



# China Medical & HealthCare Group Limited

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 383)**

## 2020 Interim Report



## 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

	NOTES	Six months ended	
		30.6.2020 HK\$'000 (unaudited)	30.6.2019 HK\$'000 (unaudited)
Revenue	3	<b>472,937</b>	601,659
Gross proceeds from sales of investments held for trading		<u>–</u>	<u>93,412</u>
Total		<b><u>472,937</u></b>	<u>695,071</u>
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><u>6</u></b>	<u>5</u>
		<b>472,937</b>	601,659
Cost of goods and services		<b><u>(385,636)</u></b>	<u>(479,941)</u>
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><u>(21,891)</u></b>	<u>(24,327)</u>

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	NOTES	Six months ended	
		30.6.2020 HK\$'000 (unaudited)	30.6.2019 HK\$'000 (unaudited)
(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

	Six months ended	
	30.6.2020	30.6.2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss) profit for the period	<u>(67,912)</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>(2,521)</u>	<u>(1,418)</u>
	<u>(2,402)</u>	<u>(284)</u>
Total comprehensive (expense) income for the period	<u>(70,314)</u>	<u>14,159</u>
Total comprehensive (expense) income attributable to:		
Owners of the Company	(72,932)	11,951
Non-controlling interests	<u>2,618</u>	<u>2,208</u>
	<u>(70,314)</u>	<u>14,159</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020

	NOTES	30.6.2020 HK\$'000 (unaudited)	31.12.2019 HK\$'000 (audited)
<b>Non-current assets</b>			
Investment properties	11	765,449	772,520
Property, plant and equipment	11	1,287,403	1,318,031
Right-of-use assets		96,830	–
Prepaid lease payments		–	93,418
Loan receivable	13	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
		<u>2,270,545</u>	<u>2,222,623</u>
<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	12	101,766	96,806
Loan receivable	13	–	91,314
Pledged bank deposits		21,986	9,119
Restricted bank deposits		7,887	5,607
Bank balances and cash		519,134	643,177
		<u>861,700</u>	<u>1,080,386</u>



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AT 30 JUNE 2020

	NOTES	30.6.2020 HK\$'000 (unaudited)	31.12.2019 HK\$'000 (audited)
<b>Current liabilities</b>			
Creditors, deposits, receipts in advance and accrued charges	15	358,690	433,015
Deposits received on sales of properties		7,129	12,039
Other contract liabilities		27,542	50,374
Amount due to an associate		6,026	6,144
Borrowings – due within one year	16	529,344	444,068
Lease liabilities		2,725	–
Obligations under finance leases – due within one year		–	5,405
Taxation payable		101,503	114,802
		<u>1,032,959</u>	<u>1,065,847</u>
<b>Net current (liabilities) assets</b>		<u>(171,259)</u>	<u>14,539</u>
<b>Total assets less current liabilities</b>		<u>2,099,286</u>	<u>2,237,162</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities	17	40,321	41,150
Borrowings – due after one year	16	285,813	349,295
Creditors, deposits, receipts in advance and accrued charges	15	21,914	30,818
Other contract liabilities		3,544	5,438
Deferred income		6,386	–
Lease liabilities		1,161	–
		<u>359,139</u>	<u>426,701</u>
		<u>1,740,147</u>	<u>1,810,461</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AT 30 JUNE 2020

	NOTE	30.6.2020 HK\$'000 (unaudited)	31.12.2019 HK\$'000 (audited)
<b>Capital and reserves</b>			
Share capital	18	7,240	7,240
Reserves		<u>1,724,454</u>	<u>1,797,386</u>
Equity attributable to owners of the Company		<b>1,731,694</b>	1,804,626
Non-controlling interests		<u>8,453</u>	<u>5,835</u>
<b>Total equity</b>		<b><u>1,740,147</u></b>	<b><u>1,810,461</u></b>



