

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **China Medical & HealthCare Group Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 383)**

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020**

#### **UNAUDITED RESULTS OF THE GROUP**

The board of directors (the “Directors” and the “Board”, respectively) of China Medical & HealthCare Group Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2020 together with the comparative figures for the corresponding period in 2019 as follows:–

#### **CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*FOR THE SIX MONTHS ENDED 30 JUNE 2020*

	<i>NOTES</i>	<b>Six months ended</b>	
		<b>30.6.2020</b>	<b>30.6.2019</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
Revenue	3	<b>472,937</b>	601,659
Gross proceeds from sales of investments held for trading		<u>–</u>	<u>93,412</u>
<b>Total</b>		<b><u>472,937</u></b>	<b><u>695,071</u></b>
Revenue	3		
Goods and services from contracts with customers		<b>468,752</b>	574,188
Rental		<b>4,179</b>	3,572
Interest		–	23,894
Others		<b>6</b>	5
		<u><b>472,937</b></u>	<u>601,659</u>
Cost of goods and services		<u><b>(385,636)</b></u>	<u>(479,941)</u>

	<i>NOTES</i>	<b>Six months ended</b>	
		<b>30.6.2020</b> <i>HK\$'000</i> <b>(unaudited)</b>	30.6.2019 <i>HK\$'000</i> (unaudited)
Gross profit		<b>87,301</b>	121,718
Other gains and losses, and other income	5	<b>(26,000)</b>	30,901
Selling and distribution costs		<b>(871)</b>	(1,986)
Administrative expenses		<b>(105,792)</b>	(109,677)
Finance costs	6	<b>(21,891)</b>	(24,327)
(Loss) profit before taxation		<b>(67,253)</b>	16,629
Taxation expense	7	<b>(659)</b>	(2,186)
(Loss) profit for the period	8	<b>(67,912)</b>	14,443
(Loss) profit for the period attributable to:			
Owners of the Company		<b>(70,015)</b>	12,162
Non-controlling interests		<b>2,103</b>	2,281
		<b>(67,912)</b>	14,443
(Loss) earnings per share	10		
Basic		<b>HK (0.48) cents</b>	HK 0.08 cents
Diluted		<b>N/A</b>	HK 0.08 cents

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*FOR THE SIX MONTHS ENDED 30 JUNE 2020*

	<b>Six months ended</b>	
	<b>30.6.2020</b>	30.6.2019
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
(Loss) profit for the period	<u><b>(67,912)</b></u>	<u>14,443</u>
<b>Other comprehensive (expense) income</b>		
Items that will be reclassified subsequently to profit or loss:		
Net change on debt instruments at fair value through other comprehensive income	119	1,134
Exchange differences arising on translation:		
Exchange loss arising from translation of foreign operation	<u><b>(2,521)</b></u>	<u>(1,418)</u>
	<u><b>(2,402)</b></u>	<u>(284)</u>
Total comprehensive (expense) income for the period	<u><b>(70,314)</b></u>	<u>14,159</u>
Total comprehensive (expense) income attributable to:		
Owners of the Company	<b>(72,932)</b>	11,951
Non-controlling interests	<u><b>2,618</b></u>	<u>2,208</u>
	<u><b>(70,314)</b></u>	<u>14,159</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020

	<i>NOTE</i>	<b>30.6.2020</b> <i>HK\$'000</i> <b>(unaudited)</b>	31.12.2019 <i>HK\$'000</i> (audited)
<b>Non-current assets</b>			
Investment properties		765,449	772,520
Property, plant and equipment		1,287,403	1,318,031
Right-of-use assets		96,830	–
Prepaid lease payments		–	93,418
Loan receivable		79,365	–
Interests in associates		–	–
Financial assets at fair value through profit or loss		802	802
Goodwill		30,216	30,821
Deposits for acquisition of property, plant and equipment		10,480	7,031
		<b>2,270,545</b>	2,222,623
<b>Current assets</b>			
Inventories		22,902	21,138
Properties under development for sale		5,814	5,927
Properties held for sale		156,324	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		4,556	4,634
Investments held for trading		21,331	36,451
Debtors, deposits and prepayments	<i>11</i>	101,766	96,806
Loan receivable		–	91,314
Pledged bank deposits		21,986	9,119
Restricted bank deposits		7,887	5,607
Bank balances and cash		519,134	643,177
		<b>861,700</b>	1,080,386

