



China Medical & HealthCare Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 383)

2022 Interim Report



UNAUDITED RESULTS OF THE GROUP

The board of directors (the “Directors” and the “Board”, respectively) of China Medical & HealthCare Group Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2022 together with the comparative figures for the corresponding period in 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	NOTES	Six months ended 30.6.2022 HK\$'000 (unaudited)	30.6.2021 HK\$'000 (unaudited)
Revenue	3	736,020	708,672
Gross proceeds from sales of investments held for trading		—	2,184
Total		736,020	710,856
Revenue	3		
Goods and services from contracts with customers		732,685	705,619
Rental		3,322	3,038
Others		13	15
		736,020	708,672
Cost of goods and services		(618,553)	(572,109)
Gross profit		117,467	136,563
Other gains and losses, and other income	5	(2,064)	(49,402)
Selling and distribution costs		(310)	(1,727)
Administrative expenses		(122,560)	(115,225)
Loss from operations		(7,467)	(29,791)
Finance costs	6	(31,571)	(29,930)
Loss before taxation		(39,038)	(59,721)
Income tax expense	7	(772)	(6,058)
Loss for the period	8	(39,810)	(65,779)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

		Six months ended	
	NOTE	30.6.2022 HK\$'000 (unaudited)	30.6.2021 HK\$'000 (unaudited)
Attributable to:			
Owners of the Company		(43,902)	(73,899)
Non-controlling interests		4,092	8,120
		(39,810)	(65,779)
Loss per share			
	10		
Basic		HK (0.30) cents	HK (0.51) cents
Diluted		N/A	N/A



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Six months ended	
	30.6.2022 HK\$'000 (unaudited)	30.6.2021 HK\$'000 (unaudited)
Loss for the period	(39,810)	(65,779)
Other comprehensive income:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Net change on debt instruments at fair value through other comprehensive income	(74)	85
Exchange differences on translating foreign operations	(24,505)	8,196
	(24,579)	8,281
Total comprehensive income for the period	(64,389)	(57,498)
Attributable to:		
Owners of the Company	(67,499)	(63,910)
Non-controlling interests	3,110	6,412
	(64,389)	(57,498)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	NOTES	30.6.2022 HK\$'000 (unaudited)	31.12.2021 HK\$'000 (audited)
Non-current assets			
Investment properties	11	597,392	806,445
Property, plant and equipment	11	1,464,895	1,541,800
Right-of-use assets		140,884	152,309
Loan receivable	13	–	–
Interests in associates		–	–
Financial assets at fair value through profit or loss		802	802
Goodwill		–	–
Deposits for acquisition of property, plant and equipment		10,278	6,087
		2,214,251	2,507,443
Current assets			
Inventories		23,338	26,675
Properties under development for sale		193,372	6,488
Properties held for sale		103,398	114,207
Debt instruments at fair value through other comprehensive income		4,608	4,682
Investments held for trading		14,122	14,791
Debtors, deposits and prepayments	12	204,249	178,090
Pledged bank deposits		45,665	46,678
Restricted bank deposits		291	13,994
Bank balances and cash		539,482	576,490
		1,128,525	982,095

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

AS AT 30 JUNE 2022

	NOTES	30.6.2022 HK\$'000 (unaudited)	31.12.2021 HK\$'000 (audited)
Current liabilities			
Creditors, deposits, receipts in advance and accrued charges	14	517,451	562,145
Deposits received on sales of properties		186	1,910
Other contract liabilities		27,225	40,777
Amount due to an associate		6,442	6,726
Borrowings	15	628,717	603,533
Lease liabilities		4,804	2,780
Current tax liabilities		115,895	120,604
		<u>1,300,720</u>	<u>1,338,475</u>
Net current liabilities		(172,195)	(356,380)
Total assets less current liabilities		2,042,056	2,151,063
Non-current liabilities			
Other contract liabilities		13,130	14,375
Borrowings	15	278,294	316,407
Lease liabilities		44,411	49,236
Deferred tax liabilities	16	53,354	53,789
		<u>389,189</u>	<u>433,807</u>
Net assets		1,652,867	1,717,256
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	17	7,240	7,240
Reserves		1,625,858	1,693,357
		<u>1,633,098</u>	<u>1,700,597</u>
Non-controlling interests		19,769	16,659
Total equity		1,652,867	1,717,256

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Attributable to owners of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Properties revaluation reserve	Investment revaluation reserve	Capital redemption reserve	Other reserve	Translation reserve	Accumulated losses	Sub-total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As 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 for the period	-	-	-	85	-	-	9,904	-	9,989	(1,708)	8,281	
Total comprehensive income for the period	-	-	-	85	-	-	9,904	(73,899)	(63,910)	6,412	(57,498)	
As 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	
As at 1 January 2022 (audited)	7,240	2,621,374	104,798	1,100	2,496	(796,531)	77,806	(317,686)	1,700,597	16,659	1,717,256	
(Loss)/profit for the period	-	-	-	-	-	-	-	(43,902)	(43,902)	4,092	(39,810)	
Other comprehensive income for the period	-	-	-	(74)	-	-	(23,523)	-	(23,597)	(982)	(24,579)	
Total comprehensive income for the period	-	-	-	(74)	-	-	(23,523)	(43,902)	(67,499)	3,110	(64,389)	
As at 30 June 2022 (unaudited)	7,240	2,621,374	104,798	1,026	2,496	(796,531)	54,283	(361,588)	1,633,098	19,769	1,652,867	