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Attributable to the owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Properties revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Other reserves HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2019 (unaudited)	7,240	2,621,374	27,875	(409)	2,496	(796,531)	(8,007)	(47,913)	1,806,125	(1,916)	1,804,209
Profit for the period	-	-	-	-	-	-	-	12,162	12,162	2,281	14,443
Other comprehensive income (expense) for the period	-	-	-	1,134	-	-	(1,345)	-	(211)	(73)	(284)
Total comprehensive income (expense) for the period	-	-	-	1,134	-	-	(1,345)	12,162	11,951	2,208	14,159
At 30 June 2019 (unaudited)	7,240	2,621,374	27,875	725	2,496	(796,531)	(9,352)	(35,751)	1,818,076	292	1,818,368
At 31 December 2019 (audited)	7,240	2,621,374	55,281	854	2,496	(796,531)	(17,626)	(68,462)	1,804,626	5,835	1,810,461
(Loss) profit for the period	-	-	-	-	-	-	-	(70,015)	(70,015)	2,103	(67,912)
Other comprehensive income for the period	-	-	-	119	-	-	(3,036)	-	(2,917)	515	(2,402)
Total comprehensive income (expense) for the period	-	-	-	119	-	-	(3,036)	(70,015)	(72,932)	2,618	(70,314)
At 30 June 2020 (unaudited)	7,240	2,621,374	55,281	973	2,496	(796,531)	(20,662)	(138,477)	1,731,694	8,453	1,740,147



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Six months ended	
	30.6.2020	30.6.2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Cash (used in) from operating activities	(73,441)	56,715
Interest paid	(21,891)	(24,327)
Tax (paid) refund	(11,805)	4,570
<b>Net cash (used in) from operating activities</b>	<b>(107,137)</b>	<b>36,958</b>
<b>Investing activities</b>		
Placement of pledged bank deposits and restricted bank deposits	(15,494)	(18,196)
Withdrawal of pledged bank deposits and restricted bank deposits	–	51,208
Proceeds from disposal of financial assets at fair value through profit and loss	17	–
Additions of investment properties	(3,568)	–
Additions of property, plant and equipment	(41,658)	–
Deposits paid for acquisition of property, plant and equipment	(3,599)	–
Other investing activities	3,067	2,708
<b>Net cash (used in) from investing activities</b>	<b>(61,235)</b>	<b>35,720</b>



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Six months ended	
	30.6.2020 HK\$'000 (unaudited)	30.6.2019 HK\$'000 (unaudited)
<b>Financing activities</b>		
New borrowings raised	142,452	195,712
Repayments of borrowings	(105,304)	(226,496)
Repayments of obligations under finance leases	–	(3,338)
Repayments of lease liabilities	(6,735)	–
<b>Net cash from (used in) financing activities</b>	<b>30,413</b>	<b>(34,122)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(137,959)</b>	<b>38,556</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>643,177</b>	<b>367,696</b>
<b>Effect of changes in foreign exchange rate</b>	<b>13,916</b>	<b>6,200</b>
<b>Cash and cash equivalents at end of the period</b>	<b>519,134</b>	<b>412,452</b>
<b>Represented by:</b>		
Bank balances and cash	519,134	412,452

## 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 (the “Stock Exchange”).

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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 2. PRINCIPAL ACCOUNTING POLICIES (*Continued*)

#### *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

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 2. PRINCIPAL ACCOUNTING POLICIES (*Continued*)

#### *Application of new and amendments to HKFRSs (Continued)*

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

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

##### ***Definition of a lease***

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

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

##### ***As a lessee***

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

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 2. PRINCIPAL ACCOUNTING POLICIES (*Continued*)

#### *Application of new and amendments to HKFRSs (Continued)*

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

###### ***As a lessee (Continued)***

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

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

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### Application of new and amendments to HKFRSs (Continued)

##### 2.1 HKFRS 16 "Leases" ("HKFRS 16") (Continued)

##### As a lessee (Continued)

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### Application of new and amendments to HKFRSs (Continued)

##### 2.1 HKFRS 16 "Leases" ("HKFRS 16") (Continued)

###### As a lessee (Continued)

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

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

Notes:

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



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2020*

### 2. PRINCIPAL ACCOUNTING POLICIES (*Continued*)

#### *Application of new and amendments to HKFRSs (Continued)*

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

###### ***As a lessor***

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2020***2. PRINCIPAL ACCOUNTING POLICIES (Continued)****Application of new and amendments to HKFRSs (Continued)****2.1 HKFRS 16 "Leases" ("HKFRS 16") (Continued)****As a lessor (Continued)**

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

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

*Note:* For the purpose of reporting cash flows from operating activities under indirect method for the six month ended 30 June 2020, movements in working capital have been computed based on opening statement of financial position as at 1 January 2020 as disclosed above.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### Application of new and amendments to HKFRSs (Continued)

#### 2.2 Impacts of application on Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

### 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
	<b>472,937</b>	<b>601,659</b>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2020***3. REVENUE (Continued)****Disaggregation of revenue from contracts with customers**

