



China Medical & HealthCare Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 383)

Interim Report 2021



UNAUDITED RESULTS OF THE GROUP

The board of directors (the “Directors” and the “Board”, respectively) of China Medical & HealthCare Group Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2021 together with the comparative figures for the corresponding period in 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

| | NOTES | Six months ended | |
|--|-------|--------------------------------------|--------------------------------------|
| | | 30.6.2021 HK\$'000 (unaudited) | 30.6.2020 HK\$'000 (unaudited) |
| Revenue | 3 | 708,672 | 472,937 |
| Gross proceeds from sales of investments held for trading | | 2,184 | – |
| Total | | 710,856 | 472,937 |
| Revenue | 3 | | |
| Goods and services from contracts with customers | | 705,619 | 468,752 |
| Rental | | 3,038 | 4,179 |
| Others | | 15 | 6 |
| | | 708,672 | 472,937 |
| Cost of goods and services | | (572,109) | (385,636) |
| Gross profit | | 136,563 | 87,301 |
| Other gains and losses, and other income | 5 | (49,402) | (26,000) |
| Selling and distribution costs | | (1,727) | (871) |
| Administrative expenses | | (115,225) | (105,792) |
| Finance costs | 6 | (29,930) | (21,891) |

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

| | NOTES | Six months ended | |
|--|-------|--------------------------------------|--------------------------------------|
| | | 30.6.2021 HK\$'000 (unaudited) | 30.6.2020 HK\$'000 (unaudited) |
| Loss before taxation | | (59,721) | (67,253) |
| Taxation expense | 7 | (6,058) | (659) |
| Loss for the period | 8 | (65,779) | (67,912) |
| (Loss) profit for the period attributable to: | | | |
| Owners of the Company | | (73,899) | (70,015) |
| Non-controlling interests | | 8,120 | 2,103 |
| | | (65,779) | (67,912) |
| Loss per share | 10 | | |
| Basic | | HK(0.51) cents | HK(0.48) cents |



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2021

| | NOTES | 30.6.2021 HK\$'000 (unaudited) | 31.12.2020 HK\$'000 (audited) |
|--|-------|--------------------------------------|-------------------------------------|
| Non-current assets | | | |
| Investment properties | 11 | 798,017 | 783,576 |
| Property, plant and equipment | 11 | 1,463,128 | 1,433,064 |
| Right-of-use assets | | 100,115 | 102,166 |
| Loan receivable | 13 | 17,379 | 68,846 |
| Interests in associates | | – | – |
| Financial assets at fair value through profit or loss (“FVTPL”) | | 802 | 802 |
| Goodwill | | 32,765 | 32,931 |
| Deposits for acquisition of property, plant and equipment | | 5,733 | 8,996 |
| | | 2,417,939 | 2,430,381 |
| Current assets | | | |
| Inventories | | 21,056 | 21,142 |
| Properties under development for sale | | 6,374 | 6,324 |
| Properties held for sale | | 133,759 | 142,294 |
| Debt instruments at FVTOCI | | 4,687 | 4,602 |
| Investments held for trading | | 19,052 | 21,759 |
| Debtors, deposits and prepayments | 12 | 224,381 | 149,059 |
| Pledged bank deposits | | 39,799 | 12,670 |
| Restricted bank deposits | | 30,337 | 20,469 |
| Bank balances and cash | | 539,040 | 616,474 |
| | | 1,018,485 | 994,793 |



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

AT 30 JUNE 2021

| | NOTES | 30.6.2021 HK\$'000 (unaudited) | 31.12.2020 HK\$'000 (audited) |
|--|-------|--------------------------------------|-------------------------------------|
| Current liabilities | | | |
| Creditors, deposits, receipts in advance and accrued charges | 14 | 497,178 | 424,841 |
| Deposits received on sales of properties | | 7,209 | 6,021 |
| Other contract liabilities | | 30,607 | 34,602 |
| Amount due to an associate | | 6,703 | 6,555 |
| Borrowings – due within one year | 15 | 537,104 | 538,845 |
| Lease liabilities | | 1,161 | 2,534 |
| Taxation payable | | 115,723 | 114,326 |
| | | <u>1,195,685</u> | <u>1,127,724</u> |
| Net current liabilities | | <u>(177,200)</u> | <u>(132,931)</u> |
| Total assets less current liabilities | | <u>2,240,739</u> | <u>2,297,450</u> |
| Non-current liabilities | | | |
| Deferred tax liabilities | 16 | 45,028 | 45,800 |
| Borrowings – due after one year | 15 | 434,186 | 432,534 |
| Other contract liabilities | | 18,389 | 18,482 |
| | | <u>497,603</u> | <u>496,816</u> |
| | | <u>1,743,136</u> | <u>1,800,634</u> |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)**

AT 30 JUNE 2021

| | | 30.6.2021 | 31.12.2020 |
|--|-------------|--------------------|------------|
| | <i>NOTE</i> | HK\$'000 | HK\$'000 |
| | | (unaudited) | (audited) |
| Capital and reserves | | | |
| Share capital | 17 | 7,240 | 7,240 |
| Reserves | | 1,713,924 | 1,777,834 |
| Equity attributable to owners of the Company | | 1,721,164 | 1,785,074 |
| Non-controlling interests | | 21,972 | 15,560 |
| Total equity | | 1,743,136 | 1,800,634 |