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Six months ended	
	30.6.2022	30.6.2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Operating activities		
Cash generated from operating activities	23,801	81,675
Interest paid	(31,571)	(29,930)
Tax paid	(621)	(9,982)
Net cash (used in)/generated from operating activities	(8,391)	41,763
Investing activities		
Net withdrawal/(placement) of pledged bank deposits/ restricted bank deposits	12,524	(36,736)
Proceeds from disposal of investments held for trading	–	2,184
Additions of investment properties	(3,710)	(11,991)
Additions of property, plant and equipment	(44,220)	(70,780)
Deposits paid for acquisition of property, plant and equipment	(10,594)	–
Other investing activities	947	743
Net cash used in investing activities	(45,053)	(116,580)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Six months ended	
	30.6.2022	30.6.2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Financing activities		
New borrowings raised	120,712	73,337
Repayments of borrowings	(93,955)	(81,089)
Principal element of lease payments	(793)	(1,373)
Net cash generated from/(used in) financing activities	<u>25,964</u>	<u>(9,125)</u>
Net decrease in cash and cash equivalents	(27,480)	(83,942)
Effect of foreign exchange rate changes	(9,528)	6,508
Cash and cash equivalents at beginning of the period	<u>576,490</u>	<u>616,474</u>
Cash and cash equivalents at end of the period	<u>539,482</u>	<u>539,040</u>
Analysis of cash and cash equivalents		
Bank balances and cash	<u>539,482</u>	<u>539,040</u>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. BASIS OF PREPARATION

These 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”) and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

These condensed consolidated financial statements should be read in conjunction with the 2021 annual financial statements. The accounting policies (including the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2021.

The Group incurred a net loss of HK\$39,810,000 during the six months ended 30 June 2022 and, as of 30 June 2022, the Group’s current liabilities exceeded its current assets by HK\$172,195,000. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The directors have reviewed the Group’s cash flow projections in which the level of the demand of the Group’s services and products and the potential implications of COVID-19 have been considered. The projection covers a period of 12 months from 30 June 2022. Taking into account that (i) there exists the ongoing availability of finance to the Group, including the cash flows generated from its principal operations, the existing banking facilities, successful refinancing of certain bank borrowings of HK\$18,622,000 subsequent to the reporting period and the utilisation of the medium term standby loan facility (“Medium Term Standby Loan Facility”) of HK\$415,000,000 from a financial institution if necessary; (ii) the Medium Term Standby Loan Facility gives the Group more flexibility in refinancing the Group’s current liabilities with non-current borrowings; and (iii) given the Group’s relatively low gearing level, it can raise additional finance, if necessary, the directors are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next 12 months from the end of the reporting period. Accordingly, the 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 2022

1. BASIS OF PREPARATION *(Continued)*

Notwithstanding the above, significant uncertainties exist. The current economic conditions and ongoing COVID-19 pandemic continue to create uncertainty particularly over the level of demand for the Group's services and products and the availability of finance from banks and the financial institution for the foreseeable future.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in the condensed consolidated financial statements.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The accounting policies applied in these condensed consolidated financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2021. In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2022 but they do not have a material effect on the Group's financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated financial statements.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

3. REVENUE

	Six months ended	
	30.6.2022 HK\$'000 (unaudited)	30.6.2021 HK\$'000 (unaudited)
Revenue from contracts with customers		
Hospital fees and charges	705,153	662,217
Eldercare related services and sales of nutritions	17,585	19,497
Sale of properties	9,947	23,905
	<u>732,685</u>	<u>705,619</u>
Revenue from other sources		
Rental income	3,322	3,038
Dividend income from listed investments	13	15
	<u>3,335</u>	<u>3,053</u>
	<u>736,020</u>	<u>708,672</u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2022***3. REVENUE (Continued)****(a) Disaggregation of revenue from contracts with customers***For the six months ended 30 June 2022 (unaudited)*

Segments	Healthcare HK\$'000	Eldercare HK\$'000	Property development HK\$'000	Total HK\$'000
Types of goods or services				
Hospital fees and charges				
– Inpatient healthcare services	251,820	–	–	251,820
– Outpatient healthcare services	238,573	–	–	238,573
– Other healthcare services	5,689	–	–	5,689
– Physical examination services	51,027	–	–	51,027
– Sales of pharmaceutical	158,044	–	–	158,044
Eldercare related services	–	13,919	–	13,919
Sales of nutritions	–	3,666	–	3,666
Sales of properties	–	9,566	381	9,947
	<u>705,153</u>	<u>27,151</u>	<u>381</u>	<u>732,685</u>
Total				
	<u>705,153</u>	<u>27,151</u>	<u>381</u>	<u>732,685</u>
Timing of revenue recognition				
At a point in time	690,807	16,848	381	708,036
Over time	14,346	10,303	–	24,649
	<u>705,153</u>	<u>27,151</u>	<u>381</u>	<u>732,685</u>
Total				
	<u>705,153</u>	<u>27,151</u>	<u>381</u>	<u>732,685</u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2022***3. REVENUE (Continued)****(a) Disaggregation of revenue from contracts with customers (Continued)***For the six months ended 30 June 2021 (unaudited)*