Segments	For the six months ended 30 June 2020		
	Healthcare HK\$'000	Eldercare HK\$'000	Property development HK\$'000
<b>Types of goods or services</b>			
Healthcare			
Inpatient health services	197,039	–	–
Outpatient healthcare services	94,165	–	–
Other healthcare services	1,304	–	–
Physical examination services	20,977	–	–
Sales of pharmaceutical	119,354	–	–
	<u>432,839</u>	<u>–</u>	<u>–</u>
Eldercare			
Eldercare related services	–	15,813	–
Sales of nutritions	–	2,352	–
Sales of properties	–	16,821	–
	<u>–</u>	<u>34,986</u>	<u>–</u>
Property development			
Sales of properties	–	–	927
	<u>–</u>	<u>–</u>	<u>927</u>
<b>Total</b>	<b><u>432,839</u></b>	<b><u>34,986</u></b>	<b><u>927</u></b>
<b>Timing of revenue recognition</b>			
A point of time	420,942	19,173	927
Over time	11,897	15,813	–
	<u>432,839</u>	<u>34,986</u>	<u>927</u>
<b>Total</b>	<b><u>432,839</u></b>	<b><u>34,986</u></b>	<b><u>927</u></b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 3. REVENUE (Continued)

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

Segments	For the six months ended 30 June 2019		
	Healthcare HK\$'000	Eldercare HK\$'000	Property development HK\$'000
Types of goods or services			
Healthcare			
Inpatient health services	199,761	–	–
Outpatient healthcare services	141,046	–	–
Other healthcare services	1,037	–	–
Physical examination services	37,642	–	–
Sales of pharmaceutical	151,172	–	–
	<u>530,658</u>	<u>–</u>	<u>–</u>
Eldercare			
Eldercare related services	–	15,663	–
Sales of nutritions	–	2,954	–
Sales of properties	–	23,093	–
	<u>–</u>	<u>41,710</u>	<u>–</u>
Property development			
Sales of properties	–	–	1,820
	<u>–</u>	<u>–</u>	<u>1,820</u>
Total	<u>530,658</u>	<u>41,710</u>	<u>1,820</u>
Timing of revenue recognition			
A point of time	519,847	26,047	1,820
Over time	10,811	15,663	–
	<u>530,658</u>	<u>41,710</u>	<u>1,820</u>
Total	<u>530,658</u>	<u>41,710</u>	<u>1,820</u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2020***3. REVENUE (Continued)**

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

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

	For the six months ended 30 June 2020		
	Healthcare HK\$'000	Eldercare HK\$'000	Property development HK\$'000
Revenue disclosed in segment information	432,839	35,731	927
Less: rental income	—	(745)	—
<b>Revenue from contracts with customers</b>	<b>432,839</b>	<b>34,986</b>	<b>927</b>
	For the six months ended 30 June 2019		
	Healthcare HK\$'000	Eldercare HK\$'000	Property development HK\$'000
Revenue disclosed in segment information	530,658	42,678	1,820
Less: rental income	—	(968)	—
<b>Revenue from contracts with customers</b>	<b>530,658</b>	<b>41,710</b>	<b>1,820</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 3. REVENUE (*Continued*)

#### **Performance obligations for contracts with customers**

##### ***Revenue from healthcare services***

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

##### ***Revenue from eldercare related services***

For revenue from eldercare related services, for which the control of the services is transferred when the Group had provided the related services over the time, revenue is recognised when the customers simultaneously received eldercare related services over time.

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

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

##### ***Revenue from sales of properties***

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2020*

### 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 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.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 4. SEGMENT INFORMATION (Continued)

#### 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	Eldercare	Property development	Property investment	Financial services	Securities trading and investments	Consolidated
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Gross proceeds from sales of investments held for trading	-	-	-	-	-	-	-
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>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2020***4. SEGMENT INFORMATION (Continued)****Segment revenues and results (Continued)***For the six months ended 30 June 2019*

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

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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 4. SEGMENT INFORMATION (Continued)

#### Segment assets and liabilities

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

#### At 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							<u>549,370</u>
Consolidated assets							<u>3,132,245</u>
Segment liabilities	748,461	319,892	40,750	1,966	-	-	1,111,069
Corporate liabilities							<u>281,029</u>
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							<u>678,848</u>
Consolidated assets							<u>3,303,009</u>
Segment liabilities	705,198	371,436	84,973	1,974	-	-	1,163,581
Corporate liabilities							<u>328,967</u>
Consolidated liabilities							<u>1,492,548</u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2020***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>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
(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 ("FVTPL")	<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 ("FVTOCI")	<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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 6. FINANCE COSTS