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2021

| | Attributable to the owners of the Company | | | | | | | | | | |
|---|---|---------------|--------------------------------|--------------------------------|----------------------------|----------------|---------------------|--------------------|-----------|---------------------------|-----------|
| | Share capital | Share premium | Properties revaluation reserve | Investment revaluation reserve | Capital redemption reserve | Other reserves | Translation reserve | Accumulated losses | Sub-total | Non-controlling interests | Total |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 January 2020 (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 (expense) 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 |
| At 1 January 2021 (audited) | 7,240 | 2,621,374 | 79,707 | 1,020 | 2,496 | (796,531) | 50,158 | (180,390) | 1,785,074 | 15,560 | 1,800,634 |
| (Loss) profit for the period | - | - | - | - | - | - | - | (73,899) | (73,899) | 8,120 | (65,779) |
| Other comprehensive income (expense) for the period | - | - | - | 85 | - | - | 9,904 | - | 9,989 | (1,708) | 8,281 |
| Total comprehensive income (expense) for the period | - | - | - | 85 | - | - | 9,904 | (73,899) | (63,910) | 6,412 | (57,498) |
| At 30 June 2021 (unaudited) | 7,240 | 2,621,374 | 79,707 | 1,105 | 2,496 | (796,531) | 60,062 | (254,289) | 1,721,164 | 21,972 | 1,743,136 |

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE SIX MONTHS ENDED 30 JUNE 2021

| | Six months ended | |
|---|-------------------------|-------------|
| | 30.6.2021 | 30.6.2020 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Cash from (used in) operating activities | 81,675 | (73,441) |
| Interest paid | (29,930) | (21,891) |
| Tax paid | (9,982) | (11,805) |
| Net cash from (used in) operating activities | 41,763 | (107,137) |
| Investing activities | | |
| Placement of pledged bank deposits/restricted bank deposits | (36,736) | (15,494) |
| Proceeds from disposals of financial assets at fair value through profit and loss | – | 17 |
| Proceeds on disposals of investments held for trading | 2,184 | – |
| Payments for investment properties | (11,991) | (3,568) |
| Purchases of property, plant and equipment | (70,780) | (41,658) |
| Deposits paid for acquisition of property, plant and equipment | – | (3,599) |
| Other investing activities | 743 | 3,067 |
| Net cash used in investing activities | (116,580) | (61,235) |



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

| | Six months ended | |
|---|------------------|------------------|
| | 30.6.2021 | 30.6.2020 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Financing activities | | |
| New borrowings raised | 73,337 | 142,452 |
| Repayments of borrowings | (81,089) | (105,304) |
| Repayments of lease liabilities | (1,373) | (6,735) |
| Net cash (used in) from financing activities | (9,125) | 30,413 |
| Net decrease in cash and cash equivalents | (83,942) | (137,959) |
| Effect of changes in foreign exchange rates | 6,508 | 13,916 |
| Cash and cash equivalents at beginning of the period | 616,474 | 643,177 |
| Cash and cash equivalents at end of the period | 539,040 | 519,134 |
| Represented by: | | |
| Bank balances and cash | 539,040 | 519,134 |



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. BASIS OF PREPARATION

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

As at 30 June 2021, the Group had net current liabilities of HK\$177,200,000 and it incurred loss of HK\$65,779,000 for the six months ended 30 June 2021. The directors of the Company have given careful consideration to the future liquidity of the Group when preparing the condensed consolidated financial statements. Taking into account the ongoing availability of finance to the Group, including the cash flows generated from its principal operations, existing banking facilities, successful refinancing of certain bank borrowings of HK\$432,472,000 and the utilisation of the standby loan facility from a financial institution amounting to HK\$300,000,000, if necessary subsequent to the reporting period, the directors of the Company are of the opinion that the Group has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the date of the interim report and accordingly these condensed consolidated financial statements have been prepared on a going concern basis.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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 2021 are the same as those followed in the preparation of the Group’s annual financial statements for year ended 31 December 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the 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 2021 for the preparation of the Group’s condensed consolidated financial statements:

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

Except as described below, the application of the amendments to HKFRSs in the current interim 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 2021

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of amendments to HKFRSs (Continued)

Impacts and accounting policies on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform – Phase 2"

Accounting policies

Financial instruments

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

The Group intends to apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank borrowings measured at amortised cost. The amendments have had no impact on the condensed consolidated financial statements as none of the above contracts has been transitioned to the relevant replacement rates during the interim period. The impacts on application of the amendments, if any, including additional disclosures, will be reflected in the Group's consolidated financial statements for the year ending 31 December 2021.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2021***3. REVENUE**

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the six months ended 30 June 2021

3. REVENUE (Continued)**Disaggregation of revenue from contracts with customers**

| Segments | For the six months ended 30 June 2021 | | |
|----------|---------------------------------------|-------------|----------------------|
| | Healthcare | Eldercare | Property development |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) | (unaudited) |

Types of goods or services**Healthcare**

| | | | |
|--------------------------------|----------------|----------|----------|
| Inpatient health services | 258,520 | – | – |
| Outpatient healthcare services | 194,314 | – | – |
| Other healthcare services | 4,749 | – | – |
| Physical examination services | 37,151 | – | – |
| Sales of pharmaceutical | 167,483 | – | – |
| | <u>662,217</u> | <u>–</u> | <u>–</u> |

