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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 2021

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 2021 together with the comparative figures for the corresponding period in 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

		Six months ended	
		30.6.2021	30.6.2020
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Revenue	3	708,672	472,937
Gross proceeds from sales of investments held for trading		2,184	–
Total		710,856	472,937
Revenue	3		
Goods and services from contracts with customers		705,619	468,752
Rental		3,038	4,179
Others		15	6
Cost of goods and services		708,672	472,937
		(572,109)	(385,636)

		Six months ended	
		30.6.2021	30.6.2020
	<i>NOTES</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Gross profit		136,563	87,301
Other gains and losses, and other income	5	(49,402)	(26,000)
Selling and distribution costs		(1,727)	(871)
Administrative expenses		(115,225)	(105,792)
Finance costs	6	(29,930)	(21,891)
Loss before taxation		(59,721)	(67,253)
Taxation expense	7	(6,058)	(659)
Loss for the period	8	(65,779)	(67,912)
(Loss) profit for the period attributable to:			
Owners of the Company		(73,899)	(70,015)
Non-controlling interests		8,120	2,103
		(65,779)	(67,912)
Loss per share	<i>10</i>		
Basic		HK(0.51) cents	HK(0.48) cents
Diluted		N/A	N/A

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

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Six months ended	
	30.6.2021	30.6.2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Loss for the period	<u>(65,779)</u>	<u>(67,912)</u>
Other comprehensive income (expense)		
Items that may be reclassified subsequently to profit or loss:		
Net change on debt instruments at fair value through other comprehensive income	85	119
Exchange differences on translation of foreign operations	<u>8,196</u>	<u>(2,521)</u>
	<u>8,281</u>	<u>(2,402)</u>
Total comprehensive expense for the period	<u><u>(57,498)</u></u>	<u><u>(70,314)</u></u>
Total comprehensive (expense) income attributable to:		
Owners of the Company	(63,910)	(72,932)
Non-controlling interests	<u>6,412</u>	<u>2,618</u>
	<u><u>(57,498)</u></u>	<u><u>(70,314)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2021

	<i>NOTE</i>	30.6.2021 HK\$'000 (unaudited)	31.12.2020 <i>HK\$'000</i> (audited)
Non-current assets			
Investment properties		798,017	783,576
Property, plant and equipment		1,463,128	1,433,064
Right-of-use assets		100,115	102,166
Loan receivable		17,379	68,846
Interests in associates		–	–
Financial assets at fair value through profit or loss		802	802
Goodwill		32,765	32,931
Deposits for acquisition of property, plant and equipment		5,733	8,996
		2,417,939	2,430,381
Current assets			
Inventories		21,056	21,142
Properties under development for sale		6,374	6,324
Properties held for sale		133,759	142,294
Debt instruments at fair value through other comprehensive income		4,687	4,602
Investments held for trading		19,052	21,759
Debtors, deposits and prepayments	<i>11</i>	224,381	149,059
Pledged bank deposits		39,799	12,670
Restricted bank deposits		30,337	20,469
Bank balances and cash		539,040	616,474
		1,018,485	994,793

	<i>NOTE</i>	30.6.2021 HK\$'000 (unaudited)	31.12.2020 <i>HK\$'000</i> (audited)
Current liabilities			
Creditors, deposits, receipts in advance and accrued charges	12	497,178	424,841
Deposits received on sales of properties		7,209	6,021
Other contract liabilities		30,607	34,602
Amount due to an associate		6,703	6,555
Borrowings – due within one year		537,104	538,845
Lease liabilities		1,161	2,534
Taxation payable		115,723	114,326
		<u>1,195,685</u>	<u>1,127,724</u>
Net current liabilities		<u>(177,200)</u>	<u>(132,931)</u>
Total assets less current liabilities		<u>2,240,739</u>	<u>2,297,450</u>
Non-current liabilities			
Deferred tax liabilities		45,028	45,800
Borrowings – due after one year		434,186	432,534
Other contract liabilities		18,389	18,482
		<u>497,603</u>	<u>496,816</u>
		<u>1,743,136</u>	<u>1,800,634</u>
Capital and reserves			
Share capital		7,240	7,240
Reserves		1,713,924	1,777,834
Equity attributable to owners of the Company		1,721,164	1,785,074
Non-controlling interests		21,972	15,560
Total equity		<u>1,743,136</u>	<u>1,800,634</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 2021, the Group had net current liabilities of HK\$177,200,000 and it incurred loss of HK\$65,779,000 for the six months ended 30 June 2021. 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\$432,472,000 and the utilisation of the standby loan facility from a financial institution amounting to HK\$300,000,000 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 date of the interim report 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 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 2021 are the same as those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the amendments issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2