The finance costs represent interest as follows:

	Six months ended	
	30.6.2020	30.6.2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on:		
Bank and other borrowings	21,665	23,795
Lease liabilities	226	–
Obligations under finance leases	–	532
	<u>21,891</u>	<u>24,327</u>

### 7. TAXATION EXPENSE

	Six months ended	
	30.6.2020	30.6.2019
	HK\$'000	HK\$'000
	(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 ( <i>note 17</i> )	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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 7. TAXATION EXPENSE (Continued)

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
	HK\$'000	HK\$'000
	(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)	<u>188,227</u>	<u>246,362</u>

### 9. DIVIDENDS

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 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
	<b>(unaudited)</b>	(unaudited)
(Loss) profit for the purposes of basic (loss) (2019: basic and diluted earnings) per share attributable to owners of the Company	<u><b>(70,015)</b></u>	<u>12,162</u>
	<b>Number of shares</b>	Number of shares
Number of ordinary shares for the purposes of basic (loss) (2019: basic and diluted earnings) per share	<u><b>14,480,072,773</b></u>	<u>14,480,072,773</u>

The computations of diluted earnings per share for the 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 11. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, additions to the Group's property, plant and equipment amounted to HK\$41,658,000 (six months ended 30 June 2019: nil).

During the six months ended 30 June 2020, additions to the Group's investment properties amounted to HK\$3,568,000 (six months ended 30 June 2019: nil).

At 30 June 2020, fair value of the Group's investment properties and buildings included in property, plant and equipment as at the end of the current period were assessed by the directors of the Company. At 30 June 2020, the directors of the Company considered that the carrying amounts of the investment properties and buildings included in property, plant and equipment carried at fair value or revalued amounts, as appropriate, did not differ significantly from that what would be determined using fair values at the reporting date.

### 12. DEBTORS, DEPOSITS AND PREPAYMENTS

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



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 12. DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

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>	31.12.2019
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 13. LOAN RECEIVABLE

	30.6.2020 HK\$'000 (unaudited)	31.12.2019 HK\$'000 (audited)
Fixed-rate loans	95,215	95,215
Less: Impairment loss allowance	<u>(15,850)</u>	<u>(3,901)</u>
	<u>79,365</u>	<u>91,314</u>

The loan receivable bear fixed interest rate at 21% per annum. As at 30 June 2019, the loan receivable had contractual maturity date due within one year.

Pursuant to the loan agreement dated 10 September 2018 entered by a subsidiary of the Company (the "Subsidiary") and the borrower, the shares of which are listed on the Stock Exchange (the "Borrower"), a loan with principal amount of HK\$95,215,000 as at 30 June 2020 and 31 December 2019 ("Loan") is secured by (i) a debenture created by the chargor, a wholly owned subsidiary of the Borrower (the "Chargor") in favour of the Subsidiary by way of a first fixed and floating charge over all the undertaking, property and assets of the Chargor, (ii) a share mortgage in favour of the Subsidiary by way of a first fixed mortgage of the 75% of the entire issued share capital of the Chargor, (iii) an additional deed of assignment of shareholder's loan held by the Borrower and (iv) a deed of assignment of shareholder's loan owed by Chargor and hold by the Borrower.

The Borrower did not settle the interest receivable due on 11 March 2020 amounting to approximately HK\$3.8 million. The Group has issued demand letter and final notice to the Borrower, appointed receivers for enforcement of securities of the Loan, and has been in discussion with the Borrower and its joint provisional liquidators for the settlement of the total outstanding amount. Nevertheless, the remaining amount is considered recoverable given there are sufficient collaterals to cover the entire balance.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 13. LOAN RECEIVABLE (*Continued*)

As at 30 June 2020, based on the assessment of the directors of the Company, the loan receivable is expected to be settled after one year and therefore classified as non-current asset. The loan receivable is discounted at an effective interest rate of 12.2% per annum and the difference between the carrying amount and the present value of estimated cash flow of HK\$11,949,000 was charged to profit or loss discounted at the effective interest rate during the six months ended 30 June 2020.