	<i>NOTES</i>	<b>30.6.2020</b> <i>HK\$'000</i> <b>(unaudited)</b>	31.12.2019 <i>HK\$'000</i> <b>(audited)</b>
<b>Current liabilities</b>			
Creditors, deposits, receipts in advance and accrued charges	12	<b>358,690</b>	433,015
Deposits received on sales of properties		<b>7,129</b>	12,039
Other contract liabilities		<b>27,542</b>	50,374
Amount due to an associate		<b>6,026</b>	6,144
Borrowings – due within one year		<b>529,344</b>	444,068
Lease liabilities		<b>2,725</b>	–
Obligations under finance leases – due within one year		–	5,405
Taxation payable		<b>101,503</b>	114,802
		<u><b>1,032,959</b></u>	<u>1,065,847</u>
<b>Net current (liabilities) assets</b>		<u><b>(171,259)</b></u>	<u>14,539</u>
<b>Total assets less current liabilities</b>		<u><b>2,099,286</b></u>	<u>2,237,162</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>40,321</b>	41,150
Borrowings – due after one year		<b>285,813</b>	349,295
Creditors, deposits, receipts in advance and accrued charges	12	<b>21,914</b>	30,818
Other contract liabilities		<b>3,544</b>	5,438
Deferred income		<b>6,386</b>	–
Lease liabilities		<b>1,161</b>	–
		<u><b>359,139</b></u>	<u>426,701</u>
		<u><b>1,740,147</b></u>	<u>1,810,461</u>
<b>Capital and reserves</b>			
Share capital		<b>7,240</b>	7,240
Reserves		<b>1,724,454</b>	1,797,386
Equity attributable to owners of the Company		<b>1,731,694</b>	1,804,626
Non-controlling interests		<b>8,453</b>	5,835
<b>Total equity</b>		<u><b>1,740,147</b></u>	<u>1,810,461</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As at 30 June 2020, the Group has net current liabilities of HK\$171,259,000. The directors of the Company have given careful consideration to the future liquidity of the Group when preparing the condensed consolidated financial statements. Taking into account the ongoing availability of finance to the Group, including the cash flows generated from its principal operations, existing banking facilities, successful refinancing of certain bank borrowings of HK\$430,720,000 and the utilisation of the standby loan facility from a financial institution amounting to HK\$200,000,000 if necessary subsequent to the reporting period, the directors of the Company are of the opinion that the Group has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly these condensed consolidated financial statements have been prepared on a going concern basis.

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group’s financial statements for eighteen months ended 31 December 2019.

### *Application of new and amendments to HKFRSs*

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRSs Standards and the following new and 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 condensed consolidated financial statements:

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

### 3. REVENUE

	Six months ended	
	30.6.2020 HK\$'000 (unaudited)	30.6.2019 HK\$'000 (unaudited)
Hospital fees and charges	432,839	530,658
Revenue from provision of eldercare related service and sales of nutritions	18,165	18,617
Rental income from eldercare segment	745	968
Revenue from sale of properties related to eldercare segment	16,821	23,093
Revenue from sale of properties related to property development segment	927	1,820
Rental income from property investment segment	3,434	2,604
Interest income from loan receivable	–	23,894
Dividend income from listed investments	6	5
	<u>472,937</u>	<u>601,659</u>

### 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 types of goods or services delivered or provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable 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 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 segment.

### *For the six months ended 30 June 2020*

	Healthcare <i>HK\$'000</i> (unaudited)	Eldercare <i>HK\$'000</i> (unaudited)	Property development <i>HK\$'000</i> (unaudited)	Property investment <i>HK\$'000</i> (unaudited)	Financial services <i>HK\$'000</i> (unaudited)	Securities trading and investments <i>HK\$'000</i> (unaudited)	Consolidated <i>HK\$'000</i> (unaudited)
Gross proceeds from sales of investments held for trading	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenue	<u>432,839</u>	<u>35,731</u>	<u>927</u>	<u>3,434</u>	<u>-</u>	<u>6</u>	<u>472,937</u>
Segment profit (loss)	<u>3,799</u>	<u>(9,558)</u>	<u>(2,216)</u>	<u>2,545</u>	<u>(11,957)</u>	<u>(15,115)</u>	<u>(32,502)</u>
Other gains and losses and other income							3,394
Net foreign exchange loss							(5,522)
Central corporate expenses							(32,551)
Finance costs							<u>(72)</u>
Loss before taxation							<u><u>(67,253)</u></u>