3. Revenue

	Six months ended	
	30.6.2021	30.6.2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hospital fees and charges	662,217	432,839
Revenue from provision of eldercare related service and sales of nutritions	19,497	18,165
Rental income from eldercare segment	732	745
Revenue from sale of properties related to eldercare segment	17,831	16,821
Revenue from sale of properties related to property development segment	6,074	927
Rental income from property investment segment	2,306	3,434
Dividend income from listed investments	15	6
	708,672	472,937

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 segments:

For the six months ended 30 June 2021

	Healthcare	Eldercare	Property	Property	Financial	Securities	Consolidated
	HK\$'000	HK\$'000	development	investment	services	trading and	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	investments	(unaudited)
			HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Gross proceeds from sales of investments held for trading	-	-	-	-	-	2,184	2,184
Revenue	662,217	38,060	6,074	2,306	-	15	708,672
Segment profit (loss)	17,600	(11,492)	1,526	1,288	(51,467)	(311)	(42,856)
Other gains and losses, and other income							89
Net foreign exchange loss							(4,033)
Central corporate expenses							(12,890)
Finance costs							(31)
Loss before taxation							(59,721)

For the six months ended 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)
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>(67,253)</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 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 2021

	Healthcare	Eldercare	Property	Property	Financial	Securities	Consolidated
	HK\$'000	HK\$'000	development	investment	services	trading and	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	investments	(unaudited)
						(unaudited)	
Segment assets	1,696,784	930,576	36,348	275,453	17,379	24,085	2,980,625
Corporate assets							455,799
Consolidated assets							<u>3,436,424</u>
Segment liabilities	1,116,585	507,409	44,112	7,029	-	-	1,675,135
Corporate liabilities							18,153
Consolidated liabilities							<u>1,693,288</u>

At 31 December 2020

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

5. Other Gains and Losses, and Other Income

	Six months ended	
	30.6.2021	30.6.2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Loss in fair value change of investments held for trading	(1,420)	(15,120)
Net loss on disposal of financial assets at fair value through profit or loss	–	(81)
Training and other services	6,895	1,284
Impairment loss recognised on trade receivables	(2,496)	(8)
Impairment loss recognised on loan receivable	(51,467)	(11,949)
Net foreign exchange loss	(3,423)	(6,934)
Government subsidies (<i>Note</i>)	–	978
Net realised gain on disposal of investments held for trading	897	–
Interest income from:		
– Debt instruments at fair value through other comprehensive income	111	109
– Bank deposits	632	2,958
Others	869	2,763
	(49,402)	(26,000)

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

	Six months ended	
	30.6.2021	30.6.2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interest on:		
Bank and other borrowings	29,899	21,665
Lease liabilities	31	226
	29,930	21,891

7. Taxation Expense

	Six months ended	
	30.6.2021	30.6.2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax charge – Enterprise Income Tax (“EIT”) in the PRC	(6,109)	(453)
Land appreciation tax (“LAT”) in the PRC	(875)	(824)
Deferred taxation credit	926	618
	<u>(6,058)</u>	<u>(659)</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 for the Period

	Six months ended	
	30.6.2021	30.6.2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	54,598	47,059
Depreciation of right-of-use assets	2,838	2,713
Cost of inventories and properties held for sale recognised as an expense (included in cost of goods and services)	284,205	188,227
	<u>284,205</u>	<u>188,227</u>

9. Dividends

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2021 (2020: nil).