### 14. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO UNDER EXPECTED CREDIT LOSS MODEL

#### Debt instruments at FVTOCI

The Group only invests in debt securities with low credit risk. The Group's debt instruments at FVTOCI mainly comprise listed bonds that are graded in the top investment grade as per globally understood definitions and therefore are considered to be low credit risk investments. During the six months ended 30 June 2020, expected credit losses on debt instruments at FVTOCI is insignificant.

#### Trade receivables

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its hospital operation and eldercare related services operation.

For non-credit impaired trade balances, the Group applies the simplified approach under HKFRS 9 "Financial Instruments" to measure expected credit loss ("ECL") which uses a lifetime ECL. Trade receivables are assessed individually for debtors with significant balances and collectively using a provision matrix for the remaining balances, which are grouped based on internal credit rating. For credit-impaired trade balances, the Group assessed individually.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 14. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO UNDER EXPECTED CREDIT LOSS MODEL (*Continued*)

#### Trade receivables (*Continued*)

The movement in the allowance for impairment in respect of trade receivables during the current interim period was as follows.

	Trade receivables HK\$'000
Balance at 31 December 2019	6,630
Net remeasurement of loss allowance	<u>8</u>
Balance at 30 June 2020	<u><u>6,638</u></u>

#### Loan receivable

Details of the loan receivable are set out in note 13. The Group seeks to maintain strict control over its outstanding loan receivable to minimise credit risk. The management has a credit policy in place and the exposures to the credit risk are monitored on an ongoing basis. Impairment allowances on outstanding loan receivables are determined by an evaluation of financial background, as well as financial condition of the borrower and the anticipated receipts for that individual loan, at the end of the reporting period. Accordingly, the loss allowance for the loan receivable is measured at an amount equal to 12-month ECL.

The movement in the allowance for impairment in respect of loan receivable during the current interim period was as follows:

	Loan receivable HK\$'000
Balance at 31 December 2019	3,901
Net remeasurement of loan allowance	<u>11,949</u>
Balance at 30 June 2020	<u><u>15,850</u></u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 14. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO UNDER EXPECTED CREDIT LOSS MODEL (*Continued*)

#### Pledged bank deposits, restricted bank deposits and bank balances and cash

The credit risk on liquid funds is limited because the counterparties are reputable banks in Hong Kong and the PRC or banks with high credit-ratings assigned by international credit-rating agencies and the Group has limited exposure to any single financial institution.

As at 30 June 2020, the Group performed impairment assessment on bank balances by reference to the average loss rates for respective credit rating grades published by international credit-rating agencies and concluded that the expected credit losses is insignificant.

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2020***15. CREDITORS, DEPOSITS, RECEIPTS IN ADVANCE AND ACCRUED CHARGES (Continued)**

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>	31.12.2019
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 16. BORROWINGS

	30.6.2020 HK\$'000 (unaudited)	31.12.2019 HK\$'000 (audited)
Unsecured term loans	174,216	177,598
Secured bank borrowings	210,221	191,972
Unsecured bank borrowings	<u>430,720</u>	<u>423,793</u>
	<u>815,157</u>	<u>793,363</u>

Carrying amount repayable based on scheduled repayment dates set out in the loan agreements:

	30.6.2020 HK\$'000 (unaudited)	31.12.2019 HK\$'000 (audited)
On demand or within one year	529,344	444,068
Over one year but not exceeding two years	285,813	320,641
Over two years but not exceeding five years	<u>–</u>	<u>28,654</u>
	815,157	793,363
Less: Amount due within one year shown under current liabilities	<u>(529,344)</u>	<u>(444,068)</u>
Amount shown under non-current liabilities	<u>285,813</u>	<u>349,295</u>

During the current period, the Group obtained new borrowings amounting to HK\$142,452,000 (six months ended 30 June 2019: HK\$195,712,000) and repaid borrowings amounting to HK\$105,304,000 (six months ended 30 June 2019: HK\$226,496,000).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 17. DEFERRED TAXATION

The following are the major deferred tax liabilities recognised and movements thereon during the current period:

	Revaluation of leasehold land and buildings HK\$'000	Withholding tax in respect of undistributed earnings of PRC subsidiaries HK\$'000	Fair value adjustment on business combination HK\$'000	Total HK\$'000
At 31 December 2019 (audited)	9,136	5,600	26,414	41,150
Credit to profit or loss for the period	–	–	(618)	(618)
Exchange difference	(47)	(28)	(136)	(211)
At 30 June 2020 (unaudited)	9,089	5,572	25,660	40,321