Segments	Healthcare HK\$'000	Eldercare HK\$'000	Property development HK\$'000	Total HK\$'000
Types of goods or services				
Hospital fees and charges				
– Inpatient healthcare services	258,520	–	–	258,520
– Outpatient healthcare services	194,314	–	–	194,314
– Other healthcare services	4,749	–	–	4,749
– Physical examination services	37,151	–	–	37,151
– Sales of pharmaceutical	167,483	–	–	167,483
Eldercare related services	–	16,534	–	16,534
Sales of nutritions	–	2,963	–	2,963
Sales of properties	–	17,831	6,074	23,905
Total	662,217	37,328	6,074	705,619
Timing of revenue recognition				
At a point in time	646,558	20,794	6,074	673,426
Over time	15,659	16,534	–	32,193
Total	662,217	37,328	6,074	705,619

All the revenue from contracts with customers are derived from the People's Republic of China, except Hong Kong (the "PRC").

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2022***3. REVENUE (Continued)****(a) Disaggregation of revenue from contracts with customers (Continued)**

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 2022 (unaudited)

	Healthcare HK\$'000	Eldercare HK\$'000	Property development HK\$'000
Revenue disclosed in segment information	705,153	27,852	381
Less: Rental income	—	(701)	—
Revenue from contracts with customers	<u>705,153</u>	<u>27,151</u>	<u>381</u>

For the six months ended 30 June 2021 (unaudited)

	Healthcare HK\$'000	Eldercare HK\$'000	Property development HK\$'000
Revenue disclosed in segment information	662,217	38,060	6,074
Less: Rental income	—	(732)	—
Revenue from contracts with customers	<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 2022

3. REVENUE (Continued)

(b) 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 inpatient 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 benefits provided by 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 and consumed the eldercare related services over time. For 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 products has transferred, being at the point the customer receives the pharmaceutical and nutritions. Payment of the transaction price is due immediately at the point the customer receives the pharmaceutical and nutritions.

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”.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

3. REVENUE (Continued)

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

All the Group's contracts with customers in relation to healthcare services, eldercare related services, sales of pharmaceutical and nutritions and property development had an original expected duration of one year or less. The Group has applied the practical expedient in paragraph 121 of HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

4. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports according to the types of goods or services delivered and provided, and are regularly reviewed by the chief operating decision-maker (the "CODM") to allocate resources to the segments and to assess their performance.

The CODM which is responsible for allocating resources and assessing performance of the operating segments has been defined as the executive directors of the Company.

During the six months ended 30 June 2022, the CODM has identified the following six operating and reportable segments under HKFRS 8 Operating Segments. No operating segments have been aggregated to form the following reportable segments.

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 elder 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.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2022***4. SEGMENT INFORMATION (Continued)**

Property investment – leasing of residential and office properties.

Financial services – provision of loan financial services.

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

Segment revenue 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 2022

	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	-	-	-	-	-	-	-
Revenue	705,153	27,852	381	2,621	-	13	736,020
Segment profit/(loss)	1,588	(17,055)	(3,152)	(193)	(1,206)	(588)	(20,606)
Unallocated:							
Other gains and losses, and other income							533
Net foreign exchange loss							(6,434)
Central corporate expenses							(12,464)
Finance costs							(67)
Loss before taxation							(39,038)

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2022***4. SEGMENT INFORMATION (Continued)****Segment revenue and results (Continued)***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)
Unallocated:							
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)

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2022***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:

As at 30 June 2022

	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	1,705,172	896,960	68,062	243,015	-	19,358	2,932,567
Corporate assets							<u>410,209</u>
Consolidated assets							<u>3,342,776</u>
Segment liabilities	1,132,518	496,598	42,127	7,111	-	-	1,678,354
Corporate liabilities							<u>11,555</u>
Consolidated liabilities							<u>1,689,909</u>

As at 31 December 2021

	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	1,787,288	938,257	32,798	280,758	-	19,994	3,059,095
Corporate assets							<u>430,443</u>
Consolidated assets							<u>3,489,538</u>
Segment liabilities	1,162,168	546,003	45,590	6,563	-	-	1,760,324
Corporate liabilities							<u>11,958</u>
Consolidated liabilities							<u>1,772,282</u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2022***5. OTHER GAINS AND LOSSES, AND OTHER INCOME**

	Six months ended	
	30.6.2022	30.6.2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss on fair value of investments held for trading	(669)	(1,420)
Training and other services	3,081	6,895
Impairment loss recognised on trade receivables	(177)	(2,496)
Impairment loss recognised on loan receivable	–	(51,467)
Net foreign exchange loss	(11,473)	(3,423)
Net realised gain on disposals of investments held for trading	–	897
Government subsidies (Note)	4,153	–
Interest income from:		
– Debt instruments at fair value through other comprehensive income (“FVTOCI”)	111	111
– Bank deposits	836	632
Other sundry income	2,074	869
	(2,064)	(49,402)

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

6. FINANCE COSTS

The finance costs represent interest as follows:

	Six months ended	
	30.6.2022	30.6.2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on:		
Bank and other borrowings	29,626	29,899
Lease liabilities	1,945	31
	31,571	29,930

7. INCOME TAX EXPENSE

Income tax has been recognised in profit or loss as follows:

	Six months ended	
	30.6.2022	30.6.2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax		
Corporate income tax ("CIT") in the PRC	249	6,109
Land appreciation tax ("LAT") in the PRC	449	875
	698	6,984
Deferred tax		
Origination and reversal of temporary differences (Note 16)	74	(926)
	772	6,058

Under the Two-tiered Profits Tax Rates Regime, the first HK\$2,000,000 of profits of the qualifying group entity established in Hong Kong will be taxed at 8.25%, and profits above that amount will be subject to the tax rate of 16.5%. The profits of the group entities not qualifying for the Two-tiered Profits Tax Rates Regime will continue to be taxed at a rate of 16.5%.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

7. INCOME TAX EXPENSE *(Continued)*

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements since the Group entities have either sufficient tax losses brought forward to set off against current period's assessable profits or no assessable profits arising in Hong Kong.

