Man and Dr. Seto Siu Keung included in note (a) item (ii) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

## 37. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

During the year, a wholly-owned subsidiary of the Company acquired 100% equity interest in a company, from an independent third party at aggregate cash consideration of HK$24,409,000. The company is engaged in provision of healthcare service in Hong Kong.

The above transaction was accounted for as acquisition of assets and long-term prepayment for future doctor consultancy services at consideration of HK$409,000 and HK$24,000,000, respectively, rather than business combination because the acquired subsidiary had not carried out any significant business transactions prior to the date of acquisition. The net inflow of cash and cash equivalents from the acquisition has been reflected in the consolidated statement of cash flows as part of the cash flow movement of the individual assets and liabilities acquired.

The net assets acquired in the acquisition of the subsidiary is as follows:

| | **2023**<br>***HK$'000*** |
|---|---|
| Cash and bank balances | **467** |
| Other payables and accruals | **(39)** |
| Tax payable | **(19)** |
| Net assets | **409** |
| Satisfied by cash | **409** |

An analysis of the cash flows in respect of the acquisition of assets through acquisition of subsidiary is as follows:

| | **2023**<br>***HK$'000*** |
|---|---|
| Cash consideration | **(409)** |
| Cash and bank balances acquired | **467** |
| Net inflow of cash and cash equivalents | **58** |

## 38. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

### Financial assets

| | Financial assets at fair value through profit or loss HK$'000 | Financial assets at fair value through other comprehensive income HK$'000 | Financial assets at amortised cost HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **2023** | | | | |
| Loan to an associate | – | – | 11,340 | 11,340 |
| Financial assets at fair value through other comprehensive income | – | 11,904 | – | 11,904 |
| Financial assets at fair value through profit or loss | 83,539 | – | – | 83,539 |
| Trade receivables | – | – | 101,628 | 101,628 |
| Financial assets included in prepayments, deposits and other receivables | – | – | 43,105 | 43,105 |
| Pledged deposits | – | – | 1,013 | 1,013 |
| Cash and cash equivalents | – | – | 641,257 | 641,257 |
| | 83,539 | 11,904 | 798,343 | 893,786 |

## 38. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

### Financial assets *(continued)*

| | Financial assets at fair value through profit or loss *HK$'000* | Financial assets at fair value through other comprehensive income *HK$'000* | Financial assets at amortised cost *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|
| 2022 | | | | |
| Financial assets at fair value through other comprehensive income | – | 11,285 | – | 11,285 |
| Financial assets at fair value through profit or loss | 83,125 | – | – | 83,125 |
| Trade receivables | – | – | 422,336 | 422,336 |
| Financial assets included in prepayments, deposits and other receivables | – | – | 50,694 | 50,694 |
| Pledged deposits | – | – | 2,049 | 2,049 |
| Cash and cash equivalents | – | – | 270,332 | 270,332 |
| | 83,125 | 11,285 | 745,411 | 839,821 |

### Financial liabilities

| | Financial liabilities at amortised cost | |
|---|---|---|
| | **2023** | 2022 |
| | ***HK$'000*** | *HK$'000* |
| Trade payables | **57,357** | 40,375 |
| Financial liabilities included in other payables and accruals | **27,629** | 8,725 |
| Interest-bearing bank borrowings | **36,510** | 42,216 |
| Lease liabilities | **145,981** | 146,254 |
| | **267,477** | 237,570 |

## 39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

At the end of the reporting period, the carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

### Financial assets

**As at 30 June 2023**

| | **Carrying amount** | **Fair value** |
|---|---|---|
| | ***HK$'000*** | ***HK$'000*** |
| Loan to an associate | **11,340** | **11,340** |
| Financial assets at fair value through profit or loss | **83,539** | **83,539** |
| Financial assets at fair value through other comprehensive income | **11,904** | **11,904** |
| Deposits, non-current portion | **37,406** | **37,406** |
| | **144,189** | **144,189** |

As at 30 June 2022

| | Carrying amount | Fair value |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Financial assets at fair value through profit or loss | 83,125 | 83,125 |
| Financial assets at fair value through other comprehensive income | 11,285 | 11,285 |
| Deposits, non-current portion | 32,958 | 32,958 |
| | 127,368 | 127,368 |

Management has assessed that the fair values of the current portion of financial assets included in prepayments, deposits and other receivables, trade receivables, pledged deposits, cash and cash equivalents, trade payables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings and lease liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.