10. Loss per Share

The calculation of the basic loss per share attributable to the owners of the Company is based on the following data:

	Six months ended	
	30.6.2021 <i>HK\$'000</i> (unaudited)	30.6.2020 <i>HK\$'000</i> (unaudited)
Loss for the purposes of basic loss per share attributable to owners of the Company	<u>(73,899)</u>	<u>(70,015)</u>
	Number of shares	Number of shares
Number of ordinary shares for the purposes of basic loss per share	<u>14,480,072,773</u>	<u>14,480,072,773</u>

No diluted loss per share have been presented as there are no potential ordinary shares in issue during the six months periods ended 30 June 2021 and 2020.

11. Debtors, Deposits and Prepayments

	30.6.2021 <i>HK\$'000</i> (unaudited)	31.12.2020 <i>HK\$'000</i> (audited)
Trade receivables		
Debtors from securities trading	945	943
Debtors from leasing of property	649	648
Trade receivables arising from hospital operation and eldercare related services operation	<u>201,732</u>	<u>136,301</u>
	203,326	137,892
Less: Allowance for credit losses	<u>(12,864)</u>	<u>(10,368)</u>
	190,462	127,524
Deposits with and receivables from financial institutions	317	491
Prepayments, other debtors and deposits	<u>33,602</u>	<u>21,044</u>
	<u>224,381</u>	<u>149,059</u>

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, banks will usually pay the Group 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 the ageing analysis of trade receivables arising from hospital operation and eldercare related services operation presented based on the invoice date (approximate the date of revenue recognition) as at 30 June 2021 and 31 December 2020:

	30.6.2021 <i>HK\$'000</i> (unaudited)	31.12.2020 <i>HK\$'000</i> (audited)
0 – 30 days	118,651	99,790
31 – 60 days	57,667	31,561
61 – 90 days	19,397	1,555
91 – 365 days	4,979	2,551
More than 365 days	1,038	844
	201,732	136,301

12. Creditors, Deposits, Receipts in Advance and Accrued Charges

	30.6.2021 <i>HK\$'000</i> (unaudited)	31.12.2020 <i>HK\$'000</i> (audited)
Trade payables of hospital operation, of eldercare related services operation and to construction contractors	171,107	148,635
Accrued compensation for late delivery of properties held for sale	6,227	6,178
Accrued construction cost for properties under development for sale	33,964	33,698
Construction cost payable for hospital buildings classified as property, plant and equipment	6,235	6,183
Deposits and receipts in advance	91,587	116,208
Bills payables	24,025	–
Other creditors and accrued charges	164,033	113,939
	497,178	424,841

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 the ageing 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 2021 and 31 December 2020:

	30.6.2021 <i>HK\$'000</i> (unaudited)	31.12.2020 <i>HK\$'000</i> (audited)
0 – 30 days	82,716	53,026
31 – 60 days	35,991	44,587
61 – 90 days	22,013	18,494
91 – 365 days	24,087	23,643
Over 1 year but not exceeding 2 years	3,160	3,489
Over 2 years but not exceeding 5 years	3,140	5,396
	171,107	148,635

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the six months ended 30 June 2021, the Group recorded an increased total revenue of HK\$710,856,000 (2020: HK\$472,937,000) but a loss attributable to shareholders of the Company of HK\$73,899,000 (2020: HK\$70,015,000) compared with the corresponding period in 2020. This was mainly due to the increase in impairment loss recognised on trade receivables and loan receivable compared with the corresponding period in 2020 but was partially offset by the increase in revenue generated from the operations of the Healthcare Division and the decrease in loss in fair value change of investments held for trading.

Loss per share (basic) for the six months ended 30 June 2021 was HK0.51 cents compared with loss per share (basic) of HK0.48 cents in 2020.

The Group's net asset value per share as at 30 June 2021 amounted to HK\$0.119 (2020: HK\$0.120).

INTERIM DIVIDEND

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

Healthcare Division:

Despite the negative impact from the COVID-19 pandemic, there is a gradual recovery in the global business and production activities, employment and economic performance, and movement in people in the first half of 2021. As such, for the six months ended 30 June 2021, 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 higher revenue of HK\$662,217,000 (2020: HK\$432,839,000) and an increased profit of HK\$17,600,000 (2020: HK\$3,799,000). Without interest, tax, depreciation and amortisation, the Healthcare Division generated an EBITDA, being earnings before interest, tax, depreciation and amortisation, of HK\$93,539,000 (2020: HK\$58,916,000) for the six months ended 30 June 2021.