The tax charge in respect of the current period represents CIT in the PRC which is calculated at the prevailing tax rate on the taxable income of the subsidiaries in the PRC.

The Company's subsidiaries in the PRC are subject to CIT rate at 25%.

According to the PRC CIT law, withholding income tax at a rate of 10% would be imposed on dividends relating to profits earned from year 2008 onwards to foreign investors for the companies established in the PRC. Such dividend tax rate may be further reduced by applicable tax treaties or arrangement. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, the withholding tax rate on dividends paid by a PRC resident enterprise to a Hong Kong resident enterprise is further reduced to 5% if the Hong Kong resident enterprise holds at least 25% equity interests in the PRC resident enterprise.

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.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

8. LOSS FOR THE PERIOD

Loss for the period is stated after charging the following:

	Six months ended	
	30.6.2022	30.6.2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	61,764	54,598
Depreciation of right-of-use assets	5,355	2,838
Cost of inventories sold and properties held for sale recognised as an expense (included in cost of goods and services)	319,748	284,205

9. DIVIDENDS

The Board of the Company does not recommend any dividend in respect of the six months ended 30 June 2022 and 2021.

10. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period attributable to owners of the Company and the weighted average number of ordinary shares in issue during the period:

	Six months ended	
	30.6.2022	30.6.2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)

Loss

Loss for the purpose of calculating basic loss per share for the period attributable to owners of the Company

(43,902)	(73,899)
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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2022***10. LOSS PER SHARE (Continued)**

	Six months ended	
	30.6.2022	30.6.2021
	(unaudited)	(unaudited)
<hr/>		
Number of shares		
Weighted average number of ordinary shares for the purposes of calculating basic loss per share	<u>14,480,072,773</u>	<u>14,480,072,773</u>

No diluted loss per share has been presented as there were no potential dilutive shares outstanding for the six months ended 30 June 2022 and 2021.

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

During the six months ended 30 June 2022, additions to the Group's property, plant and equipment amounted to HK\$44,220,000 (six months ended 30 June 2021: HK\$74,043,000).

During the six months ended 30 June 2022, additions to the Group's investment properties amounted to HK\$3,710,000 (six months ended 30 June 2021: HK\$11,991,000) and investment properties with a carrying amount of HK\$187,158,000 were transferred to properties under development for sale upon the change in intended use (six months ended 30 June 2021: HK\$Nil).

As at 30 June 2022, fair values of the Group's investment properties and buildings included in property, plant and equipment were assessed by the directors of the Company. As at 30 June 2022, 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.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2022***12. DEBTORS, DEPOSITS AND PREPAYMENTS**

	30.6.2022	31.12.2021
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Trade receivables		
Debtors from securities trading	67	65
Debtors from financial services	876	876
Debtors from leasing of properties	803	646
Trade receivables arising from hospital operation and eldercare related services operation	165,416	149,335
	167,162	150,922
Less: Allowance for credit losses	(2,622)	(2,519)
	164,540	148,403
Deposits with and receivables from the financial institutions	524	418
Prepayments, other debtors and deposits	39,185	29,269
	204,249	178,090

The customers of hospital operation and eldercare related services operation are either settled by cash, credit card or local governments' social insurance schemes. For credit card payment, the banks usually pay the Group 7 days after the trade date. Payments under local governments' social insurance schemes are normally 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 local governments' social insurance schemes, 90 days from the invoice date.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2022***12. DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)**

The following is an aging analysis of trade receivables arising from hospital operation and eldercare related services operation denominated in Renminbi (“RMB”) and presented based on the invoice date which approximates the date of revenue recognition:

	30.6.2022 HK\$’000 (unaudited)	31.12.2021 HK\$’000 (audited)
0–30 days	87,854	113,230
31–60 days	45,558	15,251
61–90 days	17,857	4,289
91–365 days	10,130	16,370
More than 365 days	4,017	195
	165,416	149,335

13. LOAN RECEIVABLE

	30.6.2022 HK\$’000 (unaudited)	31.12.2021 HK\$’000 (audited)
Fixed-rate loan	95,215	95,215
Less: Allowance for credit losses	(95,215)	(95,215)
	–	–

The balance represents a secured loan by a subsidiary of the Company (the “Subsidiary”) as lender, to an independent third party corporate borrower, the shares of which were listed on the Stock Exchange (the “Borrower”). The loan is secured by (i) a debenture created by the chargor, a wholly owned subsidiary of the Borrower (the “Chargor”) in favour of the 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 owed by another non-wholly-owned subsidiary of the Borrower and held by the Borrower; and (iv) a deed of assignment of shareholder’s loan owed by Chargor and held by the Borrower. The loan receivable is interest-bearing at a range of 16% to 22.41% per annum and repayable by 11 September 2020.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

13. LOAN RECEIVABLE (Continued)

As at 30 June 2022, based on the assessment of the directors of the Company, the loan receivable is not expected to be settled within the next 12 months and therefore classified as non-current asset.

