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## China Medical & HealthCare Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 383)

### ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The board of directors (the “Directors” and the “Board” respectively) of China Medical & HealthCare Group Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2020 together with the comparative figures for the eighteen months ended 31 December 2019 as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2020

		<b>1.1.2020</b>	1.7.2018
		<b>to</b>	to
		<b>31.12.2020</b>	31.12.2019
	<i>NOTES</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
Revenue	3	<b>1,194,148</b>	1,841,346
Gross proceeds from sales of investments held for trading		<b>3,248</b>	200,744
		<hr/>	<hr/>
Total		<b>1,197,396</b>	2,042,090
		<hr/> <hr/>	<hr/> <hr/>
Revenue	3		
Goods and services from contracts with customers		<b>1,186,660</b>	1,776,824
Rental		<b>7,460</b>	12,181
Interest		–	50,966
Others		<b>28</b>	1,375
		<hr/>	<hr/>
		<b>1,194,148</b>	1,841,346
Cost of goods and services		<b>(973,416)</b>	(1,479,613)
		<hr/>	<hr/>

		<b>1.1.2020</b>	1.7.2018
		<b>to</b>	to
		<b>31.12.2020</b>	31.12.2019
	<i>NOTES</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Gross profit		<b>220,732</b>	361,733
Other gains and losses, and other income	5	<b>(39,289)</b>	51,069
Selling and distribution costs		<b>(3,352)</b>	(6,518)
Administrative expenses		<b>(224,731)</b>	(357,307)
Finance costs	6	<b>(49,922)</b>	(77,788)
Loss before taxation		<b>(96,562)</b>	(28,811)
Taxation (expense) credit	7	<b>(8,577)</b>	38,611
(Loss) profit for the year/period	8	<b>(105,139)</b>	9,800
(Loss) profit for the year/period attributable to:			
Owners of the Company		<b>(111,928)</b>	2,176
Non-controlling interests		<b>6,789</b>	7,624
		<b>(105,139)</b>	9,800
(Loss) earnings per share	<i>10</i>		
Basic		<b>HK (0.773) cents</b>	HK 0.015 cents
Diluted		<b>N/A</b>	HK 0.015 cents

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2020

	<i>NOTE</i>	<b>31.12.2020</b> <i>HK\$'000</i>	31.12.2019 <i>HK\$'000</i>
<b>Non-current assets</b>			
Investment properties		<b>783,576</b>	772,520
Property, plant and equipment		<b>1,433,064</b>	1,318,031
Right-of-use assets		<b>102,166</b>	–
Prepaid lease payments		–	93,418
Loan receivable		<b>68,846</b>	–
Interests in associates		–	–
Financial assets at fair value through profit or loss		<b>802</b>	802
Goodwill		<b>32,931</b>	30,821
Deposits for acquisition of property, plant and equipment		<b>8,996</b>	7,031
		<b>2,430,381</b>	2,222,623
<b>Current assets</b>			
Inventories		<b>21,142</b>	21,138
Properties under development for sale		<b>6,324</b>	5,927
Properties held for sale		<b>142,294</b>	163,369
Prepaid lease payments		–	2,746
Financial assets at fair value through profit or loss		–	98
Debt instruments at fair value through other comprehensive income		<b>4,602</b>	4,634
Investments held for trading		<b>21,759</b>	36,451
Debtors, deposits and prepayments	<i>11</i>	<b>149,059</b>	96,806
Loan receivable		–	91,314
Pledged bank deposits		<b>12,670</b>	9,119
Restricted bank deposits		<b>20,469</b>	5,607
Bank balances and cash		<b>616,474</b>	643,177
		<b>994,793</b>	1,080,386