At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

## 39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

### Financial assets *(continued)*

The fair values of the financial assets and liabilities are included at the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the non-current portion of deposits and loan to an associate have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities, which approximate to their carrying amounts.

The valuation methodology on estimating the fair value of Heals Healthcare was changed from the Black-Scholes option pricing model with reference to adjusted prices of recent transaction of the investment as at 30 June 2022 to the Black-Scholes option pricing model with reference to enterprise values to sales ("**EV/Sales**") and discount for lack of marketability ("**DLOM**") as at 30 June 2023.

The valuation methodology on estimating the fair value of the unlisted investment funds was changed from the Black-Scholes option pricing model with reference to adjusted prices of recent transactions of the investment as at 30 June 2022 to the Black-Scholes option pricing model with reference to price-to-book ratio ("**P/B**") and DLOM as at 30 June 2023.

The fair values of the unlisted company were estimated based on adjusted prices of recent transactions of the investment as at 30 June 2023 and 2022, while the fair values of the investment in redeemable preference shares were estimated based on the Black-Scholes option pricing model with reference to adjusted prices of recent transactions of the investment as at 30 June 2023 and 2022.

The Group invested in another unlisted investment, which refers to convertible loans issued by a private company in the BVI. The Group has estimated the fair value of the unlisted investment by using the binomial model with reference to EV/Sales and DLOM as well as the market interest rates of instruments with similar risk and time to maturity.

The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss or other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

## 39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

### Financial assets *(continued)*

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2023 and 30 June 2022:

**As at 30 June 2023**

| | Valuation technique | Significant unobservable input | Range | Sensitivity of fair value to the input |
|---|---|---|---|---|
| Unlisted equity investments – Heals Healthcare | Market approach | EV/Sales and DLOM | EV/Sales: 2.43<br>DLOM: 15.7% | 10% increase in EV/Sales would result in increase in fair value by HK$406,000 while 10% decrease in EV/Sales would result in decrease in fair value by HK$381,000;<br>10% increase in DLOM would result in decrease in fair value by HK$37,000 while 10% decrease in DLOM would result in increase in fair value by HK$37,000. |
| – Unlisted company | Market approach | Price adjustment | Price adjustment: 6.08% | 10% increase in price adjustment would result in increase in fair value by HK$57,000, while 10% decrease in price adjustment would result in decrease in fair value by HK$57,000. |
| Investment in redeemable preference shares | Market approach | Price adjustment and DLOM | Price adjustment: 8.45%<br>DLOM: 15.7% | 10% increase in price adjustment would result in increase in fair value by HK$144,000 while 10% decrease in price adjustment would result in decrease in fair value by HK$143,000;<br>10% increase in DLOM would result in decrease in fair value by HK$630,000 while 10% decrease in DLOM would result in increase in fair value by HK$630,000. |

## 39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

### Financial assets *(continued)*

**As at 30 June 2023** *(continued)*

| | Valuation technique | Significant unobservable input | Range | Sensitivity of fair value to the input |
|---|---|---|---|---|
| Unlisted investment funds | Market approach | P/B and DLOM | P/B: 2.47<br>DLOM: 15.7% | 10% increase in P/B would result in increase in fair value by HK$3,743,000 while 10% decrease in P/B would result in decrease in fair value by HK$3,790,000;<br><br>10% increase in DLOM would result in decrease in fair value by HK$702,000, while 10% decrease in DLOM would result in increase in fair value by HK$700,000. |
| Other unlisted investment | Binomial model | EV/Sales, DLOM and discount rate | EV/Sales: 1.82<br><br>DLOM: 15.7%<br><br>Discount rate: 11.64% | 10% increase in EV/Sales would result in increase in fair value by HK$17,000, while 10% decrease in EV/Sales would result in decrease in fair value by HK$17,000;<br><br>10% increase in DLOM would result in decrease in fair value by HK$8,000, while 10% decrease in DLOM would result in increase in fair value by HK$1,000;<br><br>10% increase in discount rate would result in decrease in fair value by HK$136,000, while 10% decrease in discount rate would result in increase in fair value by HK$140,000. |