Eldercare

| | | | |
|----------------------------|----------|---------------|----------|
| Eldercare related services | – | 16,534 | – |
| Sales of nutritions | – | 2,963 | – |
| Sales of properties | – | 17,831 | – |
| | <u>–</u> | <u>37,328</u> | <u>–</u> |

Property development

| | | | |
|---------------------|----------|----------|--------------|
| Sales of properties | – | – | 6,074 |
| | <u>–</u> | <u>–</u> | <u>6,074</u> |

| | | | |
|-------|----------------|---------------|--------------|
| Total | <u>662,217</u> | <u>37,328</u> | <u>6,074</u> |
|-------|----------------|---------------|--------------|

Timing of revenue recognition

| | | | |
|-----------------|----------------|---------------|--------------|
| A point of time | 646,558 | 20,794 | 6,074 |
| Over time | 15,659 | 16,534 | – |
| | <u>662,217</u> | <u>37,328</u> | <u>6,074</u> |

| | | | |
|-------|----------------|---------------|--------------|
| Total | <u>662,217</u> | <u>37,328</u> | <u>6,074</u> |
|-------|----------------|---------------|--------------|

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2021***3. REVENUE (Continued)****Disaggregation of revenue from contracts with customers (Continued)**

For the six months ended 30 June 2020

| Segments | Healthcare | Eldercare | Property development |
|----------|-------------------------|-------------------------|-------------------------|
| | HK\$'000 (unaudited) | HK\$'000 (unaudited) | HK\$'000 (unaudited) |

Types of goods or services**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> |

| | | | |
|-------|----------------|---------------|------------|
| Total | <u>432,839</u> | <u>34,986</u> | <u>927</u> |
|-------|----------------|---------------|------------|

Timing of revenue recognition

| | | | |
|-----------------|----------------|---------------|------------|
| 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> |

| | | | |
|-------|----------------|---------------|------------|
| Total | <u>432,839</u> | <u>34,986</u> | <u>927</u> |
|-------|----------------|---------------|------------|

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2021***3. REVENUE (Continued)**

All the revenue from contracts with customers are derived from the People's Republic of China (excluding Hong Kong) (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 2021 | | |
|--|--|--------------------|-----------------------------|
| | Healthcare | Eldercare | Property development |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) | (unaudited) |
| Revenue disclosed in segment information | 662,217 | 38,060 | 6,074 |
| Less: Rental income | — | (732) | — |
| Revenue from contracts with customers | 662,217 | 37,328 | 6,074 |
| | For the six months ended 30 June 2020 | | |
| | Healthcare | Eldercare | Property development |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) | (unaudited) |
| Revenue disclosed in segment information | 432,839 | 35,731 | 927 |
| Less: Rental income | — | (745) | — |
| Revenue from contracts with customers | 432,839 | 34,986 | 927 |



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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, 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 patients simultaneously received services over time.

Revenue from eldercare related services

For revenue from certain 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 remaining eldercare related services is recognised at a point in time, i.e. when the services are provided.

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 been 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 consolidated statement of financial position as "Deposits received on sales of properties".

Transaction price allocated to the remaining performance obligation for contracts with customers

The Group's all contracts with customers in relation to healthcare services, eldercare related services, sales of pharmaceutical and nutritions and property development are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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 elderly care and retirement community, which consist of an elderly nursing home, service apartments, independent living units and a commercial area comprising a shopping mall, retail shops and club hall facilities.

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

Property investment – leasing of residential and office properties.

Financial services – provision of loan financial services.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2021***4. SEGMENT INFORMATION (Continued)****Segment revenues and results**

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

For the six months ended 30 June 2021

| | Healthcare | Eldercare | Property 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 | - | - | - | - | - | 2,184 | 2,184 |
| Revenue | 662,217 | 38,060 | 6,074 | 2,306 | - | 15 | 708,672 |
| Segment profit (loss) | 17,600 | (11,492) | 1,526 | 1,288 | (51,467) | (311) | (42,856) |
| Other gains and losses, and other income | | | | | | | 89 |
| Net foreign exchange loss | | | | | | | (4,033) |
| Central corporate expenses | | | | | | | (12,890) |
| Finance costs | | | | | | | (31) |
| Loss before taxation | | | | | | | (59,721) |

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2021***4. SEGMENT INFORMATION (Continued)****Segment revenues and results (Continued)***For the six months ended 30 June 2020*

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

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 net foreign exchange loss, central corporate expenses and certain finance costs.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2021***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 2021

| | 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 | 1,696,784 | 930,576 | 36,348 | 275,453 | 17,379 | 24,085 | 2,980,625 |
| Corporate assets | | | | | | | 455,799 |
| Consolidated assets | | | | | | | 3,436,424 |
| Segment liabilities | 1,116,585 | 507,409 | 44,112 | 7,029 | - | - | 1,675,135 |
| Corporate liabilities | | | | | | | 18,153 |
| Consolidated liabilities | | | | | | | 1,693,288 |

At 31 December 2020

| | 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 | 1,475,555 | 898,609 | 21,718 | 253,233 | 68,846 | 28,597 | 2,746,558 |
| Corporate assets | | | | | | | 678,616 |
| Consolidated assets | | | | | | | 3,425,174 |
| Segment liabilities | 833,324 | 389,162 | 51,522 | 336 | - | - | 1,274,344 |
| Corporate liabilities | | | | | | | 350,196 |
| Consolidated liabilities | | | | | | | 1,624,540 |