### *For the six months ended 30 June 2019*

	Healthcare <i>HK\$'000</i> (unaudited)	Eldercare <i>HK\$'000</i> (unaudited)	Property development <i>HK\$'000</i> (unaudited)	Property investment <i>HK\$'000</i> (unaudited)	Financial services <i>HK\$'000</i> (unaudited)	Securities trading and investments <i>HK\$'000</i> (unaudited)	Consolidated <i>HK\$'000</i> (unaudited)
Gross proceeds from sales of investments held for trading	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,412</u>	<u>93,412</u>
Revenue	<u>530,658</u>	<u>42,678</u>	<u>1,820</u>	<u>2,604</u>	<u>23,894</u>	<u>5</u>	<u>601,659</u>
Segment profit (loss)	<u>9,985</u>	<u>(10,117)</u>	<u>2,123</u>	<u>1,593</u>	<u>23,184</u>	<u>23,645</u>	<u>50,413</u>
Other gains and losses and other income							5,554
Net foreign exchange loss							(4,698)
Central corporate expenses							(32,902)
Finance costs							<u>(1,738)</u>
Profit before taxation							<u><u>16,629</u></u>

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

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

### Segment assets and liabilities

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

#### At 30 June 2020

	Healthcare HK\$'000 (unaudited)	Eldercare HK\$'000 (unaudited)	Property development HK\$'000 (unaudited)	Property investment HK\$'000 (unaudited)	Financial services HK\$'000 (unaudited)	Securities trading and investments HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Segment assets	1,292,614	922,925	41,857	218,548	79,365	27,566	2,582,875
Corporate assets							549,370
Consolidated assets							<u>3,132,245</u>
Segment liabilities	748,461	319,892	40,750	1,966	-	-	1,111,069
Corporate liabilities							281,029
Consolidated liabilities							<u>1,392,098</u>

#### At 31 December 2019

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

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

	<b>Six months ended</b>	
	<b>30.6.2020</b>	30.6.2019
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
(Loss) gain in fair value change of investments held for trading	<b>(15,120)</b>	23,590
Net loss on disposal of financial assets at fair value through profit or loss	<b>(81)</b>	–
Net gain on disposal of property, plant and equipment	–	27
Impairment loss recognised on financial assets	<b>(11,957)</b>	(1,630)
Net foreign exchange loss	<b>(6,934)</b>	(1,461)
Government subsidies ( <i>Note</i> )	<b>978</b>	4,459
Interest income from:		
– Debt instruments at fair value through other comprehensive income	<b>109</b>	526
– Bank deposits	<b>2,958</b>	2,182
Others	<b>4,047</b>	3,208
	<b>(26,000)</b>	30,901

*Note:* The government subsidies mainly represent the government grants in respect of COVID-19-related subsidies for the operation of Hong Kong office, 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>Six months ended</b>	
	<b>30.6.2020</b>	30.6.2019
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Interest on:		
Bank and other borrowings	<b>21,665</b>	23,795
Lease liabilities	<b>226</b>	–
Obligations under finance leases	–	532
	<b>21,891</b>	24,327

## 7. TAXATION EXPENSE

	Six months ended	
	30.6.2020	30.6.2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Current tax charge – Enterprise Income Tax (“EIT”) in the PRC	(453)	(1,333)
Land appreciation tax (“LAT”) in the PRC	(824)	(3,078)
Deferred taxation credit	618	2,225
	<u>(659)</u>	<u>(2,186)</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods. No tax is payable as the assessable profits arising in Hong Kong for both periods were wholly absorbed by tax losses brought forward.

EIT in the PRC is calculated at 25% of estimated assessable profit for both periods.

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 PERIOD

	Six months ended	
	30.6.2020	30.6.2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
(Loss) profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	47,059	48,866
Depreciation of right-of-use assets	2,713	–
Release of prepaid lease payments	–	1,424
Cost of inventories and properties held for sale recognised as an expense (included in cost of goods and services)	188,227	246,362

## 9. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2020 (2019: nil).

## 10. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) (2019: basic and diluted earnings) per share attributable to the owners of the Company is based on the following data:

### (Loss) earnings

	Six months ended	
	30.6.2020	30.6.2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss) profit for the purposes of basic (loss) (2019: basic and diluted earnings) per share attributable to owners of the Company	<u>(70,015)</u>	<u>12,162</u>
	<b>Number of shares</b>	<b>Number of shares</b>
Number of ordinary shares for the purposes of basic (loss) (2019: basic and diluted earnings) per share	<u>14,480,072,773</u>	<u>14,480,072,773</u>

The computations of diluted earnings per share for the six months ended 30 June 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 six months ended 30 June 2020 have been presented as there are no potential ordinary shares in issue during the period.