## 39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

### Financial assets *(continued)*

As at 30 June 2022

| | Valuation technique | Significant unobservable input | Range | Sensitivity of fair value to the input |
|---|---|---|---|---|
| Unlisted equity investments – Heals Healthcare | Market approach | Price adjustment and DLOM | Price adjustment: -40.18%<br>DLOM: 15.8% | 10% increase in price adjustment would result in decrease in fair value by HK$393,000 while an 10% decrease in price adjustment would result in increase in fair value by HK$404,000; 10% increase in DLOM would result in decrease in fair value by HK$69,000, 10% decrease in DLOM would result in increase in fair value by HK$70,000. |
| – Unlisted company | Market approach | Price adjustment | Price adjustment: -36.51% | 10% increase in price adjustment would result in decrease in fair value by HK$435,000, while 10% decrease in price adjustment would result in increase in fair value by HK$435,000. |

## 39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

### Financial assets *(continued)*

As at 30 June 2022 *(continued)*

| | Valuation technique | Significant unobservable input | Range | Sensitivity of fair value to the input |
|---|---|---|---|---|
| Investment in redeemable preference shares | Market approach | Price adjustment and DLOM | Price adjustment: -14.91%<br><br>DLOM: 15.8% | 10% increase in price adjustment would result in decrease in fair value by HK$249,000 while 10% decrease in price adjustment would result in increase in fair value by HK$251,000; 10% increase in DLOM would result in decrease in fair value by HK$573,000, while 10% decrease in DLOM would result in increase in fair value by HK$574,000. |
| Unlisted investment funds | Market approach | Price adjustment, volatility and risk-free rate | Price adjustment: -24.50%<br><br>Volatility: 38.15%<br><br>Risk-free rate: 1.88% | 10% increase in price adjustment would result in decrease in fair value by HK$1,512,000, while 10% decrease in price adjustment would result in increase in fair value by HK$1,508,000; 10% absolute increase in volatility would result in decrease in fair value by HK$159,000, while 10% absolute decrease in volatility would result in increase in fair value by HK$97,000; 2% absolute increase in risk-free rate would result in decrease in fair value by HK$111,000, while 2% absolute decrease in risk-free rate would result in increase in fair value by HK$112,000. |

## 39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

**As at 30 June 2023**

| | **Fair value measurement using** | | | |
|---|---|---|---|---|
| | **Quoted prices in active markets (Level 1)** | **Significant observable inputs (Level 2)** | **Significant unobservable inputs (Level 3)** | **Total** |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| Financial assets at fair value through other comprehensive income | **–** | **–** | **11,904** | **11,904** |
| Financial assets at fair value through profit or loss | **–** | **–** | **83,539** | **83,539** |
| | **–** | **–** | **95,443** | **95,443** |

As at 30 June 2022

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Financial assets at fair value through other comprehensive income | – | – | 11,285 | 11,285 |
| Financial assets at fair value through profit or loss | – | – | 83,125 | 83,125 |
| | – | – | 94,410 | 94,410 |

## 39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

### Fair value hierarchy *(continued)*

The movements in fair value measurements within Level 3 during the year ended are as follows:

| | *HK$'000* |
|---|---|
| Financial assets at fair value through other comprehensive income | |
| At 1 July 2021 | 9,016 |
| Additions | 45 |
| Change in fair value recognised in other comprehensive income during the year | 2,224 |
| At 30 June 2022 and 1 July 2022 | **11,285** |
| Change in fair value recognised in other comprehensive income during the year | **619** |
| At 30 June 2023 | **11,904** |
| Financial assets at fair value through profit or loss | |
| At 1 July 2021 | 57,604 |
| Change in fair value recognised in profit or loss during the year | 25,521 |
| At 30 June 2022 and 1 July 2022 | **83,125** |
| Additions | **6,680** |
| Change in fair value recognised in profit or loss during the year | **(6,266)** |
| At 30 June 2023 | **83,539** |

## 39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

### Fair value hierarchy *(continued)*

Assets for which fair values are disclosed:

**As at 30 June 2023**

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | **Quoted prices in active markets (Level 1)** | **Significant observable inputs (Level 2)** | **Significant unobservable inputs (Level 3)** | **Total** |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| Loan to an associate | **–** | **11,340** | **–** | **11,340** |
| Deposits, non-current portion | **–** | **37,406** | **–** | **37,406** |
| | **–** | **48,746** | **–** | **48,746** |

As at 30 June 2022

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Deposits, non-current portion | – | 32,958 | – | 32,958 |

## 40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from Group's financial instruments are credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

### Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

#### Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 30 June 2023 and 2022. The amounts presented are gross carrying amounts for financial assets.