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2021***5. OTHER GAINS AND LOSSES, AND OTHER INCOME**

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

Note: The government subsidies mainly represented 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 2021***6. FINANCE COSTS**

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

7. TAXATION EXPENSE

| | Six months ended | |
|--|-------------------------|-------------|
| | 30.6.2021 | 30.6.2020 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| <hr/> | | |
| Current tax (charge) credit: | | |
| – Enterprise Income Tax (“EIT”) in the PRC | (6,109) | (453) |
| – Land appreciation tax (“LAT”) in the PRC | (875) | (824) |
| – Deferred tax credit (<i>Note 16</i>) | 926 | 618 |
| | <hr/> | <hr/> |
| | (6,058) | (659) |
| | <hr/> | <hr/> |

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 are wholly absorbed by tax losses brought forward.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2021***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 FOR THE PERIOD

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

9. DIVIDENDS

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2021***10. LOSS PER SHARE**

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

| | Six months ended | |
|---|-------------------------|------------------|
| | 30.6.2021 | 30.6.2020 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Loss for the purpose of basic loss per share for the period attributable to owners of the Company | (73,899) | (70,015) |
| | Number of shares | Number of shares |
| Number of ordinary shares for the purpose of basic loss per share | 14,480,072,773 | 14,480,072,773 |

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

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

During the six months ended 30 June 2021, additions to the Group's property, plant and equipment amounted to HK\$74,043,000 (six months ended 30 June 2020: HK\$41,658,000).

During the six months ended 30 June 2021, additions to the Group's investment properties amounted to HK\$11,991,000 (six months ended 30 June 2020: HK\$3,568,000).

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2021***11. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT (Continued)**

At 30 June 2021, fair values of the Group's investment properties and buildings included in property, plant and equipment were assessed by the directors of the Company. At 30 June 2021, 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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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, banks will usually pay the Group 7 days after the trade date. Payments by governments' social insurance schemes will normally be settled by the local social insurance bureau or similar government departments which are responsible for the reimbursement of medical expenses for patients who are covered by the government medical insurance schemes 90 days from the invoice date.

The following is the ageing analysis of gross carrying amount of trade receivables arising from hospital operation and eldercare related services operation presented based on the invoice date (approximate the date of revenue recognition) as at 30 June 2021 and 31 December 2020:

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2021***13. LOAN RECEIVABLE**

| | 30.6.2021 | 31.12.2020 |
|---------------------------------|--------------------|------------|
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (audited) |
| Fixed-rate loan | 95,215 | 95,215 |
| Less: Impairment loss allowance | (77,836) | (26,369) |
| | 17,379 | 68,846 |

Pursuant to the loan agreement dated 10 September 2018 entered by a subsidiary of the Company (the "Subsidiary") as lender 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 2021 and 31 December 2020 ("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 held 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.

As at 30 June 2021, based on the assessment of the directors of the Company, the loan receivable is expected to be settled after 2 years and therefore classified as non-current asset. Impairment allowance on outstanding loan receivable is determined by an evaluation of financial background, as well as financial condition of the Borrower, valuation of collateral and the anticipated receipts of shareholder's loan. Due to changes in the valuation of collateral and the anticipated receipts of the shareholder's loan, the estimated cash flow of the loan receivable is expected to decrease. The expected cash flow of the loan receivable is discounted at an effective interest rate of 24.1% (31 December 2020: 24.1%) per annum and the difference between the carrying amount of the loan receivable and the present value of estimated cash flow of HK\$51,467,000 was charged to profit or loss during the six months ended 30 June 2021. The total carrying amount of the loan receivable amounted to HK\$17,379,000 (31 December 2020: HK\$68,846,000) at the reporting date.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2021***14. CREDITORS, DEPOSITS, RECEIPTS IN ADVANCE AND ACCRUED CHARGES**

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2021***14. CREDITORS, DEPOSITS, RECEIPTS IN ADVANCE AND ACCRUED CHARGES (Continued)**

The following is the ageing analysis of trade payables of hospital operations, of eldercare related services operation and to construction contractors presented based on the invoice date as at 30 June 2021 and 31 December 2020:

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

15. BORROWINGS

| | 30.6.2021 | 31.12.2020 |
|---------------------------|--------------------|------------|
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (audited) |
| Unsecured term loans | 216,234 | 214,542 |
| Secured bank borrowings | 228,131 | 204,828 |
| Unsecured bank borrowings | 436,069 | 445,592 |
| Secured other borrowings | 90,856 | 106,417 |
| | 971,290 | 971,379 |

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2021***15. BORROWINGS (Continued)**

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

| | 30.6.2021 | 31.12.2020 |
|---|--------------------|------------|
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (audited) |
| On demand or within one year | 537,104 | 538,845 |
| Over one year but not exceeding two years | 414,585 | 261,207 |
| Over two years but not exceeding five years | 19,601 | 171,327 |
| | 971,290 | 971,379 |
| Less: Amount due within one year shown under current liabilities | (537,104) | (538,845) |
| Amount shown under non-current liabilities | 434,186 | 432,534 |

During the current period, the Group obtained new borrowings amounting to HK\$73,337,000 (six months ended 30 June 2020: HK\$142,452,000) and repaid borrowings amounting to HK\$81,089,000 (six months ended 30 June 2020: HK\$105,304,000).