In 2021, the directors of the Company considered that the estimated cash flow of the loan receivable and/or the realisation of the relevant collaterals is expected to be zero due to the adverse development of value of collaterals (inclusive of the anticipated receipts of the shareholder's loan held by the Borrower that are assigned to the Group). The carrying amount of the loan receivable was fully impaired during the year ended 31 December 2021.

14. CREDITORS, DEPOSITS, RECEIPTS IN ADVANCE AND ACCRUED CHARGES

	30.6.2022 HK\$'000 (unaudited)	31.12.2021 HK\$'000 (audited)
Trade payables of hospital operation, of eldercare related services operation and to construction contractors	195,018	169,344
Bills payable	56,499	61,145
Accrued compensation for late delivery of properties held for sale	6,071	6,339
Accrued construction cost for properties under development for sale	32,865	34,402
Construction cost payable for hospital buildings classified as property, plant and equipment	6,080	6,354
Deposits and receipts in advance	90,261	100,084
Other payables and accrued charges	130,657	184,477
	517,451	562,145

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 2022***14. CREDITORS, DEPOSITS, RECEIPTS IN ADVANCE AND ACCRUED CHARGES (Continued)**

The following is an aging analysis of trade payables of hospital operations, of eldercare related services operation and to construction contractors denominated in RMB and presented based on the invoice date at the end of the reporting period:

	30.6.2022 HK\$'000 (unaudited)	31.12.2021 HK\$'000 (audited)
0–30 days	64,679	68,456
31–60 days	50,134	46,310
61–90 days	33,367	27,378
91–365 days	39,346	21,545
More than one year but not exceeding two years	4,262	2,440
More than two years but not exceeding five years	3,230	3,215
	195,018	169,344

15. BORROWINGS

The following table provides an analysis of the borrowings:

	30.6.2022 HK\$'000 (unaudited)	31.12.2021 HK\$'000 (audited)
Bank borrowings, secured	167,992	210,140
Bank borrowings, unsecured	429,147	367,701
Other borrowings, secured	53,965	74,895
Term loans, unsecured	255,907	267,204
	907,011	919,940

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2022***15. BORROWINGS (Continued)**

The carrying amounts of the Group's bank and other borrowings are repayable as follows:

	30.6.2022 HK\$'000 (unaudited)	31.12.2021 HK\$'000 (audited)
Within one year	628,717	603,533
More than one year but not exceeding two years	231,632	267,358
More than two years but not exceeding five years	46,662	49,049
	907,011	919,940
Portion of borrowings that are due for repayment after one year but contain a repayment on demand clause (shown under current liabilities)	—	—
	907,011	919,940
Less: Amount due for settlement within 12 months (shown under current liabilities)	(628,717)	(603,533)
Amount due for settlement after 12 months	278,294	316,407

During the current period, the Group obtained new borrowings amounting to HK\$120,712,000 (six months ended 30 June 2021: HK\$73,337,000) and repaid borrowings amounting to HK\$93,955,000 (six months ended 30 June 2021: HK\$81,089,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

16. DEFERRED TAX LIABILITIES

The following are the 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
As at 31 December 2021 (audited)	22,318	1,261	30,210	53,789
Charge to profit or loss (Note 7)	-	-	74	74
Exchange differences	-	(267)	(242)	(509)
As at 30 June 2022 (unaudited)	22,318	994	30,042	53,354

17. SHARE CAPITAL

	Number of shares	Carrying value HK\$'000
Ordinary shares of HK\$0.0005 each		
Authorised:		
As at 31 December 2021 and 30 June 2022	600,000,000,000	300,000
Issued and fully paid:		
As at 31 December 2021 and 30 June 2022	14,480,072,773	7,240

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2022***18. 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:

	30.6.2022 HK\$'000 (unaudited)	31.12.2021 HK\$'000 (audited)
Investments held for trading	14,122	14,791
Buildings (included in property, plant and equipment)	253,096	220,352
Investment properties	352,116	520,825
Properties under development for sale	149,914	–
Properties held for sale	4,082	4,435
Pledged bank deposits	45,665	46,678
Medical equipment	68,308	75,214
	887,303	882,295

19. CAPITAL COMMITMENTS

	30.6.2022 HK\$'000 (unaudited)	31.12.2021 HK\$'000 (audited)
Capital expenditure contracted for at the end of reporting period but not yet incurred:		
– Property, plant and equipment	16,332	30,692
– Properties under development for sale	8,095	–
– Investment properties	–	2,853
	24,427	33,545

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2022***20. RELATED PARTY TRANSACTIONS**

The Group had following transactions and balance with its related parties:

(a) Transactions with related parties

	Six months ended	
	30.6.2022	30.6.2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Legal and professional services fee paid to a related company (<i>Note</i>)	<u>7</u>	<u>–</u>

Note: The related company (the "Related Company") is a partnership of which a non-executive director of the Company is a partner and is considered as a related party of the Group.