**As at 30 June 2023**

| | 12-month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Simplified approach** | **Total** |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| Loan to an associate | 11,340 | – | – | – | 11,340 |
| Trade receivables* | – | – | – | 113,571 | 113,571 |
| Financial assets included in prepayments, deposits and other receivables | | | | | |
| – Normal** | 43,105 | – | – | – | 43,105 |
| Pledged deposits | | | | | |
| – Not yet past due | 1,013 | – | – | – | 1,013 |
| Cash and cash equivalents | | | | | |
| – Not yet past due | 641,257 | – | – | – | 641,257 |
| | 696,715 | – | – | 113,571 | 810,286 |

## 40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

### Credit risk *(continued)*

#### Maximum exposure and year-end staging *(continued)*

As at 30 June 2022

| | 12-month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Simplified approach | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Trade receivables* | – | – | – | 434,090 | 434,090 |
| Financial assets included in prepayments, deposits and other receivables | | | | | |
| – Normal** | 50,694 | – | – | – | 50,694 |
| Pledged deposits | | | | | |
| – Not yet past due | 2,049 | – | – | – | 2,049 |
| Cash and cash equivalents | | | | | |
| – Not yet past due | 270,332 | – | – | – | 270,332 |
| | 323,075 | – | – | 434,090 | 757,165 |

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 21 to the financial statements.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

#### Credit risk concentration

The Group had certain concentrations of credit risk as the trade receivables in terms of the following percentages were due from the Group's largest external debtor and the Group's five largest external debtors out of the Group's total trade receivables.

| | **2023** | 2022 |
|---|---|---|
| Due from the Group's largest external debtor | **52%** | 86% |
| Due from the Group's five largest external debtors | **74%** | 94% |

## 40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

### Liquidity risk

The Group's objectives are to maintain a prudent financial policy, to monitor liquidity ratios against risk limits and to maintain contingency plan for funding to ensure that the Group maintains sufficient cash to meet its liquidity requirements.

The maturity profile of the Group's financial liabilities as the end of the reporting period based on the contractual undiscounted payments is as follows:

| | **On demand** | **Less than 3 months** | **3 to less than 12 months** | **1 to 5 years** | **Total** |
|---|---|---|---|---|---|
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| As at 30 June 2023 | | | | | |
| Trade payables | **–** | **57,357** | **–** | **–** | **57,357** |
| Financial liabilities included in other payables and accruals | **–** | **27,629** | **–** | **–** | **27,629** |
| Interest-bearing bank borrowings | **36,510** | **–** | **–** | **–** | **36,510** |
| Lease liabilities | **–** | **14,030** | **39,693** | **104,440** | **158,163** |
| | **36,510** | **99,016** | **39,693** | **104,440** | **279,659** |

| | On demand | Less than 3 months | 3 to less than 12 months | 1 to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| As at 30 June 2022 | | | | | | |
| Trade payables | – | 40,375 | – | – | – | 40,375 |
| Financial liabilities included in other payables and accruals | – | 8,725 | – | – | – | 8,725 |
| Interest-bearing bank borrowings | 42,216 | – | – | – | – | 42,216 |
| Lease liabilities | – | 10,298 | 34,378 | 100,535 | 16,010 | 161,221 |
| | 42,216 | 59,398 | 34,378 | 100,535 | 16,010 | 252,537 |

## 40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

### Liquidity risk *(continued)*

In respect of interest-bearing bank borrowings of HK$36,510,000 (2022: HK$42,216,000), the loan agreement contains a repayment on demand clause giving the bank the unconditional right to call in the loan at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as "on demand".

Notwithstanding the above clause, the directors do not consider that the loans will be called in its entirety within 12 months, and they consider that the loan will be repaid in accordance with the maturity dates as set out in the loan agreement.