16. DEFERRED TAX LIABILITIES

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 2020 (audited) | 17,278 | 2,683 | 25,839 | 45,800 |
| Credit to profit or loss for the period (Note 7) | - | (926) | - | (926) |
| Exchange difference | - | 29 | 125 | 154 |
| At 30 June 2021 (unaudited) | 17,278 | 1,786 | 25,964 | 45,028 |

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2021***17. SHARE CAPITAL**

| | Number of shares | Carrying value HK\$'000 |
|--------------------------------------|---------------------|-------------------------------|
| Ordinary shares of HK\$0.0005 each | | |
| Authorised: | | |
| At 31 December 2020 and 30 June 2021 | 600,000,000,000 | 300,000 |
| Issued and fully paid: | | |
| At 31 December 2020 and 30 June 2021 | 14,480,072,773 | 7,240 |

18. 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 2021***18. 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 30.6.2021 | Fair value as at 31.12.2020 | Fair value hierarchy | Valuation techniques and key inputs |
|--|--|---|----------------------|-------------------------------------|
| 1) Investments in listed equity securities classified as investments held for trading | Listed equity securities: - Hong Kong HK\$15,805,000 - Overseas HK\$3,247,000 | Listed equity securities: - Hong Kong HK\$18,682,000 - Overseas HK\$3,077,000 | Level 1 | Quoted bid prices in active markets |
| 2) Investments in listed bond classified as debt instruments at FVTOCI | Assets – HK\$4,687,000 | Assets – HK\$4,602,000 | Level 1 | Quoted bid prices in active markets |

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 their fair values.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2021***19. PLEDGE OF ASSETS**

At the end of the reporting period, the following assets of the Group were pledged to banks, financial institution, securities brokers houses and finance lease provider to secure credit facilities granted to the Group:

| | 30.6.2021 | 31.12.2020 |
|---|--------------------|------------|
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (audited) |
| Investments held for trading | 19,052 | 21,759 |
| Buildings (included in property, plant and equipment) | 189,990 | 175,209 |
| Investment properties | 495,884 | 502,792 |
| Properties held for sale | 37,841 | 37,545 |
| Pledged bank deposits | 39,799 | 12,670 |
| Medical equipment | 88,057 | 91,022 |
| | 870,623 | 840,997 |

20. COMMITMENTS

| | 30.6.2021 | 31.12.2020 |
|--|--------------------|------------|
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (audited) |
| Capital expenditure contracted for but not provided in the condensed consolidated financial statement in respect of: | | |
| – Property, plant and equipment | 37,590 | 28,720 |
| – Investment properties | 14,683 | 25,387 |
| | 52,273 | 54,107 |

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2021***21. RELATED PARTY TRANSACTIONS**

The Group has following balance with a related party:

| Relationships | Nature of balance | 30.6.2021 | 31.12.2020 |
|---|--------------------------|--------------------|-------------------|
| | | HK\$'000 | HK\$'000 |
| | | (unaudited) | (audited) |
| A partnership of which a non-executive director of the Company is a partner | Other payable (Note) | 417 | 512 |

Note: Amount payable as at 30 June 2021 and 31 December 2020 represents the legal and professional services rendered to the Group before appointment of the relevant non-executive director.

The remuneration of directors of the Company, who are the key management of the Group, during the period was as follows:

| | Six months ended | |
|---|-------------------------|--------------------|
| | 30.6.2021 | 30.6.2020 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Salaries and other short-term employee benefits | 2,471 | 2,246 |
| Retirement benefit costs | 79 | 52 |
| | 2,550 | 2,298 |

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

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

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

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

INTERIM DIVIDEND

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

REVIEW OF OPERATIONS

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



REVIEW OF OPERATIONS (Continued)

Healthcare Division:

Despite the negative impact from the COVID-19 pandemic, there is a gradual recovery in the global business and production activities, employment and economic performance, and movement in people in the first half of 2021. As such, for the six months ended 30 June 2021, the Group's Healthcare Division, operated through its wholly-owned subsidiary, Tongren Healthcare Industry Group Co., Ltd. (同仁醫療產業集團有限公司) ("Tongren Healthcare"), recorded a higher revenue of HK\$662,217,000 (2020: HK\$432,839,000) and an increased profit of HK\$17,600,000 (2020: HK\$3,799,000). Without interest, tax, depreciation and amortisation, the Healthcare Division generated an EBITDA, being earnings before interest, tax, depreciation and amortisation, of HK\$93,539,000 (2020: HK\$58,916,000) for the six months ended 30 June 2021.

Nanjing hospital of the Division ("NJH"):

For NJH, a Class III integrated hospital located in Jiangning Development Zone, Nanjing City, Jiangsu Province, PRC and the Division's flagship hospital, currently it operates 41 clinical medical & technical departments including 1 national key clinical specialty (otorhinolaryngology ("ENT"), head and neck surgery), 1 provincial key clinical specialty (ENT, head and neck surgery), 5 municipal key medical specialties (ENT, head and neck surgery, ophthalmology, neurology, medical imaging, anesthesiology), an academician workstation, as well as the approved Nanjing Tongren's ENT Hospital and Nanjing Tongren Children's Hospital.