## 11. DEBTORS, DEPOSITS AND PREPAYMENTS

	<b>30.6.2020</b> <i>HK\$'000</i> <b>(unaudited)</b>	31.12.2019 <i>HK\$'000</i> (audited)
Trade receivables		
Debtors from securities trading	<b>877</b>	877
Trade receivables arising from hospital operation and eldercare related services operation	<b>92,976</b>	94,744
	<b>93,853</b>	95,621
Less: Allowance for credit losses	<b>(6,638)</b>	(6,630)
	<b>87,215</b>	88,991
Deposits with and receivables from the financial institutions	<b>451</b>	439
Prepayments, other debtors and deposits	<b>14,100</b>	7,376
	<b>101,766</b>	96,806

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 presented based on the invoice date (approximate the date of revenue recognition) as at 30 June 2020 and 31 December 2019:

	<b>30.6.2020</b> <i>HK\$'000</i> <b>(unaudited)</b>	31.12.2019 <i>HK\$'000</i> (audited)
0 – 30 days	<b>80,593</b>	69,222
31 – 60 days	<b>6,305</b>	15,263
61 – 90 days	<b>2,510</b>	5,589
91 – 365 days	<b>2,746</b>	2,704
More than 365 days	<b>822</b>	1,966
	<b>92,976</b>	94,744

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

	<b>30.6.2020</b> <i>HK\$'000</i> <b>(unaudited)</b>	31.12.2019 <i>HK\$'000</i> (audited)
Trade payables of hospital operation, of eldercare related services operation and to construction contractors	<b>140,175</b>	194,441
Accrued compensation for late delivery of properties held for sale	<b>5,679</b>	5,790
Accrued construction cost for properties under development for sale	<b>30,979</b>	31,584
Construction cost payable for hospital buildings classified as property, plant and equipment	<b>1,389</b>	1,508
Deposits and receipts in advance	<b>80,698</b>	69,660
Other creditors and accrued charges	<b>121,684</b>	160,850
	<b>380,604</b>	463,833
Less: Amount due after one year shown under non-current liabilities	<b>(21,914)</b>	(30,818)
	<b>358,690</b>	433,015

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 30 June 2020 and 31 December 2019:

	<b>30.6.2020</b> <i>HK\$'000</i> <b>(unaudited)</b>	31.12.2019 <i>HK\$'000</i> (audited)
0 – 30 days	<b>46,549</b>	105,076
31 – 60 days	<b>28,857</b>	38,713
61 – 90 days	<b>27,435</b>	12,881
91 – 365 days	<b>27,870</b>	28,081
Over 1 year but not exceeding 2 years	<b>4,464</b>	4,839
Over 2 years but not exceeding 5 years	<b>5,000</b>	4,851
	<b>140,175</b>	194,441

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL RESULTS**

For the six months ended 30 June 2020, the Group recorded a reduced total revenue of HK\$472,937,000 (2019: HK\$695,071,000) and a loss attributable to shareholders of the Company of HK\$70,015,000 compared with a profit of HK\$12,162,000 for the corresponding period in 2019 as recorded by the Group. This was mainly due to (i) the decrease of revenue from operations of the Healthcare Division and the Eldercare Division as affected by the negative impacts from the on-going COVID-19 pandemic; (ii) no interest income from the Group's money lending business; (iii) a loss in fair value change of investments held for trading compared with a gain recorded in corresponding period in 2019; and (iv) the impairment loss recognised on financial assets.

Loss per share (basic) for the six months ended 30 June 2020 was HK0.48 cents compared with earnings per share of HK0.08 cents (basic and diluted) in 2019.

The Group's net asset value per share as at 30 June 2020 amounted to HK\$0.120 (2019: HK\$0.126).

### **INTERIM DIVIDEND**

The Directors do not recommend the payment of an interim dividend (2019: nil) for the six months ended 30 June 2020.

### **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.

Since the outbreak of the COVID-19 pandemic in late 2019, various provinces and municipalities of the People's Republic of China ("PRC") had taken emergency public health measures such as delay of work resumption date after Chinese New Year, city-wide and community-wide lockdowns, quarantines, etc., to contain the spread of coronavirus. Such measures have disrupted the supply chain and halted the movement in people bringing production, business and consumption activities to almost a standstill. As a result, certain operations of the Group in Healthcare Division and Eldercare Division have been delayed or affected in the period 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 medical and technical staff, employees, patients and residents, and ensure the continuation of all necessary operations.