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 41 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 application of Class III A integrated hospital accreditation: application is submitted to the Jiangsu Province Medical Management Centre (江蘇省醫管中心) in April 2021 with the preparation for the accreditation assessment in full swing.
- (ii) for scientific and educational research: NJH is officially listed as a teaching hospital for the Zhongbei College of Nanjing Normal University (南京師範大學中北學院教學實習醫院) and an affiliated hospital of the Clinical College of Anhui Medical University (安徽醫科大學臨床醫學院附屬醫院). NJH applied funding for 2 projects from the National Natural Science Foundation of China (國家自然科學基金) and 1 project from the provincial natural science foundation (省自然科學基金).
- (iii) for departmental development: with an aim to expand the influence of its ophthalmology department, NJH entered into cooperation agreements with 5 optometric centres and 14 optical shops in surrounding districts and counties.
- (iv) for marketing: through novel coronavirus vaccination, NJH established cooperative relationships with regional enterprises, and has received appointments from a total of 103 enterprises in the surrounding areas for vaccination. NJH won five awards at the 4th Communication Conference on National Health Brands (第四屆全國衛生健康品牌傳播年會) organised by the Health News Agency (《健康報》社).

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 37 clinical medical & technical departments.

During the period under review:

- (i) for scientific research: the application made by the International Spinal Cord Injury Centre (國際脊髓損傷治療中心) of KMH for the establishment of “Luo Zhuojing Expert Workstation” (羅卓荊專家工作站) (orthopedics) has been accepted by the Kunming Science and Technology Bureau (昆明市科學技術局). 16 continuing educational projects are approved, including 1 state-level, 6 provincial, 9 municipal-level projects.
- (ii) for departmental development: through the setting up of 120 network emergency stations, focusing on treatment for specific diseases by specialty department and other measures, KMH strives to promote the development of surgery departments. KMH has applied to the National Stroke Center to participate in the assessment of its stroke center.
- (iii) for marketing: KMH formally signed a cooperation contract with the Zhishan Foundation (智善公益基金會) to jointly launch a spinal deformity relief project. KMH also signed cooperation agreements for the establishment of medical treatment alliances with two regional hospitals and officially launched the “Xu Lin and Shi Jihong expert workstations” (徐琳、師繼紅專家工作站).

For the period under review, the Healthcare Division achieved increase in business volume with NJH recorded a total of 491,565 out-patients visits (2020: 293,876), 14,412 in-patient admissions (2020: 11,989) and 28,546 body-checks (2020: 15,472) while KMH recorded a total of 134,820 out-patients visits (2020: 100,888), 7,294 in-patient admissions (2020: 5,751) and 22,044 body-checks (2020: 12,261).

As at 30 June 2021, NJH operated with 399 doctors (2020: 410), 502 nurses (2020: 490) and 1,015 beds (2020: 993) and KMH operated with 244 doctors (2020: 236), 357 nurses (2020: 344) and 475 beds (2020: 450).

Eldercare Division:

For the six months ended 30 June 2021, the Group's Eldercare Operations, operated through its wholly-owned subsidiary, Aveo China (Holdings) Limited ("Aveo China"), recorded a revenue of HK\$38,060,000 (2020: HK\$35,731,000) and a loss of HK\$11,492,000 (2020: HK\$9,558,000).

As of 30 June 2021, 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 848 Independent Living Units ("ILUs") out of a total inventory of 868 ILUs and among which 8 ILUs (2020: 5) were recorded as sales in the period under review with more than 346 residents (2020: 330) 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 (2020: 210) for lease. As at 30 June 2021, the Division leased out 46 SAs (2020: 58).

During the period under review:

- (i) sale of ILUs: the pace of sales of the remaining ILUs will be controlled under the limited inventory.
- (ii) community village operations: focused on improving member satisfaction and service quality in terms of process, management, value-added services, and other aspects; strengthened the integration of medical (including health management), rehabilitation, and eldercare services.
- (iii) nursing hospital (Shanghai Deyi Hospital, "DYH") operations: through innovated diagnosis and treatment by rehabilitation department to raise the recovery rate of patients.