During the period under review:

- (i) for application of Class III A integrated hospital accreditation: application is submitted to the Jiangsu Province Medical Management Centre (江蘇省醫管中心) in April 2021 with the preparation for the accreditation assessment in full swing;

REVIEW OF OPERATIONS (*Continued*)

Healthcare Division: (*Continued*)

Nanjing hospital of the Division (“NJH”): (*Continued*)

During the period under review: (*Continued*)

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

Kunming hospital of the Division (“KMH”):

For KMH, another Class III integrated hospital of the Group located in Kunming City, Yunnan Province, PRC, currently it operates 37 clinical medical & technical departments.

REVIEW OF OPERATIONS *(Continued)*

Healthcare Division: *(Continued)*

Kunming hospital of the Division (“KMH”): *(Continued)*

During the period under review:

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

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

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

REVIEW OF OPERATIONS *(Continued)*

Eldercare Division:

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

As of 30 June 2021, Tide Health Campus (天地健康城) of the Eldercare Division located in Zhu Jia Jiao County, Qingpu District, Shanghai, PRC, a retirement community village that integrates community eldercare, institutional eldercare, home eldercare and eldercare nursing hospital, sold 848 Independent Living Units ("ILUs") out of a total inventory of 868 ILUs and among which 8 ILUs (2020: 5) were recorded as sales in the period under review with more than 346 residents (2020: 330) moved into the retirement community village. In addition, the Division's serviced apartments ("SAs") consist of three 11-storey buildings with the construction and renovation of the first building and the second building completed in November 2016 and May 2020 respectively, offering a total of 210 SAs (2020: 210) for lease. As at 30 June 2021, the Division leased out 46 SAs (2020: 58).

During the period under review:

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



REVIEW OF OPERATIONS (Continued)

Eldercare Division: (Continued)

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

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

As at 30 June 2021, the Division's investment properties portfolio, 100% attributable to the Group, comprising the SAs (three 11-storey buildings with total gross floor area ("GFA") of 25,804m²) and the retail shopping precinct (retail shops with GFA of 3,502m² and shopping mall with GFA of 6,044m²) with a total value amounted to HK\$544,835,000 (2020: HK\$504,929,000).

Property Development:

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

Property Investments:

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

REVIEW OF OPERATIONS (Continued)

Securities Trading and Investments:

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

As at 30 June 2021, the Group maintained a portfolio of financial assets at FVTPL and debt instruments at FVTOCI of HK\$5,489,000 (2020: HK\$5,358,000) and a portfolio of investments held for trading of HK\$19,052,000 (2020: HK\$21,331,000).

As at 30 June 2021, the Group's investments held for trading consisted of securities listed in different geographic locations and their respective performance were as follows:

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

**REVIEW OF OPERATIONS (Continued)****Securities Trading and Investments: (Continued)**

As at 30 June 2021, the Group's investments held for trading consisted of investments in different category of companies and their respective performance were as follows:

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

REVIEW OF OPERATIONS (Continued)

Securities Trading and Investments: (Continued)

At 30 June 2021, there was no investment held for trading which was significant to the Group (exceeded 5% of the total assets of the Group).

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

Money Lending:

For the period under review, the Group's money lending business recorded no interest income (2020: nil) and a loss of HK\$51,467,000 (2020: HK\$11,957,000) after the impairment loss recognised on the loan receivable of HK\$51,467,000 (2020: HK\$11,949,000). As at 30 June 2021, the Group's loan portfolio consists of a loan receivable with outstanding principal amount of HK\$95,215,000 (2020: HK\$95,215,000) (HK\$17,379,000 (2020: HK\$79,365,000) after impairment loss allowance of HK\$77,836,000 (2020: HK\$15,850,000)). The Group estimated recoverable amount and the future settlement date of the loan receivable based on information currently available and therefore, for the period under review, there is an impairment loss allowance adjustment to reduce the carrying amount of the loan receivable to the estimated recoverable amount.

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

REVIEW OF OPERATIONS *(Continued)*

Money Lending: *(Continued)*

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

- (i) in October 2020, January 2021 and April 2021, the new JPLs contacted various parties regarding the possibility of restructuring the Borrower Group and the new JPLs have received preliminary proposals from potential investors on the restructuring of the Borrower Group. The new JPLs have had discussions with the potential investors but no formal restructuring proposal or formal agreement has been entered into by the Borrower as at the dates of the respective announcements;
- (ii) in April 2021, a creditor of the Borrower filed an urgent application with the Supreme Court of Bermuda seeking, among other things, an order for substituting the creditor as the petitioner in the creditor's winding-up petition filed in March 2020 (the "Creditor's Winding-up Petition"). Neither the said application nor the Creditor's Winding-up Petition has been fixed for hearing; and
- (iii) in May 2021 and June 2021, the Borrower Subsidiary II entered into a memorandum of understanding with an investor and the Borrower Subsidiary II's receivers which involves the implementation of a rescue proposal inclusive of, among others, a capital reorganisation, rights issue, placing and a scheme of arrangement to compromise with all creditors' claims against the Borrower Subsidiary II (inclusive of the shareholder's loan owed by the Borrower Subsidiary II to the Borrower under the Deed of Assignment II) ("Proposed Creditors' Scheme").

REVIEW OF OPERATIONS (Continued)

Money Lending: (Continued)

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

The Group and the Receivers have been in back and forth discussions with the Borrower Group and the new JPLs on the settlement of the total indebtedness under the Loan Documents. The Borrower Group and the new JPLs have represented that they are in the process of executing certain plans for asset realisation and/or financing to settle the total indebtedness under the Loan Documents. The Group and the Receivers have also been approached and in discussion with other potential investors for possible realisation of the security assets under the Loan Documents. However, no definitive proposal or agreement has been entered into with the Group as at 30 June 2021.