	<i>NOTE</i>	<b>31.12.2020</b> <i>HK\$'000</i>	31.12.2019 <i>HK\$'000</i>
<b>Current liabilities</b>			
Creditors, deposits, receipts in advance and accrued charges	<i>12</i>	<b>424,841</b>	433,015
Deposits received on sales of properties		<b>6,021</b>	12,039
Other contract liabilities		<b>34,602</b>	50,374
Amount due to an associate		<b>6,555</b>	6,144
Borrowings – due within one year		<b>538,845</b>	444,068
Lease liabilities		<b>2,534</b>	–
Obligations under finance leases – due within one year		–	5,405
Taxation payable		<b>114,326</b>	114,802
		<b>1,127,724</b>	1,065,847
<b>Net current (liabilities) assets</b>		<b>(132,931)</b>	14,539
<b>Total assets less current liabilities</b>		<b>2,297,450</b>	2,237,162
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>45,800</b>	41,150
Borrowings – due after one year		<b>432,534</b>	349,295
Creditors, deposits, receipts in advance and accrued charges	<i>12</i>	–	30,818
Other contract liabilities		<b>18,482</b>	5,438
		<b>496,816</b>	426,701
		<b>1,800,634</b>	1,810,461
<b>Capital and reserves</b>			
Share capital		<b>7,240</b>	7,240
Reserves		<b>1,777,834</b>	1,797,386
Equity attributable to owners of the Company		<b>1,785,074</b>	1,804,626
Non-controlling interests		<b>15,560</b>	5,835
<b>Total equity</b>		<b>1,800,634</b>	1,810,461

## 1. BASIS OF PREPARATION

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

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

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

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

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

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

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

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

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

HKFRS 17	Insurance Contracts and the related Amendments <sup>1</sup>
Amendment to HKFRS 16	Covid-19-Related Rent Concessions <sup>4</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>5</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 Cycle <sup>2</sup>

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

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

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

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

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

### 3. REVENUE

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

### 4. SEGMENT INFORMATION

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

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

Healthcare – operations of hospitals in the People’s Republic of China (excluding Hong Kong) (“PRC”).

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

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

Property investment – leasing of residential and office properties.

Financial services – provision of loan financial services.

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



## Segment revenues and results

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

### *For the year ended 31 December 2020*

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

### *For the period from 1 July 2018 to 31 December 2019*

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

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

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

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

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

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

## 6. FINANCE COSTS

The finance costs represent interest as follows:

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

## 7. TAXATION (EXPENSE) CREDIT

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

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

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

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

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

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

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

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

## 9. DIVIDENDS

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

## 10. (LOSS) EARNINGS PER SHARE

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

### (Loss) profit

	<b>1.1.2020 to 31.12.2020 HK\$'000</b>	1.7.2018 to 31.12.2019 HK\$'000
(Loss) profit for the purpose of basic and diluted (loss) earnings per share for the year/period attributable to owners of the Company	<u><b>(111,928)</b></u>	<u>2,176</u>
	<i>Number of shares</i>	<i>Number of shares</i>
Weighted average number of ordinary shares for the purposes of basic and diluted (loss) earnings per share	<u><b>14,480,072,773</b></u>	<u>14,480,072,773</u>

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

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

## 11. DEBTORS, DEPOSITS AND PREPAYMENTS

	<b>31.12.2020 HK\$'000</b>	31.12.2019 HK\$'000
Trade receivables		
Debtors from securities trading	<b>943</b>	877
Debtors from leasing of property	<b>648</b>	–
Trade receivables arising from hospital operation and eldercare related services operation	<u><b>136,301</b></u>	<u>94,744</u>
	<b>137,892</b>	95,621
Less: Allowance for credit losses	<u><b>(10,368)</b></u>	<u>(6,630)</u>
	<b>127,524</b>	88,991
Deposits with and receivables from the financial institutions	<b>491</b>	439
Prepayments, other debtors and deposits	<u><b>21,044</b></u>	<u>7,376</u>
	<u><b>149,059</b></u>	<u>96,806</u>

As at 31 December 2020 and 31 December 2019, trade receivables from contracts with customers amounted to HK\$136,301,000 and HK\$94,744,000 respectively.