### 18. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.0005 each		
Authorised:		
At 31 December 2019 and 30 June 2020	600,000,000,000	300,000
Issued and fully paid:		
At 31 December 2019 and 30 June 2020	14,480,072,773	7,240



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2020*

### 19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

#### **Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis**

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2020***19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS  
(Continued)****Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)**

Financial assets/financial liabilities in the condensed consolidated statement of financial position	Fair value as at 30.6.2020	Fair value as at 31.12.2019	Fair value hierarchy	Valuation techniques and key inputs
1) Investments in listed equity securities classified as investments held for trading	<b>Listed equity securities:</b> – Hong Kong HK\$16,269,000 – Overseas HK\$5,062,000	Listed equity securities: – Hong Kong HK\$30,058,000 – Overseas HK\$6,393,000	Level 1	Quoted bid prices in active markets.
2) Investments in listed bond classified as debt instruments at FVTOCI	<b>Assets – HK\$4,556,000</b>	Assets – HK\$4,634,000	Level 1	Quoted bid prices in active markets.
3) Investments in unlisted unit trusts classified as financial assets at FVTPL	<b>Assets – HK\$802,000</b>	Assets – HK\$900,000	Level 2	Quoted prices from financial institutions.

**Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis**

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate at their fair value.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 20. PLEDGE OF ASSETS

At the end of the reporting period, the following assets of the Group were pledged to securities houses and banks to secure credit facilities granted to the Group:

	<b>30.6.2020</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.12.2019 HK\$'000 (audited)
Investments held for trading	<b>21,331</b>	36,451
Building (included in property, plant and equipment)	<b>184,493</b>	169,000
Investment properties	<b>469,550</b>	484,054
Properties held for sale	<b>34,515</b>	35,189
Pledged bank deposits	<b>21,986</b>	9,119
	<b>731,875</b>	733,813

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

### 21. COMMITMENT

	<b>30.6.2020</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.12.2019 HK\$'000 (audited)
Capital expenditure contracted for but not provided		
– Property, plant and equipment	<b>25,119</b>	51,203
– Investment properties	<b>64,754</b>	69,732
	<b>89,873</b>	120,935

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2020***22. RELATED PARTY TRANSACTIONS**

The remuneration of directors and other members of key management of the Group during the period was as follows:

	<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>
Salaries and other short-term employee benefits	<b>2,246</b>	2,145
Retirement benefit costs	<b>52</b>	89
	<b>2,298</b>	2,234

**23. NON-CONTROLLING INTERESTS**

	<b>Share of net assets of subsidiaries</b>
	<b>HK\$'000</b>
At 1 January 2019 (unaudited)	(1,916)
Share of profit for the period	2,281
Share of other comprehensive expense for the period	(73)
Share of total comprehensive income for the period	2,208
At 30 June 2019 (unaudited)	292
At 31 December 2019 (audited)	<b>5,835</b>
Share of profit for the period	<b>2,103</b>
Share of other comprehensive income for the period	<b>515</b>
Share of total comprehensive income for the period	<b>2,618</b>
At 30 June 2020 (unaudited)	<b>8,453</b>

## 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.

## REVIEW OF OPERATIONS (Continued)

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);

## REVIEW OF OPERATIONS *(Continued)*

### Healthcare Division: *(Continued)*

During the period under review: *(Continued)*

- (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.

## REVIEW OF OPERATIONS *(Continued)*

### Healthcare Division: *(Continued)*

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).



## REVIEW OF OPERATIONS *(Continued)*

### 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;

## REVIEW OF OPERATIONS *(Continued)*

### Eldercare Division: *(Continued)*

During the period under review: *(Continued)*

- (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 2,192m<sup>2</sup> and shopping mall with GFA of 6,044m<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.

## REVIEW OF OPERATIONS *(Continued)*

### 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:

**REVIEW OF OPERATIONS (Continued)****Investments held for trading: (Continued)****Geographic Location**

	Carrying value 2020 HK\$'000	Carrying value 2019 HK\$'000	Realized gain (loss) 2020 HK\$'000	Fair value gain (loss) 2020 HK\$'000	Dividend received 2020 HK\$'000	% 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%
<b>Total</b>	<b>21,331</b>	<b>52,242</b>	<b>-</b>	<b>(15,120)</b>	<b>6</b>	

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 HK\$'000	Carrying value 2019 HK\$'000	Realized gain (loss) 2020 HK\$'000	Fair value gain (loss) 2020 HK\$'000	Dividend received 2020 HK\$'000	% 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%
<b>Total</b>	<b>21,331</b>	<b>52,242</b>	<b>-</b>	<b>(15,120)</b>	<b>6</b>	

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.