In accordance with the terms of the loan, the contractual undiscounted payments at 30 June 2023 for the interest-bearing bank borrowings in respect of the Group are HK$1,913,000 (2022: HK$1,735,000) within three months, HK$5,622,000 (2022: HK$5,175,000) in three to twelve months, HK$14,248,000 (2022: HK$15,266,000) in one to five years, and HK$31,177,000 (2022: HK$26,772,000) over five years.

### Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business.

The Group manages its capital structure and make adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to Shareholders, return capital to Shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2023 and 30 June 2022.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debts include interest-bearing bank borrowings. Total capital represents equity attributable to the owners of the Company. The gearing ratios as at the end of the reporting periods were as follows:

| | **2023**<br>***HK$'000*** | 2022<br>*HK$'000* |
|---|---|---|
| Net debt (interest-bearing bank borrowings) | **36,510** | 42,216 |
| Equity attributable to owners of the Company | **808,217** | 741,946 |
| Capital and net debt | **844,727** | 784,162 |
| Gearing ratio | **4.3%** | 5.4% |

## 41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **NON-CURRENT ASSETS** | | |
| Investments in subsidiaries | **99** | 99 |
| Amount due from a subsidiary | **–** | – |
| Total non-current assets | **99** | 99 |
| **CURRENT ASSETS** | | |
| Prepayments, deposits and other receivables | **177** | 109 |
| Amounts due from subsidiaries | **228,145** | 181,553 |
| Dividend receivable from a subsidiary | **81,000** | 113,866 |
| Cash and cash equivalents | **90,560** | 48,103 |
| Total current assets | **399,882** | 343,631 |
| **CURRENT LIABILITIES** | | |
| Other payables and accruals | **807** | 945 |
| Amounts due to subsidiaries | **141,712** | 48,057 |
| Total current liabilities | **142,519** | 49,002 |
| **NET CURRENT ASSETS** | **257,363** | 294,629 |
| Net assets | **257,462** | 294,728 |
| **EQUITY** | | |
| Share capital | **3,796** | 3,796 |
| Reserves (note) | **253,666** | 290,932 |
| Total equity | **257,462** | 294,728 |

## 41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

| | Share premium HK$'000 | Other reserve HK$'000 | Share option reserve HK$'000 | Retained profits HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| At 1 July 2021 | 190,221 | 99 | 2,040 | 22,138 | 214,498 |
| Profit and total comprehensive income for the year | – | – | – | 121,912 | 121,912 |
| Final 2021 dividend | – | – | – | (45,546) | (45,546) |
| Equity-settled share option arrangements | – | – | 68 | – | 68 |
| At 30 June 2022 and 1 July 2022 | **190,221** | **99** | **2,108** | **98,504** | **290,932** |
| Profit and total comprehensive income for the year | **–** | **–** | **–** | **76,586** | **76,586** |
| Final 2022 dividend | **–** | **–** | **–** | **(113,866)** | **(113,866)** |
| Equity-settled share option arrangements | **–** | **–** | **14** | **–** | **14** |
| Lapse of share options | **–** | **–** | **(1,899)** | **1,899** | **–** |
| At 30 June 2023 | **190,221** | **99** | **223** | **63,123** | **253,666** |

## 42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 September 2023.

# Five Years' Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interest of the Group for the last five financial years, as extracted from published audited financial statements is set out below:

| | Year ended 30 June | | | | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | **2023** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | ***HK$'000*** |
| Revenue | 528,585 | 453,737 | 654,712 | 1,121,793 | **1,001,746** |
| Net profits attributable to | | | | | |
| Owners of the Company | 26,624 | (40,374) | 144,453 | 375,309 | **180,839** |
| Non-controlling interests | (277) | – | – | – | **–** |
| | 26,347 | (40,374) | 144,453 | 375,309 | **180,839** |

| | As at 30 June | | | | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | **2023** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | ***HK$'000*** |
| Total assets | 408,677 | 427,994 | 612,388 | 1,158,614 | **1,263,486** |
| Total liabilities | (95,078) | (168,945) | (202,257) | (416,668) | **(455,269)** |
| | 313,599 | 259,049 | 410,131 | 741,946 | **808,217** |