## Healthcare Division:

For the six months ended 30 June 2020, the Group's Healthcare Division, operated through its wholly-owned subsidiary, Tongren Healthcare Industry Group Company Limited (同仁醫療產業集團有限公司) ("Tongren Healthcare"), recorded a lower revenue of HK\$432,839,000 (2019: HK\$530,658,000) and a reduced profit of HK\$3,799,000 (2019: HK\$9,985,000). Without interest, tax, depreciation and amortization, the Healthcare Division generated an EBITDA, being earnings before interest, tax, depreciation and amortization, of HK\$58,916,000 (2019: HK\$71,773,000) for the six months ended 30 June 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 period 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, 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 centre in NJH (incubation phase) and progressively develop into centres network (growth phase);
- (ii) for renovation of Block F: the renovation and improvement works have basically been completed with most areas already been in use, therefore effectively releasing the productivity of the departments by increased patients service capacity of NJH;
- (iii) for scientific research: online evaluation of 2020 scientific research topics has completed with five projects applied for the science and technology development plan projects in Jiangning District. These projects consist of two projects in otorhinolaryngology, one project in neurology, one project in gastroenterology and one project in pathology. NJH has established internship programs with various higher education institutions through which an estimated 100 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: NJH's hospital information system has passed the national third level assessment, its website system has passed the second level assessment and the assessment review on the fifth version of the fifth level standard on NJH's electronic medical records system has been submitted to relevant government authorities; and
- (v) for marketing: entered into co-operation agreements with 11 surrounding basic-level medical institutions, developing multiple forms of cooperation through medical and administrative exchanges, consultation, academic exchanges, promoting patient referral cooperation.

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 33 clinical medical & technical departments.

During the period under review:

- (i) for management and quality control: continued to improve its medical management and quality control practices by 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); completed the 2020 "Ten, Hundred and Thousand" project application; organized its kidney endocrinology department and the spinal cord center's expert work station; with two state-level educational projects and three provincial educational projects approved;
- (iii) for medical specialty: set up the nephroendocrinology department and comprehensive (elderly) disease department; rationalized the area allocation for digestion, kidney, respiration and comprehensive disease departments; initiated the preparation for setting up heart failure treatment center, atrial fibrillation center and hypertension center; submitted the application for setting up trauma centers and stroke centers, 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 period under review, NJH recorded a total of 293,876 out-patients visits (2019: 428,466), 11,989 in-patient admissions (2019: 14,614) and 15,472 body-checks (2019: 26,660) while KMH recorded a total of 100,888 out-patients visits (2019: 113,063), 5,751 in-patient admissions (2019: 6,722) and 12,261 body-checks (2019: 23,335). As at 30 June 2020, NJH operated with 410 doctors (2019: 416), 490 nurses (2019: 469) and 993 beds (2019: 774) and KMH operated with 236 doctors (2019: 236), 344 nurses (2019: 344) and 450 beds (2019: 450).

### **Eldercare Division:**

For the six months ended 30 June 2020, the Group's Eldercare Operations, operated through its wholly-owned subsidiary, Aveo China (Holdings) Limited ("Aveo China"), recorded a reduced revenue of HK\$35,731,000 (2019: HK\$42,678,000) and a loss of HK\$9,558,000 (2019: HK\$10,117,000).

As of 30 June 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 834 Independent Living Units ("ILUs") out of a total inventory of 868 ILUs and among which 5 ILUs (2019: 8) were recorded as sales in the period under review with more than 330 residents (2019: 313) moved into the retirement community village. In addition, the Division's serviced apartments ("SAs") 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, with a wide variety of service packages for lease. As at 30 June 2020, the Division leased out 100 SAs.

During the period 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: after temporary suspension, schools and clubs were fully restored with activities roll out in an orderly manner; community resources will be tapped from Qingpu District local government with the elderly fitness centers to be set up in the village; community health management, doctor consultation and health education have been promoted; new basic community care service package with improved services content, through reduced property management costs, re-designed medical service package and optimized services package, has been launched and promotion policy for annual fee membership has been issued;

- (iii) nursing hospital (Shanghai Deyi Hospital, “DYH”) operations: various measures for the prevention and control of the epidemic has been implemented; out-patient treatment, and admission and treatment of new patients has resumed; more medical service items have been added to actively generate income with costs strictly controlled; cooperation with nursing companies, online marketing platforms, communities, elderly care institutions etc., has strengthened to increase publicity and promotion so as to explore new sources of patients and improve the utilization rate of beds; and
- (iv) construction of SAs building: the interior decoration of the second building for SAs has completed and been in use since May 2020.

During the six months ended 30 June 2020, DYH recorded a total of 7,302 out-patients visits (2019: 13,390) and 4,096 in-patient admissions (2019: 4,174). As at 30 June 2020, DYH operated with 20 doctors (2019: 26), 21 nurses (2019: 20) and 100 beds (2019: 100). As of 30 June 2020, home care services were rendered to a total of 49 elders (2019: 43) with 4,836 visits (2019: 4,209).

As at 30 June 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\$504,929,000 (2019: HK\$513,268,000).

#### **Property Development:**

For the six months ended 30 June 2020, the Group’s property development business recorded a decreased turnover of HK\$927,000 (2019: HK\$1,820,000) and a loss of HK\$2,216,000 (2019: profit of HK\$2,123,000) due to decrease in number of car parks sold during the period under review.