During the six months ended 30 June 2021, DYH recorded a total of 11,290 out-patients visits (2020: 7,302) and 4,469 in-patient admissions (2020: 4,096).

As at 30 June 2021, DYH operated with 21 doctors (2020: 20), 16 nurses (2020: 21) and 100 beds (2020: 100). As of 30 June 2021, home care services were rendered to a total of 54 elders (2020: 49) with 4,939 visits (2020: 4,836).

As at 30 June 2021, 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 25,804m²) and the retail shopping precinct (retail shops with GFA of 3,502m² and shopping mall with GFA of 6,044m²) with a total value amounted to HK\$544,835,000 (2020: HK\$504,929,000).

Property Development:

For the six months ended 30 June 2021, the Group's property development business recorded an increased turnover of HK\$6,074,000 (2020: HK\$927,000) and a profit of HK\$1,526,000 (2020: loss of HK\$2,216,000). As at 30 June 2021, the Group's properties under development for sale of HK\$6,374,000 (2020: HK\$5,814,000) consisted of a parcel of commercial land in Lianyungang, PRC.

Property Investments:

For the six months ended 30 June 2021, the Group's investment properties portfolio, for leasing, located in Hong Kong and the PRC recorded a rental income of HK\$2,306,000 (2020: HK\$3,434,000) and a profit of HK\$1,288,000 (2020: HK\$2,545,000). As at 30 June 2021, the Group's investment properties portfolio, 100% attributable to the Group, amounted to HK\$253,182,000 (2020: HK\$260,520,000).

Securities Trading and Investments:

For the period under review, the Group's activities in securities trading and investments recorded a turnover of HK\$2,199,000 (2020: HK\$6,000) and a loss of HK\$311,000 (2020: HK\$15,115,000). This was mainly due to the decreased loss in fair value change of investments held for trading of HK\$1,420,000 compared with a loss of HK\$15,120,000 recorded in 2020.

As at 30 June 2021, 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\$5,489,000 (2020: HK\$5,358,000) and a portfolio of investments held for trading of HK\$19,052,000 (2020: HK\$21,331,000).

As at 30 June 2021, 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 2021 <i>HK\$'000</i>	Carrying value 2020 <i>HK\$'000</i>	Realised gain (loss) 2021 <i>HK\$'000</i>	Fair value gain (loss) 2021 <i>HK\$'000</i>	Dividend received 2021 <i>HK\$'000</i>	% of carrying value to the Group's total assets 2021 %
Hong Kong	15,805	16,269	900	(1,608)	15	0.46%
Australia	1,803	1,256	–	211	–	0.05%
Philippine	1,444	934	(3)	(23)	–	0.04%
Japan	–	2,872	–	–	–	0.00%
Total	19,052	21,331	897	(1,420)	15	

As at 30 June 2021, 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 2021 <i>HK\$'000</i>	Carrying value 2020 <i>HK\$'000</i>	Realised gain (loss) 2021 <i>HK\$'000</i>	Fair value gain (loss) 2021 <i>HK\$'000</i>	Dividend received 2021 <i>HK\$'000</i>	% of carrying value to the Group's total assets 2021 %
Entertainment and media	1,980	3,040	900	429	–	0.06%
Financial services and investment	379	3,199	(3)	(6)	–	0.01%
Industrial materials	5,803	266	–	(395)	–	0.17%
Property and construction	10,890	9,991	–	(1,448)	15	0.32%
Basic material – fertilisers & agricultural chemicals	–	4,835	–	–	–	0.00%
Total	19,052	21,331	897	(1,420)	15	

At 30 June 2021, 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 (2020: nil) and a loss of HK\$51,467,000 (2020: HK\$11,957,000) after the impairment loss recognised on the loan receivable of HK\$51,467,000 (2020: HK\$11,949,000). As at 30 June 2021, the Group's loan portfolio consists of a loan receivable with outstanding principal amount of HK\$95,215,000 (HK\$17,379,000 (2020: HK\$79,365,000) after impairment loss allowance of HK\$77,836,000 (2020: HK\$15,850,000)). The Group estimated recoverable amount and the future settlement date of the loan receivable based on information currently available and therefore, for the period under review there is an impairment loss allowance adjustment to reduce the carrying amount of the loan receivable to the estimated recoverable amount.