The settlement terms of debtors from securities trading are 2-3 days after trade date and they are aged within 2-3 days as at 31 December 2020 and 31 December 2019.

The customers of hospital operation and eldercare related services operation are either settled by cash, credit card or governments' social insurance schemes. For credit card payment, the banks will pay the Group usually 7 days after the trade date. Payments by governments' social insurance schemes will normally be settled by the local social insurance bureau or similar government departments which are responsible for the reimbursement of medical expenses for patients who are covered by the government medical insurance schemes 90 days from the invoice date.

The following is an aged analysis of trade receivables from hospital operation and eldercare related services operation presented based on the invoice date (approximate the date of revenue recognition) as at 31 December 2020 and 31 December 2019:

	<b>31.12.2020</b>	31.12.2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	<b>99,790</b>	69,222
31 – 60 days	<b>31,561</b>	15,263
61 – 90 days	<b>1,555</b>	5,589
91 – 365 days	<b>2,551</b>	2,704
More than 365 days	<b>844</b>	1,966
	<b>136,301</b>	94,744

As at 31 December 2020, included in the Group's trade receivables balance are receivables with aggregate carrying amount of HK\$4,950,000 (2019: HK\$10,259,000) which are past due as at the reporting date. Out of the past due balances, HK\$3,395,000 (2019: HK\$4,670,000) has been past due 90 days or more and is not considered as in default because the receivables were related to a number of independent customers that have good repayment records with the Group.

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

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

	<b>31.12.2020</b>	31.12.2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables of hospital operation, of eldercare related services operation and to construction contractors	<b>148,635</b>	194,441
Accrued compensation for late delivery of properties held for sale	<b>6,178</b>	5,790
Accrued construction cost for properties under development for sale	<b>33,698</b>	31,584
Construction cost payable for hospital buildings classified as property, plant and equipment	<b>6,183</b>	1,508
Deposits and receipts in advance	<b>116,208</b>	69,660
Other payables and accrued charges	<b>113,939</b>	160,850
	<u><b>424,841</b></u>	<u>463,833</u>
Less: Amount due after one year shown under non-current liabilities	<u>–</u>	<u>(30,818)</u>
	<u><b>424,841</b></u>	<u><b>433,015</b></u>

The settlement terms of creditors from securities trading are 2 – 3 days after trade date.

Trade payables of hospital operation and eldercare related services operation principally comprise amounts outstanding for trade purchases. Trade payables to construction contractors comprise construction costs for property development and other projects. The normal credit period taken for these trade payables is 30 – 90 days.

The following is an aged analysis of trade payables of hospital operations, of eldercare related services operation and to construction contractors presented based on the invoice date as at 31 December 2020 and 31 December 2019:

	<b>31.12.2020</b>	31.12.2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	<b>53,026</b>	105,076
31 – 60 days	<b>44,587</b>	38,713
61 – 90 days	<b>18,494</b>	12,881
91 – 365 days	<b>23,643</b>	28,081
Over 1 year but not exceeding 2 years	<b>3,489</b>	4,839
Over 2 years but not exceeding 5 years	<b>5,396</b>	4,851
	<u><b>148,635</b></u>	<u>194,441</u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL RESULTS**

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

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

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

### **FINAL DIVIDEND**

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

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

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



## REVIEW OF OPERATIONS

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

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

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

### **Healthcare Division:**

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

Nanjing hospital of the Division ("NJH"):

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

During the year under review:

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

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

Kunming hospital of the Division (“KMH”):

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

During the year under review:

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

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

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

### **Eldercare Division:**

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

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

During the year under review:

- i) sale of ILUs and lease of SAs: new sales and incentive policies (specific targets, responsible persons) are established with sales channels (such as key sub-districts, communities, other elderly care institutions, medical institutions, elderly committees etc.) expanded;