As at 30 June 2020, the Group’s properties under development for sale of HK\$5,814,000 (2019: HK\$6,030,000) consisted of a parcel of commercial land in Lianyungang, PRC.

#### **Property Investments:**

For the six months ended 30 June 2020, the Group’s investment properties portfolio, for leasing, located in Hong Kong and the PRC recorded a rental income of HK\$3,434,000 (2019: HK\$2,604,000) and a profit of HK\$2,545,000 (2019: HK\$1,593,000) amid uncertain rental market. As at 30 June 2020, the Group’s investment properties portfolio, 100% attributable to the Group, amounted to HK\$260,520,000 (2019: HK\$251,300,000).

## Securities Trading and Investments:

For the period under review, the Group's activities in securities trading and investments recorded a reduced turnover of HK\$6,000 (2019: HK\$93,417,000) and a loss of HK\$15,115,000 (2019: profit of HK\$23,645,000). This was mainly due to the loss in fair value change of investments held for trading of HK\$15,120,000 compared with a gain of HK\$23,590,000 recorded in 2019.

As at 30 June 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\$5,358,000 (2019: HK\$24,205,000) and a portfolio of investments held for trading of HK\$21,331,000 (2019: HK\$52,242,000).

## Investments held for trading:

As at 30 June 2020, the Group's investments held for trading consisted of securities listed in different geographic locations and their respective performance were as follows:

### Geographic Location

	Carrying value 2020 <i>HK\$'000</i>	Carrying value 2019 <i>HK\$'000</i>	Realized gain (loss) 2020 <i>HK\$'000</i>	Fair value gain (loss) 2020 <i>HK\$'000</i>	Dividend received 2020 <i>HK\$'000</i>	% of carrying value to the Group's total assets 2020 %
Hong Kong	16,269	29,590	–	(13,789)	6	0.52%
Australia	1,256	18,313	–	(959)	–	0.04%
Philippine	934	1,808	–	(388)	–	0.03%
Japan	2,872	2,531	–	16	–	0.09%
Total	<u>21,331</u>	<u>52,242</u>	<u>–</u>	<u>(15,120)</u>	<u>6</u>	

As at 30 June 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 value 2020 <i>HK\$'000</i>	Carrying value 2019 <i>HK\$'000</i>	Realized gain (loss) 2020 <i>HK\$'000</i>	Fair value gain (loss) 2020 <i>HK\$'000</i>	Dividend received 2020 <i>HK\$'000</i>	% of carrying value to the Group's total assets 2020 %
Entertainment and media	3,040	3,040	–	40	–	0.10%
Financial services and investment	3,199	2,995	–	(63)	–	0.10%
Industrial materials	266	274	–	(8)	–	0.01%
Mining and resources	–	7,941	–	–	–	0.00%
Property and construction	9,991	37,992	–	(11,028)	6	0.32%
Basic material – fertilisers & agricultural chemicals	4,835	–	–	(4,061)	–	0.15%
Total	<u>21,331</u>	<u>52,242</u>	<u>–</u>	<u>(15,120)</u>	<u>6</u>	

At 30 June 2020, there was no investment held for trading which was significant to the Group (exceeded 5% of 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 period under review, the Group's money lending business recorded no interest income (2019: HK\$23,894,000) and loss of HK\$11,957,000 (2019: profit of HK\$23,184,000) after the impairment loss recognised on the loan receivable of HK\$11,949,000 (2019: nil).

As at 30 June 2020, the Group's loan portfolio consists of a loan receivable with outstanding principal amount of HK\$95,215,000 (HK\$79,365,000 after impairment loss of HK\$15,850,000) (the "Loan") granted by a wholly-owned subsidiary of the Company ("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 a supplemental agreement dated 26 September 2019) (the "Loan Agreement") bearing current 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 "Chargor") in favour of the Lender by way of a first fixed and floating charge over all the undertaking, property and assets of the Chargor (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 Chargor (the "Share Mortgage"); (iii) a deed of assignment of shareholder's loan held by the Borrower (the "Deed of Assignment I"); and (iv) a deed of assignment of shareholder's loan owed by Chargor as held by the Borrower (the "Deed of Assignment II" (collectively the "Security Documents", together with the Loan Agreement, the "Loan Documents").

During the period 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 Chargor 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 Chargor in accordance with the terms of the Debenture (collectively, the "Receivers").