## REVIEW OF OPERATIONS *(Continued)*

### 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").

## REVIEW OF OPERATIONS *(Continued)*

### Money Lending: *(Continued)*

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.

## REVIEW OF OPERATIONS *(Continued)*

### Money Lending: *(Continued)*

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:



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

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"> <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.



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

Intended use of the net proceeds	Net proceeds used in previous financial years HK\$'000	Net proceeds used in the 6 months ended 30 June 2020 HK\$'000	Remaining balance of the net proceeds as at 30 June 2020 HK\$'000	Expected utilization of the remaining net proceeds HK\$'000
i. An amount of approximately HK\$600,000,000 will be used for working capital and for expansion of the Group's hospital and healthcare, and aged care businesses	474,320	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>	<b>773,570</b>	<b>52,083</b>	<b>73,597</b>	<b>73,597</b>

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

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

	HK\$'000
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>
Total	<u>52,083</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 report, 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 report, 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 report, 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.

## **PROSPECTS (Continued)**

### **Healthcare Division: (Continued)**

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.

## PROSPECTS *(Continued)*

### 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.

## INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 30 June 2020, the interests and short positions of the Directors, the chief executive of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Hong Kong (the “SFO”)) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) were as follows:

### Long positions in the shares of the Company

Name of Director	Number of ordinary shares of HK\$0.0005 each				Total	Percentage of issued ordinary shares
	Personal interests	Family interests	Corporate interests	Other interests		
Ms. Chong Sok Un ("Ms. Chong")	-	-	2,592,514,140 (Note 1)	-	2,592,514,140	17.90%

## **INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE (*Continued*)**

### **Long positions in the shares of the Company (*Continued*)**

*Notes:*

The percentage of shareholding is calculated on the basis of the Company's issued share capital of 14,480,072,773 shares as at 30 June 2020.

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

Save as disclosed above, as at 30 June 2020, none of the Directors, the chief executive of the Company nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

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

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

As at 30 June 2020, the following parties had interests or short positions in the shares or underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO:



## INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSON'S INTERESTS IN SHARES AND UNDERLYING SHARES *(Continued)*

### Long positions in the shares of the Company

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



## INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSON'S INTERESTS IN SHARES AND UNDERLYING SHARES *(Continued)*

### Long positions in the shares of the Company *(Continued)*

Name	Capacity		Number of ordinary shares held	Percentage of issued ordinary shares
CM International Capital Limited ("CMIC")	Held by controlled corporation	<i>(Note 3)</i>	2,000,000,000	13.81%
Victor Beauty Investments Limited ("Victor Beauty")	Beneficial owner	<i>(Note 3)</i>	2,000,000,000	13.81%
Ms. Ding Moyan ("Ms. Ding")	Held by controlled corporation	<i>(Note 4)</i>	1,149,739,208	7.94%
Excellent Top Holdings Limited ("Excellent Top")	Held by controlled corporation	<i>(Note 4)</i>	1,149,739,208	7.94%
Greatime Management Corp. ("Greatime")	Beneficial owner	<i>(Note 4)</i>	1,149,739,208	7.94%
Tian An China Investments Company Limited ("Tian An")	Held by controlled corporation	<i>(Note 5)</i>	1,834,699,625	12.67%
Fareast Global Limited ("Fareast Global")	Beneficial owner	<i>(Note 5)</i>	1,834,699,625	12.67%
Allied Group Limited ("Allied Group")	Held by controlled corporation	<i>(Note 5)</i>	3,119,638,833	21.54%
Allied Properties (H.K.) Limited ("Allied Properties")	Held by controlled corporation	<i>(Note 5)</i>	3,119,638,833	21.54%
Mr. Lee Seng Hui	Held by controlled corporation	<i>(Note 5)</i>	3,119,638,833	21.54%
Ms. Lee Su Hwei	Held by controlled corporation	<i>(Note 5)</i>	3,119,638,833	21.54%
Mr. Lee Seng Huang	Held by controlled corporation	<i>(Note 5)</i>	3,119,638,833	21.54%

## **INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSON'S INTERESTS IN SHARES AND UNDERLYING SHARES *(Continued)***

### **Long positions in the shares of the Company *(Continued)***

*Notes:*

The percentage of shareholding is calculated on the basis of the Company's issued share capital of 14,480,072,773 shares as at 30 June 2020.