- ii) community village operations: enhanced service income by differentiating the service coverage between members and non-members, optimizing value-added service packages, increasing the input of medical resources, and deeply exploring the multi-dimensional needs of members; continuously improved service quality by strengthening internal management and actively supervising restaurants and property management providers; explored new business opportunities by promoting the asset-light nursing services;
- iii) nursing hospital (Shanghai Deyi Hospital, “DYH”) operations: various measures for the prevention and control of the epidemic has been implemented with the hospital infection management intensified and the infrastructure of hospital upgraded; more medical service items have been added to actively generate income with costs strictly controlled; cooperation with medical institutions, nursing companies, online marketing platforms, communities, elderly care institutions etc., has been strengthened to increase publicity and promotion so as to explore new sources of patients and improve the utilization rate of beds; collaboration between traditional Chinese medicine and oncology rehabilitation institutions has been promoted to create new source of income; and
- iv) construction of SA building: the interior decoration of the second building for SAs has completed and been in use since May 2020.

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

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

### **Property Development:**

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

## Property Investments:

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

## Securities Trading and Investments:

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

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

Investments held for trading:

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

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

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

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

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

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

### Money Lending:

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

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

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

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

- (i) in March 2020, a substantial shareholder of the Borrower (the "Borrower's Substantial Shareholder") filed a petition with the court of Bermuda for an order that the Borrower be wound up by the court on the just and equitable ground;



- (ii) in March 2020, a creditor of the Borrower filed an application with the court of Bermuda which subsequently ordered to appoint joint provisional liquidators (the “JPLs”) of the Borrower, among others, (a) to review the financial position of the Borrower, (b) to consult with the Borrower on all issues relating to the feasibility of a debt restructuring plan, and (c) to monitor, oversee and supervise the board of directors of the Borrower and the continuation of the business of the Borrower under the control of the board of directors of the Borrower and under the supervision of the court of Bermuda pending the implementation of the restructuring plan. Subsequently, in late July 2020, pursuant to an order of the court of Bermuda, the previously appointed JPLs were replaced by the new JPLs with power granted to a full extent;
- (iii) in March 2020, the Borrower entered into a letter of intent (the “LOI”) with an intended purchaser in relation to, among others, the potential disposal of its equity interests in an indirect non-wholly owned subsidiary of the Borrower (the “Target”), for a consideration of (a) US\$260 million (subject to downward adjustment for actual deposit received (a total sum of US\$12 million) and waiver of shareholder’s loan up to US\$32 million); (b) 10% equity stake in the special purpose vehicle (the “SPV”, for the purpose of acquisition of the Target by the intended purchaser) in the form of common equity securities of the SPV, which shall be non-dilutive and remain at 10% prior to any qualified public offering of the SPV or the Target; and (c) additional payment of up to US\$100 million to the Borrower Group upon completion of a successful initial public offering of the SPV or the Target based on the market capitalization of the initial public offering. The LOI was terminated in early July 2020 in accordance with its terms. Despite the termination, the Borrower will continue to negotiate with the intended purchaser to finalise the terms and conditions of the definitive agreement; and
- (iv) in October 2020, a court of Bermuda made an order pursuant to which the new JPLs were further granted with the express power to draw, accept, make and indorse any bill of exchange or promissory note in the name and on behalf of the Borrower, with the same effect with respect to the liability of the Borrower as if the bill or note had been drawn, accepted, made or indorsed by or on behalf of the Borrower in the course of its business, and to raise on the security of the assets of the Borrower any money required.