References are made to the Company's announcements dated 10 September 2018 and 26 September 2019 respectively, the paragraph headed "Money Lending" on pages 26 to 27 of the announcement of the final results for the eighteen months ended 31 December 2019 dated 30 March 2020, the announcements dated 28 April 2020, 6 May 2020 and 19 May 2020 respectively, the paragraph headed "Money Lending" on pages 21 to 24 of the announcement of the interim results for the six months ended 30 June 2020 dated 27 August 2020, the announcements dated 29 October 2020 and 10 November 2020 respectively, the paragraph headed "Money Lending" on pages 23 to 27 of the announcement of the annual results for the year ended 31 December 2020 dated 30 March 2021 and the announcement dated 20 April 2021. Capitalised terms used herein shall have the same meanings as those defined in the aforesaid announcements unless the context requires otherwise.

During the period under review, the Group is aware that the Borrower Group has announced in various announcements that, among others:

- (i) in October 2020, January 2021 and April 2021, the new JPLs contacted various parties regarding the possibility of restructuring the Borrower Group and the new JPLs have received preliminary proposals from potential investors on the restructuring of the Borrower Group. The new JPLs have had discussions with the potential investors but no formal restructuring proposal or formal agreement has been entered into by the Borrower as at the dates of the respective announcements;

- (ii) in April 2021, a creditor of the Borrower filed an urgent application with the Supreme Court of Bermuda seeking, among other things, an order for substituting the creditor as the petitioner in the creditor’s winding-up petition filed in March 2020 (the “Creditor’s Winding-up Petition”). Neither the said application nor the Creditor’s Winding-up Petition has been fixed for hearing; and
- (iii) in May 2021 and June 2021, the Borrower Subsidiary II entered into a memorandum of understanding with an investor and the Borrower Subsidiary II’s receivers which involves the implementation of a rescue proposal inclusive of, among others, a capital reorganisation, rights issue, placing and a scheme of arrangement to compromise with all creditors’ claims against the Borrower Subsidiary II (inclusive of the shareholder’s loan owed by the Borrower Subsidiary II to the Borrower under the Deed of Assignment II) (“Proposed Creditors’ Scheme”).

During the period under review, in relation to the Appeal, at a hearing held in the Court of First Instance of the High Court of Hong Kong (the “Hong Kong Court”) on 8 April 2021, the Appeal was dismissed with costs of the Appeal to be payable by the Plaintiff to the Lender forthwith to be summarily assessed. Such costs were summarily assessed at HK\$120,000 by a subsequent order made by the Hong Kong Court dated 20 April 2021.

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 realisation and/or financing to settle the total indebtedness under the Loan Documents. The Group and the Receivers have also been approached and in discussion with other potential investors for possible realisation of the security assets under the Loan Documents. However, no definitive proposal or agreement has been entered into with the Group as at 30 June 2021.

The Group and the Receivers will continue to maintain regular dialogue with the Borrower Group and the new JPLs, discuss and negotiate with other potential investors, regularly monitor the progress of settlement and/or realisation of security assets and/or the Proposed Creditors’ Scheme, re-assess the value of securities, based on the information currently available to the Group 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 30 June 2021, the Group's non-current assets of HK\$2,417,939,000 (2020: HK\$2,270,545,000) consisted of investment properties of HK\$798,017,000 (2020: HK\$765,449,000), property, plant and equipment of HK\$1,463,128,000 (2020: HK\$1,287,403,000), right-of-use assets of HK\$100,115,000 (2020: HK\$96,830,000), loan receivable of HK\$17,379,000 (2020: HK\$79,365,000), financial assets at FVTPL of HK\$802,000 (2020: HK\$802,000), goodwill of HK\$32,765,000 (2020: HK\$30,216,000) and deposits for acquisition of property, plant and equipment of HK\$5,733,000 (2020: HK\$10,480,000). These non-current assets are principally financed by the Group's shareholders' funds.