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

- (i) a substantial shareholder of the Borrower (the "Borrower's Substantial Shareholder") has 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) a creditor of the Borrower has filed an application with the court of Bermuda which has 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 have been replaced by the new JPLs with power granted to a full extent and in mid August 2020, the board of directors of the Borrower has been terminated; and

(iii) the Borrower Group has entered into a letter of intent (the “LOI”) with an intended purchaser in relation to, among others, the potential disposal of its entire equity interests in an indirect subsidiary (the “Target”), which is part of the undertaking, property and assets under the Loan Documents, for 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 (“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. Subsequently, notwithstanding the LOI being terminated in early July 2020 in accordance with its terms, the Borrower will continue to negotiate with the intended purchaser to finalize the terms and conditions of the definitive agreement.

On 12 May 2020, the Lender, as the 7th defendant, received a writ of summons issued in the court of Hong Kong (“Action”) by the Borrower’s Substantial Shareholder (suing on behalf of itself and all other shareholders in the Borrower and the Chargor) as a plaintiff (“Plaintiff”) against the Lender as one of the twelve defendants of the Action, together with the Borrower, the Chargor, 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 Chargor, and the Lender, (i) the Lender clearly had knowledge that the directors of the Borrower and the Chargor 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 Chargor; or (ii) alternatively was irrational in believing that the directors of the Borrower and the Chargor 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 Chargor. 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 Chargor; (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 Chargor; (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. The Lender has sought legal advice in respect of the Action and will strenuously defend its position and interest.

The Group and the Receivers has been in discussions with the Borrower Group and the new JPLs for the settlement of the total indebtedness under the Loan Documents. The Group and the Receivers will continue to negotiate with the Borrower Group and new JPLs and closely monitor the progress of settlement and shall take all appropriate actions as and when appropriate.

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

As at 30 June 2020, the Group's non-current assets of HK\$2,270,545,000 (2019: HK\$2,209,910,000) consisted of investment properties of HK\$765,449,000 (2019: HK\$764,568,000), property, plant and equipment of HK\$1,287,403,000 (2019: HK\$1,309,258,000), right-of-use assets of HK\$96,830,000 (2019: nil), prepaid lease payments of nil (2019: HK\$96,437,000), loan receivable of HK\$79,365,000 (2019: nil), financial assets at FVTPL of HK\$802,000 (2019: HK\$802,000), goodwill of HK\$30,216,000 (2019: HK\$31,368,000) and deposits for acquisition of property, plant and equipment of HK\$10,480,000 (2019: HK\$7,477,000). These non-current assets are principally financed by the Group's shareholders' funds.

As at 30 June 2020, the total borrowings of the Group amounted to HK\$815,157,000 (2019: HK\$814,245,000) consisting of unsecured term loans of HK\$174,216,000 (2019: HK\$123,879,000), secured bank borrowings of HK\$210,221,000 (2019: HK\$257,815,000) and unsecured bank borrowings of HK\$430,720,000 (2019: HK\$432,551,000). Among the total borrowings of the Group, HK\$529,344,000 (2019: HK\$581,318,000) was with maturity within one year, HK\$285,813,000 (2019: HK\$151,270,000) was with maturity over one year but not exceeding two years and nil (2019: HK\$81,657,000) was with maturity over two years but not exceeding five years.

As at 30 June 2020, the Group recorded a net current liabilities amounted to HK\$171,259,000 (2019: HK\$125,140,000). As at 30 June 2020, the Group had undrawn, unsecured, standby credit facility with terms of over two years amounting to HK\$200 million.

As at 30 June 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 15.3% (2019: 21.4%). The Group's gearing ratio would be adjusted to 13.8% (2019: 17.2%) with marketable securities inclusive of debt instruments at FVTOCI and financial assets at 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 30 June 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>
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	<ul style="list-style-type: none"> <li>a) Approximately HK\$129,827,000 was used for construction cost of Block D of NJH.</li> <li>b) Approximately HK\$27,862,000 was used for construction cost of Block F of NJH.</li> <li>c) Approximately HK\$80,569,000 was used for working capital of the healthcare business.</li> <li>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*.</li> <li>e) HK\$85,800,000 was used to settle the acquisition cost of 30% equity interest of Aveo China.</li> <li>f) Approximately HK\$102,058,000 was used for purchasing and improvement of medical and healthcare equipment.</li> </ul>
ii. The remaining balance of approximately HK\$299,250,000 will be used for reduction of the borrowings of the Group	HK\$299,250,000 was used for reduction of the borrowings of the Group.

*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.