On 12 May 2020, the Lender, as the 7th defendant, received a writ of summons issued in the Court of First Instance of the High Court of Hong Kong (the “Court”) (the “Action”) by the Borrower’s Substantial Shareholder (suing on behalf of itself and all other shareholders in the Borrower and the Borrower Subsidiary I) as a plaintiff (“Plaintiff”) against the Lender as one of the twelve defendants of the Action, together with the Borrower, the Borrower Subsidiary I, the directors of the Borrower, and the Receivers. The Plaintiff alleged that, by reason that there is and was at all material times a close connection between, among others, the 1st defendant of the Action, being the director and the chief executive officer of the Borrower and the director of the Borrower Subsidiary I, and the Lender, (i) the Lender clearly had knowledge that the directors of the Borrower and the Borrower Subsidiary I in entering into the Debenture, the Share Mortgage, the Deed of Assignment I and the Deed of Assignment II (collectively, the “Transactions”) wrongfully preferred the interest of and benefited the Lender and/or offered significantly excessive security in favour of the Lender, in breach of their fiduciary duties to the Borrower and/or the Borrower Subsidiary I; or (ii) alternatively was irrational in believing that the directors of the Borrower and the Borrower Subsidiary I acted in accordance with their duties in entering into the Transactions; or (iii) further alternatively failed to make the inquiries that a reasonable person would have made in all the circumstances in order to verify that the Transactions were entered into in accordance with the duties owed by the directors to the Borrower and/or the Borrower Subsidiary I. As a result, the Plaintiff alleged that (a) the Loan Documents are liable to be set aside; and (b) accordingly, the appointment of the Receivers and the receivership thereunder are liable to be set aside. The Plaintiff is claiming against the Lender and the Receivers, among others, for (1) a declaration that the Transactions are liable to be set aside and thereby set aside by the Borrower and the Borrower Subsidiary I; (2) a declaration that the appointment of the Receivers and the receivership thereunder are liable to be set aside and thereby set aside by the Borrower and the Borrower Subsidiary I; (3) an injunction against the Lender and the Receivers restraining any of them from exercising any powers pursuant to or otherwise acting upon the Transactions. On 5 June 2020, the Plaintiff filed an amended statement of claim superseding the original statement of claim endorsed to the writ of summons for correcting a clerical error with respect to the name of the 1st defendant of the Action. At a hearing held in the Court on 23 October 2020, the amended statement of claim was struck out on the basis that the Plaintiff has no locus standi to bring or continue the present proceedings against the Lender. Accordingly, the Plaintiff’s claim against the Lender was dismissed by the Court with costs of the Action payable by the Plaintiff to the Lender, on an indemnity basis to be taxed if not agreed. On 4 November 2020, the Plaintiff filed a notice of appeal (the “Appeal”) with the Court to appeal against the striking out order and the hearing date for the Appeal has been scheduled for early April 2021. The Lender has sought legal advice in respect of the Appeal and will strenuously defend its position and interest.

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

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

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

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

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

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

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

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

*Note:*

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

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

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

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

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

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

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

### **CHARGE ON GROUP ASSETS**

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

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

### **CAPITAL COMMITMENT**

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

### **CONTINGENT LIABILITIES**

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

### **MATERIAL ACQUISITIONS AND DISPOSAL, AND FUTURE PLANS**

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

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

## **EMPLOYEES**

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

## **PROSPECTS**

### **Healthcare Division:**

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

### **NJH:**

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

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

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

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

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

KMH:

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

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

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

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



**Eldercare Division:**

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

**Others:**

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

**PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES**

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

**COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Company has complied with the applicable code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2020.

## **COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, they have confirmed their compliance with the required standard as set out in the Model Code throughout the year ended 31 December 2020.

## **AUDIT COMMITTEE REVIEW**

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the Group’s consolidated financial statements for the year ended 31 December 2020.

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

By Order of the Board  
**China Medical & HealthCare Group Limited**  
**Zhou Liye**  
*Chairman*

Hong Kong, 30 March 2021

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

### Executive Directors

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

### Non-Executive Directors

*Mr. Zhou Liye (Chairman), Dato’ Wong Peng Chong, Mr. Zheng Zhen and Mr. Lai Hin Wing Henry Stephen*

### Independent Non-Executive Directors

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