1. Cool Clouds, a wholly-owned subsidiary of Resuccess, owned 4,000,000,000 ordinary shares of the Company. THTF was the sole shareholder of Resuccess as at 30 June 2020. Accordingly, Resuccess and THTF were deemed to have interests in 4,000,000,000 ordinary shares of the Company in which Cool Clouds was interested.
2. Vigor, a wholly-owned subsidiary of China Spirit, owned 2,592,514,140 ordinary shares of the Company. Ms. Chong maintained 100% beneficial interests in China Spirit. Accordingly, Ms. Chong was deemed to have an interest of 2,592,514,140 ordinary shares of the Company.
3. Victor Beauty, a wholly-owned subsidiary of CMIC, owned 2,000,000,000 ordinary shares of the Company. CMIC was a wholly-owned subsidiary of 中民投國際資本 which in turn was a wholly-owned subsidiary of CMI held directly as to 22.6% interests and indirectly as to 77.4% interests through CMIF and CMIG. CMIF was a wholly-owned subsidiary of CMIG, which in turn was a wholly-owned subsidiary of CMI. Accordingly, CMIC, 中民投國際資本, CMIF, CMIG and CMI were deemed to have interests in 2,000,000,000 ordinary shares of the Company.
4. Greatime, a wholly-owned subsidiary of Excellent Top, owned 1,149,739,208 ordinary shares of the Company. Ms. Ding maintained 100% beneficial interests in Excellent Top. Accordingly, Ms. Ding was deemed to have an interest in 1,149,739,208 ordinary shares of the Company.

## INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSON'S INTERESTS IN SHARES AND UNDERLYING SHARES (*Continued*)

### Long positions in the shares of the Company (*Continued*)

Notes: (*Continued*)

5. Fareast Global, a wholly-owned subsidiary of Tian An, owned 1,834,699,625 ordinary shares of the Company and Tian An was owned as to approximately 48.86% by China Elite Holdings Limited which was in turn wholly-owned by Allied Properties.

Itso Limited, a wholly-owned subsidiary of Shipshape Investments Limited ("Shipshape"), held 1,149,739,208 ordinary shares of the Company as holder of securities and Sun Hung Kai Structured Finance Limited, a wholly-owned subsidiary of Shipshape, held 135,200,000 ordinary shares of the Company as holder of securities. Shipshape was a wholly-owned subsidiary of Sun Hung Kai & Co. Limited ("SHK"). SHK was owned as to approximately 62.54% by Allied Properties which was in turn owned as to approximately 74.99% by Allied Group.

Mr. Lee Seng Hui together with Ms. Lee Su Hwei and Mr. Lee Seng Huang are the trustees of Lee and Lee Trust, being a discretionary trust. Lee and Lee Trust controlled approximately 74.95% of the total number of issued shares of Allied Group (inclusive of Mr. Lee Seng Hui's personal interests) and was therefore deemed to have an interest in the shares in which Allied Group was interested.

Save as disclosed above, as at 30 June 2020, there were no other parties who had interests or short positions in the shares or underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### 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.

## CHANGES IN DIRECTORS’ INFORMATION

Pursuant to Rule 13.51B (1) of the Listing Rules, the changes in information of Directors are as follows:

- (i) Mr. Zhou Liye has been re-designated from the chairman to the deputy chairman and president of Tsinghua Tongfang Co., Ltd. (“THTF”, a company listed on the Shanghai Stock Exchange, stock code: 600100) since February 2020. With effect from 29 April 2020, he has resigned as the director, the deputy chairman and the president of THTF. He has also resigned as the vice president, the director and managing director and the deputy chairman of Tsinghua Holdings Co., Ltd. with effect from 18 May 2020.
- (ii) Mr. Zhou Haiying has resigned as the financial controller and the chief financial officer of THTF with effect from 24 February 2020. On 7 April 2020, he has been appointed as the chief operating officer of THTF.
- (iii) Mr. Zhang Jian has resigned as the independent non-executive director of Go Higher Environment Co., Ltd. with effect from 27 July 2020.

## **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.

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

Hong Kong, 27 August 2020

*As at the date of this report, 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*



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