<b>Intended use of the net proceeds</b>	<b>Net proceeds used in previous financial years</b> <i>HK\$'000</i>	<b>Net proceeds used in the 6 months ended 30 June 2020</b> <i>HK\$'000</i>	<b>Remaining balance of the net proceeds as at 30 June 2020</b> <i>HK\$'000</i>	<b>Expected utilization of the remaining net proceeds</b> <i>HK\$'000</i>
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	52,083	73,597	73,597 to be used by 31 December 2021
ii. The remaining balance of approximately HK\$299,250,000 will be used for reduction of the Group's borrowings	299,250	–	–	–
<b>Total</b>	<u><u>773,570</u></u>	<u><u>52,083</u></u>	<u><u>73,597</u></u>	<u><u>73,597</u></u>

The detailed breakdown of proceeds used during the six months ended 30 June 2020 is as follows:

	<i>HK\$'000</i>
For the construction cost of Block D of NJH	7,798
For the construction cost of Block F of NJH	26,037
For the purchase and improvement of medical and healthcare equipment	<u>18,248</u>
<b>Total</b>	<u><u>52,083</u></u>

The remaining un-utilized proceeds of approximately HK\$73,597,000 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 period under review, the Company did not repurchase any shares (2019: nil) in the capital of the Company.

During the period 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 30 June 2020, the Group's investments held for trading of HK\$21,331,000 (2019: HK\$52,242,000), building (included in property, plant and equipment) of HK\$184,493,000 (2019: HK\$148,597,000), investment properties of HK\$469,550,000 (2019: HK\$483,586,000), properties held for sale of HK\$34,515,000 (2019: HK\$35,800,000) and pledged bank deposits of HK\$21,986,000 (2019: HK\$9,076,000) were pledged to securities houses and banks 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 30 June 2020, the carrying amount of the Group's medical equipment included an amount of nil (2019: HK\$29,156,000) in respect of assets held under finance leases.

#### **CAPITAL COMMITMENT**

As at 30 June 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\$25,119,000 (2019: HK\$18,542,000) and HK\$64,754,000 (2019: HK\$63,721,000) respectively.

#### **CONTINGENT LIABILITIES**

Save as disclosed in this announcement, as at 30 June 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 six months ended 30 June 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 30 June 2020, the Group did not have any plan for material investments or capital assets.

## **EMPLOYEES**

The Group had 2,297 employees as at 30 June 2020 (2019: 2,304). 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 will launch the construction of a P2 laboratory enabling it to carry out independent nucleic acid testing and thus strengthening its epidemic control ability.

In addition, NJH will continue to adjust its income structure by expanding non-medical insurance commercial medical projects, which are with market potential, such as the international medical out-patient department, post-natal rehabilitation center, infertility multidisciplinary diagnosis and treatment, and children autism recovery, etc.

## **KMH:**

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 authority for channeling patient flow, improving KMH's comprehensive emergency capacity and public recognition of the 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 nuclear medical treatment and tumor centre 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 plus 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:**

The negative impacts from the COVID-19 pandemic coupled with the Sino-US trade and other disputes, Brexit, geopolitical tension continued to weigh on the consumers and investors sentiments. Against this backdrop of uncertain and difficult global economic, business and investment outlooks, the operating environments of the Group will be difficult and 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 six months ended 30 June 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **AUDIT COMMITTEE REVIEW**

The Audit Committee has reviewed with the management of the Company (the “Management”) the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a general review of the interim report (including unaudited interim condensed consolidated financial statements for the six months ended 30 June 2020). In carrying out this review, the Audit Committee has relied on a review conducted by the Group’s external auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA as well as reports obtained from the Management. The Audit Committee has not undertaken detailed independent audit checks.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

Throughout the six months ended 30 June 2020, the Company has complied with the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), except that:

- (i) any new director appointed by the Board to fill a casual vacancy shall be subject to re-election by shareholders of the Company at the next following annual general meeting (“AGM”) of the Company after appointment in accordance with the Bye-Laws of the Company; and
- (ii) under code provision A.5.5 of the CG Code, where the board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting the reasons that the board believes the proposed independent non-executive director would still be able to devote sufficient time to the board if he will be holding his seventh (or more) listed company directorship. It was an inadvertent omission that such reason was not disclosed in the circular of the Company dated 29 April 2020, which set out the proposed re-election of Dr. Wong Wing Kuen, Albert (“Dr. Wong”, who has served as a director on the board of more than seven listed companies) as an independent non-executive director of the Company at the AGM held on 11 June 2020. As disclosed in the supplemental announcement of the Company dated 21 May 2020, notwithstanding that Dr. Wong has served as a director on the board of more than seven listed companies, he has maintained his professionalism in the directorships of listed companies he served, and has continued to actively participate in the meetings of the Board and various committees held by the Company in the past. As such, his time committed for his Director’s duties is not affected. The Board (except Dr. Wong) agrees that Dr. Wong has devoted sufficient time to perform his Director’s duties and will continue to do so after his re-election.

## 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 six months ended 30 June 2020.

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

Hong Kong, 27 August 2020

*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 and Mr. Zheng Zhen*

### Independent Non-Executive Directors

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