(b) Balances with related parties

	30.6.2022	31.12.2021
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Included in other payables:		
Amount due to the Related Company	<u>–</u>	<u>52</u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2022***20. RELATED PARTY TRANSACTIONS (Continued)****(c) Compensation of key management personnel**

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

	Six months ended	
	30.6.2022	30.6.2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Salaries and other short-term employee benefits	1,531	2,471
Retirement benefits costs	51	79
	<u>1,582</u>	<u>2,550</u>

The remuneration of directors of the Company is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

As at 30 June 2022, included in accrued charges was an accrued remuneration of HK\$483,000 (as at 31 December 2021: HK\$1,098,000) in relation to key management personnel which is unsecured, interest-free and settled in cash.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

21. FAIR VALUES MEASUREMENTS OF FINANCIAL INSTRUMENTS

Except as disclosed below, management of the Group considers that the carrying amounts of the Group's financial assets and financial liabilities as reflected in the condensed consolidated statement of financial position approximate their respective fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair values:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

Disclosure of valuation techniques and inputs used in recurring fair value measurements:

Financial assets in the condensed consolidation statement of financial position	Fair value as at 30 June 2022	Fair value as at 31 December 2021	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\$11,863,000 – Overseas HK\$2,259,000	Listed equity securities: – Hong Kong HK\$12,065,000 – Overseas HK\$2,726,000	Level 1	Quoted bid prices in active markets
2) Investments in listed bond classified as debt instruments at FVTOCI	Assets – HK\$4,608,000	Assets – HK\$4,682,000	Level 1	Quoted bid prices in active markets
3) Club debentures classified as financial assets at fair value through profit or loss	Assets – HK\$802,000	Assets – HK\$802,000	Level 2	Quoted prices in a market for identical assets

22. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 8 July 2022, the Group entered into a construction agreement with a contractor for the construction of Kunming Tongren Hospital Phase II at a consideration of HK\$264,322,000.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the six months ended 30 June 2022, the Group recorded a total revenue of HK\$736,020,000 (2021: HK\$710,856,000) representing an approximately 3.5% increase as compared with the total revenue for the six months ended 30 June 2021 (“HY2021”) and a loss attributable to owners of the Company of HK\$43,902,000 (2021: HK\$73,899,000) representing (a) an approximately 40.6% decrease as compared with the loss attributable to owners of the Company for HY2021; and (b) an approximately 95.7% increase as compared with the loss attributable to owners of the Company for HY2021, excluding the one-off non-recurring item of impairment loss of loan receivable.

The increase in loss attributable to owners of the Company when compared with the loss attributable to owners of the Company for HY2021, excluding the one-off non-recurring item of impairment loss of loan receivable, was mainly due to (i) the decrease in revenues from in-patient visits of Nanjing hospital of the Healthcare Division (“NJH”); (ii) the increase in social insurance charge of the Healthcare Division after revision of base salaries for social insurance contribution; (iii) the pre-operation expenses of the high-end integrated clinic of the Healthcare Division (“Cedar Care Polyclinic”); (iv) the decrease in revenues generated from the operations of the Eldercare Division and Property Development Division; and (v) the increase in net foreign exchange losses, which were partially off-set by (vi) the increase in revenues from out-patient visits and physical examination services of the Healthcare Division.

Loss per share (basic) for the six months ended 30 June 2022 was HK0.30 cents (2021: HK0.51 cents).

The Group’s net asset value per share as at 30 June 2022 amounted to HK\$0.114 (2021: HK\$0.119).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend (2021: nil) for the six months ended 30 June 2022.

REVIEW OF OPERATIONS

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

Healthcare Division:

During the period under review, the operating environment has been adversely affected by the partial lockdown and social restriction arising from COVID-19 pandemic in Nanjing, the People's Republic of China (the "PRC"), the consequential epidemic control measures, and the impacts from the reform of the national healthcare policies and medical insurance policies. Under such challenging operating conditions, 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), managed to achieve an increased revenue of HK\$705,153,000 (2021: HK\$662,217,000) but a decreased profit of HK\$1,588,000 (2021: HK\$17,600,000) due to (i) the additional costs and expenses incurred for community nucleic acid testing, epidemic control and prevention; and (ii) the increase in social insurance charge. Without interest, tax, depreciation and amortisation, the Healthcare Division generated an EBITDA, being earnings before interest, tax, depreciation and amortisation, of HK\$84,791,000 (2021: HK\$93,539,000) for the six months ended 30 June 2022.

NJH of the Healthcare Division:

For NJH, a Class III integrated hospital located in Jiangning Development Zone, Nanjing City, Jiangsu Province, the 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, and anesthesiology), an academician workstation, as well as the approved Nanjing Tongren's ENT Hospital, Nanjing Tongren Internet Hospital and Nanjing Tongren Children's Hospital.



REVIEW OF OPERATIONS *(Continued)*

Healthcare Division: *(Continued)*

NJH of the Healthcare Division: *(Continued)*

During the period under review:

- (i) for epidemic prevention and control: since the outbreak of COVID-19 incidences reported in Jiangning District of Nanjing, the PRC in March 2022, following the joint deployment by the Nanjing Commission of Health, NJH had consistently arranged staff to participate in the mass nucleic acid testing, with approximately 150 staff assigned per day and a total of 14,500 staff/times assigned. According to the relevant epidemic prevention policy, except for emergency services, out-patient medical specialty services of ENT, head and neck surgery, ophthalmology, stomatology, medical aesthetic and health management center were suspended. In April 2022, all suspended out-patient and physical examination services were resumed;
- (ii) for high-end integrated clinic — Cedar Care Polyclinic: renovation works of the polyclinic situated at the prime commercial building in central business district of Hexi, Nanjing continued and will offer a wide range of healthcare services, such as general practice, ophthalmology, ENT, stomatology and medical aesthetic;
- (iii) for scientific research development: NJH's cardiology department expanded into network hospital business of hypertension center and has already networked with five satellite hospitals. Besides, NJH has applied for projects on national-level natural science, provincial-level natural science, internal science and research, and the Natural Youth Foundation of Province. Furthermore, NJH carried out the research projects for Nanjing Commission of Health with 11 research topics selected for review. In addition, NJH enhanced its internet customer service management system and streamlined the prescribing process with network hospital users exceeded 136,000; and
- (iv) for marketing and public relation: in a bid to promote cooperation in medical projects covering hospital management, technical guidance, consultation and referral, talent cultivation and network hospital system, NJH has entered into medical alliance agreements with Nanjing Mingzhou Rehabilitation Hospital and Southeast University Hospital; and green channel agreements with seven enterprises, including Eastern Airports Group Co., Ltd..

REVIEW OF OPERATIONS *(Continued)*

Healthcare Division: *(Continued)*

Kunming hospital of the Healthcare Division (“KMH”):

For KMH, another Class III integrated hospital of the Group located in Kunming City, Yunnan Province, the PRC, currently it operates 46 clinical medical & technical departments.

During the period under review:

- (i) for specialty and department development: KMH completed the application for restricted technologies in oncology, gynecology, gastroenterology and cardiovascular surgery, including eight restricted technology filings (including tumor ablation, comprehensive intervention and peripheral vascular endoscopic intervention, general endoscopy (level 3), etc.). Besides, KMH completed the construction of three major centers and the emergency network system after the acceptance inspection of the trauma centers, enhancing KMH’s capabilities of comprehensive treatment for myocardial infarction, cerebral infarction and trauma patients. In addition, the cardiovascular medicine department of KMH has reached a network hospital cooperation agreement with several community health service stations in Dianchi Weicheng (滇池衛城) and Xinghai (星海), providing guidance on atrial fibrillation treatment techniques and medical emergency support to nearby residences and enhancing the construction of atrial fibrillation center of KMH. Furthermore, KMH had launched night clinic since June 2022 and become the first “credit-based” hospital in the province, enforcing “treat first and pay later” mode which was well-received by numerous provincial-level and municipal-level media;
- (ii) for application of Class III A integrated hospital accreditation: KMH has supervised and inspected the construction of each department within the hospital based on experts’ assessment. Besides, KMH organised trainings to emergency and other relevant departments for mass casualty rescue. Trainings to pediatrics and obstetrics for neonatal asphyxia were also organised. All medical staff of KMH were arranged to participate in the 18 Medical Core System Examination 2022;



REVIEW OF OPERATIONS *(Continued)*

Healthcare Division: *(Continued)*

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

During the period under review: *(Continued)*

- (iii) for scientific research management: a deputy supervisor of orthopedic department of KMH had completed the “Science Research Projects on Health Issues of Kunming Commission of Health 2019 (2019年度昆明市衛生健康委員會衛生科研課題)”. Besides, in the first half of 2022, six municipal-level continuing educational projects were approved, including stomatology, nursing, critical medicine, ENT, imaging and cardiology. In addition, KMH organised the application to Kunming Commission of Health and arranged on-site sessions for projects of “Ten, Hundred and Thousand Program (十百千工程)” and “Healthcare Technology Centers” for chiropractic and cardiovascular medicine; and
- (iv) for marketing and public relation: KMH actively assisted surrounding communities by providing medical and health services in different ways and, at the same time, cooperated with members of medical alliance improving their medical standards, and promoting its brand. Besides, experts in cardiovascular medicine department provided technical supports to Xinpin Kangmao Hospital (新平康茂醫院), the Health Service Center of Tianxiang community in Panlong District (盤龍區天祥社區健康服務中心) and the Health Service Center of Shijicheng community (世紀城社區), assisting them to establish the hypertension center and integrating medical resources to form an effective two-way referral with other hospitals.

For the period under review, the Healthcare Division achieved an increase in business volume with NJH recording a total of 1,340,016 out-patient visits (2021: 491,565), 13,536 in-patient admissions (2021: 14,412) and 24,955 body-checks (2021: 28,546) while KMH recording a total of 171,452 out-patient visits (2021: 134,820), 8,520 in-patient admissions (2021: 7,294) and 42,706 body-checks (2021: 22,044).

As at 30 June 2022, NJH operated with 400 doctors (2021: 399), 522 nurses (2021: 502) and 1,144 beds (2021: 1,015) and KMH operated with 260 doctors (2021: 244), 389 nurses (2021: 357) and 500 beds (2021: 475).



REVIEW OF OPERATIONS *(Continued)*

Eldercare Division:

For the six months ended 30 June 2022, the Group's Eldercare Operations, operated through its wholly-owned subsidiary, Aveo China (Holdings) Limited, recorded a decreased revenue of HK\$27,852,000 (2021: HK\$38,060,000) and an increased loss of HK\$17,055,000 (2021: HK\$11,492,000) due to the negative impacts of the COVID-19 epidemic in Shanghai, the PRC, the consequential regulatory measures on elders community village and the increasingly tightened regulation and control in elders real estate market in the PRC.