The Group and the Receivers will continue to maintain regular dialogue with the Borrower Group and the new JPLs, discuss and negotiate with other potential investors, regularly monitor the progress of settlement and/or realisation of security assets and/or the Proposed Creditors’ Scheme, re-assess the value of securities, based on the information currently available to the Group, from time to time and shall take all appropriate further actions as and when appropriate.



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

As at 30 June 2021, the Group's non-current assets of HK\$2,417,939,000 (2020: HK\$2,270,545,000) consisted of investment properties of HK\$798,017,000 (2020: HK\$765,449,000), property, plant and equipment of HK\$1,463,128,000 (2020: HK\$1,287,403,000), right-of-use assets of HK\$100,115,000 (2020: HK\$96,830,000), loan receivable of HK\$17,379,000 (2020: HK\$79,365,000), financial assets at FVTPL of HK\$802,000 (2020: HK\$802,000), goodwill of HK\$32,765,000 (2020: HK\$30,216,000) and deposits for acquisition of property, plant and equipment of HK\$5,733,000 (2020: HK\$10,480,000). These non-current assets are principally financed by the Group's shareholders' funds.

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

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

As at 30 June 2021, the Group's gearing ratio, calculated on the basis of the Group's net borrowings (after pledged bank deposits, restricted bank deposits and bank balances and cash) over total equity, was 20.8% (2020: 15.3%). The Group's gearing ratio would be adjusted to 19.4% (2020: 13.8%) with marketable securities inclusive of debt instruments at FVTOCI and investments held for trading deducted from the net borrowings.



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

In December 2015, the subscription agreement for subscribing 2,000,000,000 new shares of the Company at the subscription price of HK\$0.45 per share raising gross proceeds of HK\$900,000,000 ("Subscription") for the Company was completed. As at 30 June 2021, details of use of net proceeds from the Subscription were as follows:

| Intended use of the net proceeds | Actual use of the net proceeds |
|---|---|
| i. An amount of approximately HK\$600,000,000 will be used for working capital and for expansion of the Group's hospital and healthcare, and aged care businesses | a) Approximately HK\$139,750,000 was used for construction cost of Block D of NJH; b) Approximately HK\$39,600,000 was used for construction cost of Block F of NJH; c) Approximately HK\$80,569,000 was used for working capital of the healthcare business; d) Approximately HK\$100,287,000 (RMB90,000,000) was used to settle the acquisition costs of 18.36% equity interests of Yangpu Zhaohe Industrial Co. Ltd*; e) HK\$85,800,000 was used to settle the acquisition cost of 30% equity interest of Aveo China; and f) Approximately HK\$153,994,000 was used for purchasing and improvement of medical and healthcare equipment. |
| ii. The remaining balance of approximately HK\$299,250,000 will be used for reduction of the borrowings of the Group | HK\$299,250,000 was used for reduction of the borrowings of the Group. |

Note:

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

**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 2021 HK\$'000 | Remaining balance of the net proceeds as at 30 June 2021 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 | 586,972 | 13,028 | – |
| ii. The remaining balance of approximately HK\$299,250,000 will be used for reduction of the borrowings of the Group | 299,250 | – | – |
| Total | 886,222 | 13,028 | – |

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 2021 is as follows:

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

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

During the period under review, the Company did not repurchase any shares (2020: nil) in the capital of the Company.

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



CHARGE ON GROUP ASSETS

As at 30 June 2021, the Group's investments held for trading of HK\$19,052,000 (2020: HK\$21,331,000), buildings (included in property, plant and equipment) of HK\$189,990,000 (2020: HK\$184,493,000), investment properties of HK\$495,884,000 (2020: HK\$469,550,000), properties held for sale of HK\$37,841,000 (2020: HK\$34,515,000), pledged bank deposits of HK\$39,799,000 (2020: HK\$21,986,000) and medical equipment of HK\$88,057,000 (2020: nil) were pledged to banks, financial institution, securities brokers houses and finance lease provider to secure credit facilities granted to the Group.

CAPITAL COMMITMENTS

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

CONTINGENT LIABILITIES

Save as disclosed in this report, as at 30 June 2021, the Group is not aware of any material contingent liabilities.

MATERIAL ACQUISITIONS AND DISPOSAL, AND FUTURE PLANS

Save as disclosed in this report, during the six months ended 30 June 2021, the Group did not hold any other significant investments nor have any material acquisitions or disposals of subsidiaries, associated companies and joint ventures.

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

EMPLOYEES

The Group had 2,372 employees as at 30 June 2021 (2020: 2,297). The Group ensures that its employees are remunerated in line with market conditions and individual performance and the remuneration policies are reviewed on a regular basis.

COVID-19 PANDEMIC RESPONSE

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

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



COVID-19 PANDEMIC RESPONSE (*Continued*)

As for operations of the Healthcare Division and Eldercare Division in the PRC, various emergency prevention and control measures have been taken to contain the spread of the disease, protect the safety and health of all its medical and technical staff, employees, patients and residents, and ensure the continuation of all necessary operations.