As at 30 June 2021, the total borrowings of the Group amounted to HK\$971,290,000 (2020: HK\$815,157,000) consisting of unsecured term loans of HK\$216,234,000 (2020: HK\$174,216,000), secured bank borrowings of HK\$228,131,000 (2020: HK\$210,221,000), unsecured bank borrowings of HK\$436,069,000 (2020: HK\$430,720,000) and secured other borrowings of HK\$90,856,000 (2020: nil). Among the total borrowings of the Group, HK\$537,104,000 (2020: HK\$529,344,000) was with maturity within one year, HK\$414,585,000 (2020: HK\$285,813,000) was with maturity over one year but not exceeding two years and HK\$19,601,000 (2020: nil) was with maturity over two years but not exceeding five years.

As at 30 June 2021, the Group recorded a net current liabilities amounted to HK\$177,200,000 (2020: HK\$171,259,000). As at 30 June 2021, the Group had undrawn, unsecured, standby credit facility with terms of over two years amounting to HK\$300 million.

As at 30 June 2021, 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 20.8% (2020: 15.3%). The Group's gearing ratio would be adjusted to 19.4% (2020: 13.8%) with marketable securities inclusive of debt instruments at FVTOCI 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 2021, details of use of net proceeds from the Subscription were as follows:

Intended use of the net proceeds	Actual use of the net proceeds
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"> a) Approximately HK\$139,750,000 was used for construction cost of Block D of NJH. b) Approximately HK\$39,600,000 was used for construction cost of Block F of NJH. c) Approximately HK\$80,569,000 was used for working capital of the healthcare business. 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*. e) HK\$85,800,000 was used to settle the acquisition cost of 30% equity interest of Aveo China. f) Approximately HK\$153,994,000 was used for purchasing and improvement of medical and healthcare equipment.
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.

Intended use of the net proceeds	Net proceeds used in previous financial years <i>HK\$'000</i>	Net proceeds used in the 6 months ended 30 June 2021 <i>HK\$'000</i>	Remaining balance of the net proceeds as at 30 June 2021 <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	586,972	13,028	–
ii. The remaining balance of approximately HK\$299,250,000 will be used for reduction of the Group's borrowings	299,250	–	–
Total	<u>886,222</u>	<u>13,028</u>	<u>–</u>

The detailed breakdown of proceeds used during the six months ended 30 June 2021 is as follows:

	<i>HK\$'000</i>
For the construction cost of Block D of NJH	2,192
For the construction cost of Block F of NJH	4,867
For the purchase and improvement of medical and healthcare equipment	<u>5,969</u>
Total	<u>13,028</u>

As at 30 June 2021, the total net proceeds from Subscription have been fully utilised.

During the period under review, the Company did not repurchase any shares (2020: 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 2021, the Group's investments held for trading of HK\$19,052,000 (2020: HK\$21,331,000), building (included in property, plant and equipment) of HK\$189,990,000 (2020: HK\$184,493,000), investment properties of HK\$495,884,000 (2020: HK\$469,550,000), properties held for sale of HK\$37,841,000 (2020: HK\$34,515,000), pledged bank deposits of HK\$39,799,000 (2020: HK\$21,986,000) and medical equipment of HK\$88,057,000 (2020: nil) were pledged to securities houses and banks to secure credit facilities granted to the Group.

CAPITAL COMMITMENT

As at 30 June 2021, the Group had capital commitment contracted for but not provided relating to the acquisition of property, plant and equipment, and investment properties of HK\$37,590,000 (2020: HK\$25,119,000) and HK\$14,683,000 (2020: HK\$64,754,000) respectively.

CONTINGENT LIABILITIES

Save as disclosed in this announcement, as at 30 June 2021, 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 2021, 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 2021, the Group did not have any plan for material investments or capital assets.

EMPLOYEES

The Group had 2,372 employees as at 30 June 2021 (2020: 2,297). 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.

COVID-19 PANDEMIC RESPONSE

In the first half of 2021, the COVID-19 pandemic continued to spread globally. To safeguard the health and safety of employees and to minimise its impacts on business operations, the Company has implemented the following prevention and control measures in accordance with the protocols and guidelines issued by the Government of the Hong Kong Special Administrative Region (the “Hong Kong Government”):

- (i) measures to ensure social distancing and adequate staff protection within the Hong Kong office;
- (ii) measures on regular office cleaning and disinfection;
- (iii) requirements on wearing mask at all times and conducting compulsory body temperature checks;
- (iv) conducting meetings by conference calls or video conference in replacement of physical meetings;
- (v) cancellation of all non-essential travel;
- (vi) self-isolation following travel, development of symptoms, interaction with person who has symptoms or is a confirmed case of COVID-19, or requirement to undergo a coronavirus test as and when necessary;
- (vii) flexible working arrangements and meal time for employees;
- (viii) promotion of COVID-19 vaccination and regular testing; and
- (ix) maintaining inventory of surgical face masks, hand sanitiser and hygiene supplies.

As for operations of the Healthcare Division and Eldercare Division in the PRC, various emergency prevention and control measures have been taken 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.

PROSPECTS

Healthcare Division:

Aiming at achieving the medical and technical requirement and standards of a Class III A integrated hospital, the Healthcare Division will continue to develop indispensable projects, accumulate necessary talents and acquire cutting-edge medical technologies.

NJH will strive to obtain grade A hospital accreditation, continue to solidify the development of individual departments, maintain its medical core, explore new developmental breakthroughs, and achieve steady and sustainable development under the ongoing pandemic. NJH will focus on expediting the setting up of multi-disciplinary team, accelerating the development of new business lines, and increasing patient satisfaction and trust by improving service flow and service content.

KMH will focus on strengthening the collaboration between departments of internal medicine and departments of surgery, making timely applications for provincial and municipal key specialty departments, and expanding its cooperation with regional medical institutions and alliance with specialists to enhance its medical influence. Further, KMH will continue with its plan to develop the phase II of its hospital project and the development of nuclear medical treatment and tumor center.

As announced by the Group on 2 August 2021, NJH sent out its medical staff to support the three rounds of COVID-19 nucleic acid testing campaigns from 21 July 2021 to 25 July 2021 pursuant to the emergency public health measures implemented by local government authorities of Nanjing to contain the recent COVID-19 incident. NJH was designated by the Joint COVID-19 Epidemic Prevention and Control Command Office of Jiangning District, Nanjing City (南京市江寧區新冠肺炎疫情聯防聯控工作指揮部) as one of the designated medical institutions for patients who are in the closed and controlled management areas of Jiangning District or with the yellow code (i.e. with medium risks) of Jiangsu Health Code (“江蘇健康碼”) with effect from 26 July 2021.

Due to the foregoing reasons, the normal business operation of NJH has been affected and accordingly the daily revenue has reduced significantly. The Group has yet to assess the impact of the above incident on the Group’s financial performance and its exposure to the risks and uncertainties in this connection. Further announcement(s) will be made by the Company as and when appropriate.

Eldercare Division:

The Division will continue to optimise its operation system and strengthen its marketing efforts, improve its health management and medical service products line, and standardise its rehabilitation and nursing care services system.

Others:

Progressive vaccination and more government fiscal stimulus 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 are posing concerns. 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 six months ended 30 June 2021, 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 2021). 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

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 six months ended 30 June 2021.

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 2021.

HONG KONG MARKET MISCONDUCT TRIBUNAL PROCEEDINGS

As announced by the Company on 13 May 2021 (the “Announcement”), the proceedings instituted by the Securities and Futures Commission of Hong Kong (the “SFC”) in the Market Misconduct Tribunal of Hong Kong (the “MMT”) relating to the Company, Ms. Chong Sok Un (“Ms. Chong”), Mr. Zhang Jian (“Mr. Zhang”) and four former directors of the Company (the “Former Directors”) has concluded.

Based on the facts, liability and sanctions agreed between the SFC and the parties, the MMT made the order as summarised in the Announcement (the “**MMT Order**”). Pursuant to the MMT Order, the Company, Ms Chong, Mr. Zhang and the Former Directors have fully complied with the sanctions under the MMT Order.

By Order of the Board
China Medical & HealthCare Group Limited
Chong Sok Un
Deputy Chairman

Hong Kong, 26 August 2021

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

Executive Directors

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

Non-Executive Directors

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