PROSPECTS

Healthcare Division:

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

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

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

PROSPECTS (Continued)

Healthcare Division: (Continued)

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

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

Eldercare Division:

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

Others:

Progressive vaccination and more government fiscal stimulus have raised hopes but uncertainty and pressure on economic and business environment remains as new waves and variants of the coronavirus, and geo-political tensions are posing concerns. Against this backdrop of uncertain global and local economic, business and investment outlooks, the operating environments of the Group will be challenging and the Group will remain cautious and continue to review and adjust its business and investment strategies, and investment portfolio to suit the prevailing challenging economic and investment environment and will seek investment and business opportunities in the PRC, Hong Kong and the Asia Pacific region to enhance value for its shareholders.



INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 30 June 2021, 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”) as set out 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) | - | 2,592,514,140 | 17.90% |

Note:

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 2021.

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 2021, 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 2021, 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:

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 | (Note 1) | 4,000,000,000 | 27.62% |
| Resuccess Investments Limited ("Resuccess") | Held by controlled corporation | (Note 1) | 4,000,000,000 | 27.62% |
| Cool Clouds Limited ("Cool Clouds") | Beneficial owner | (Note 1) | 4,000,000,000 | 27.62% |
| Ms. Chong Sok Un ("Ms. Chong") | Held by controlled corporation | (Note 2) | 2,592,514,140 | 17.90% |
| China Spirit Limited ("China Spirit") | Held by controlled corporation | (Note 2) | 2,592,514,140 | 17.90% |
| Vigor Online Offshore Limited ("Vigor") | Beneficial owner | (Note 2) | 2,592,514,140 | 17.90% |



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 |
|--|--------------------------------|----------|--------------------------------|--------------------------------------|
| China Minsheng Investment Group Corp., Ltd. 中國民生投資股份有限公司 (“CMI”) | Held by controlled corporation | (Note 3) | 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 | (Note 3) | 2,000,000,000 | 13.81% |
| CMI Financial Holding Corporation (“CMIF”) | Held by controlled corporation | (Note 3) | 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 | (Note 3) | 2,000,000,000 | 13.81% |
| CM International Capital Limited (“CMIC”) | Held by controlled corporation | (Note 3) | 2,000,000,000 | 13.81% |
| Victor Beauty Investments Limited (“Victor Beauty”) | Beneficial owner | (Note 3) | 2,000,000,000 | 13.81% |
| Ms. Ding Moyan (“Ms. Ding”) | Held by controlled corporation | (Note 4) | 1,149,739,208 | 7.94% |
| Excellent Top Holdings Limited (“Excellent Top”) | Held by controlled corporation | (Note 4) | 1,149,739,208 | 7.94% |
| Greatime Management Corp. (“Greatime”) | Beneficial owner | (Note 4) | 1,149,739,208 | 7.94% |



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 |
|--|--------------------------------|-----------------|--------------------------------|--------------------------------------|
| Mr. Lee Seng Hui | Held by controlled corporation | <i>(Note 5)</i> | 3,142,468,833 | 21.70% |
| Ms. Lee Su Hwei | Held by controlled corporation | <i>(Note 5)</i> | 3,142,468,833 | 21.70% |
| Mr. Lee Seng Huang | Held by controlled corporation | <i>(Note 5)</i> | 3,142,468,833 | 21.70% |
| Allied Group Limited ("Allied Group") | Held by controlled corporation | <i>(Note 5)</i> | 3,142,468,833 | 21.70% |
| Sun Hung Kai & Co. Limited ("SHK") | Held by controlled corporation | <i>(Note 5)</i> | 1,284,939,208 | 8.87% |
| Shipsape Investments Limited ("Shipsape") | Held by controlled corporation | <i>(Note 5)</i> | 1,284,939,208 | 8.87% |
| Itso Limited ("Itso") | Holder of security interest | <i>(Note 5)</i> | 1,149,739,208 | 7.94% |
| Tian An China Investments Company Limited ("Tian An") | Held by controlled corporation | <i>(Note 5)</i> | 1,857,529,625 | 12.82% |



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 2021.

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 2021. 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 Limited, a wholly-owned subsidiary of Tian An, owned 1,857,529,625 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 Group via its subsidiaries.

Itso, a wholly-owned subsidiary of Shipshape, held 1,149,739,208 ordinary shares of the Company as holder of security interest 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 security interest. Shipshape was a wholly-owned subsidiary of SHK. SHK was owned as to approximately 72.75% by Allied Group via its subsidiaries.

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. The Lee and Lee Trust controlled approximately 74.96% 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 2021, 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 2021). In carrying out this review, the Audit Committee has relied on a review conducted by the Group’s external auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA as well as reports obtained from the Management. The Audit Committee has not undertaken detailed independent audit checks.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the applicable code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2021.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, they have confirmed their compliance with the required standard as set out in the Model Code throughout the six months ended 30 June 2021.

CHANGES IN DIRECTOR’S INFORMATION

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

- i) Mr. Lai Hin Wing Henry Stephen has been appointed as a member of the Consultation Panel of the West Kowloon Cultural District Authority with effect from 1 March 2021. He has ceased as a member of the Securities and Futures Appeals Tribunal with effect from 31 March 2021.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

HONG KONG MARKET MISCONDUCT TRIBUNAL PROCEEDINGS

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

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

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

Hong Kong, 26 August 2021

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

Executive Directors

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

Non-Executive Directors

Mr. Zheng Zhen and Mr. Lai Hin Wing Henry Stephen

Independent Non-Executive Directors

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



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