As of 30 June 2022, Tide Health Campus (天地健康城) of the Eldercare Division located in Zhu Jia Jiao County, Qingpu District, Shanghai, the PRC, a retirement community village that integrates community eldercare, institutional eldercare, home eldercare and eldercare nursing hospital (Shanghai Deyi Hospital, "SDH"), sold 855 Independent Living Units ("ILU(s)") out of a total inventory of 868 ILUs and among which 1 ILU (2021: 8) was recorded as sales in the period under review with more than 346 residents (2021: 346) moved into the retirement community village. In addition, the Division's serviced apartments ("SA(s)") consist of two 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 (2021: 210) for lease. As at 30 June 2022, the Division leased out 54 SAs (2021: 46).



REVIEW OF OPERATIONS *(Continued)*

Eldercare Division: *(Continued)*

During the period under review:

- (i) for sale of ILUs and lease of SAs: the sales of ILUs were suspended in April and May 2022. The sales activities resumed in June 2022 and efforts were made to expand the customer base;
- (ii) for community village operations: as the community village and its nursing homes implemented close-loop management measures, some value-added activities were suspended, resulting in a low occupancy rate. Although the lockdown ended in June 2022, only part of the functions and services recovered back to normal level, the overall operation of the community village was stable; and
- (iii) for SDH's operation: out-patient service, treatment rehabilitation and auxiliary services were temporarily suspended in January 2022 due to the interruption of connection of medical insurance system. Later due to the close-loop management implemented since March 2022, out-patient service was shut down while in-patient service was supported by the remaining staff stayed in the hospital, affecting the operation of SDH. In balancing the epidemic prevention measures and daily operation of the hospital, SDH took several measures to ensure the service quality were maintained and the relevant laws and regulations were complied with, aiming to maintain the operation of the hospital.

During the six months ended 30 June 2022, SDH recorded a total of 6,305 out-patient visits (2021: 11,290) and 4,358 in-patient admissions (2021: 4,469). As at 30 June 2022, SDH operated with 18 doctors (2021: 21), 20 nurses (2021: 16) and 100 beds (2021: 100). As of 30 June 2022, home care services were rendered to a total of 41 elders (2021: 54) with 2,043 visits (2021: 4,939).

As at 30 June 2022, following the transfer of an investment property to property under development for sale upon the change in intended use, the Division's investment properties portfolio, 100% attributable to the Group, comprised of 2 SAs (2021: 3) (2 11-storey buildings with total gross floor area ("GFA") of 17,117 m² (2021: 25,804 m²)) and the retail shopping precinct (retail shops with GFA of 1,980 m² and shopping mall with GFA of 7,354 m²) with a total value amounted to HK\$379,405,000 (2021: HK\$544,835,000). The Division's property under development for sale consisted of a residential property in Shanghai, the PRC, amounted to HK\$149,914,000 (2021: nil).



REVIEW OF OPERATIONS *(Continued)*

Property Development:

For the six months ended 30 June 2022, the Group's property development business recorded a decreased revenue of HK\$381,000 (2021: HK\$6,074,000) and a loss of HK\$3,152,000 (2021: profit of HK\$1,526,000). As at 30 June 2022, the Division's properties under development for sale increased to HK\$43,458,000 (2021: HK\$6,374,000) consisting a parcel of commercial land in Lianyungang and an office premise in Guangzhou, the PRC, following the transfer of an investment property to property under development for sale upon the change in intended use during the period.

Property Investments:

For the six months ended 30 June 2022, the Group's investment properties portfolio, for leasing, located in Hong Kong and the PRC recorded an increased rental income of HK\$2,621,000 (2021: HK\$2,306,000) but a loss of HK\$193,000 (2021: profit of HK\$1,288,000). This loss was mainly due to the foreign exchange loss of HK\$1,644,000 (2021: nil) recognised following the transfer of an investment property to property under development for sale upon the change in intended use during the period.

As at 30 June 2022, following the transfer the Group's investment properties portfolio, 100% attributable to the Group, decreased to HK\$217,987,000 (2021: HK\$253,182,000).

Securities Trading and Investments:

For the period under review, the Group's activities in securities trading and investments recorded a revenue of HK\$13,000 (2021: HK\$2,199,000) and a loss of HK\$588,000 (2021: HK\$311,000). This was mainly due to the loss in fair value change of investments held for trading of HK\$669,000 (2021: HK\$1,420,000).

As at 30 June 2022, the Group maintained a portfolio of financial assets at fair value through profit or loss ("FVTPL") and debt instruments at fair value through other comprehensive income ("FVTOCI") of HK\$5,410,000 (2021: HK\$5,489,000) and a portfolio of investments held for trading of HK\$14,122,000 (2021: HK\$19,052,000).

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

Investments held for trading:

As at 30 June 2022, 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 2022 HK\$'000	Carrying value 2021 HK\$'000	Realised gain/(loss) 2022 HK\$'000	Fair value gain/(loss) 2022 HK\$'000	Dividend received 2022 HK\$'000	% of carrying value to the Group's total assets 2022 %
Hong Kong	11,863	15,805	-	(201)	13	0.35%
Australia	1,443	1,803	-	(216)	-	0.04%
Philippines	816	1,444	-	(252)	-	0.02%
Total	<u>14,122</u>	<u>19,052</u>	<u>-</u>	<u>(669)</u>	<u>13</u>	

As at 30 June 2022, 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 2022 HK\$'000	Carrying value 2021 HK\$'000	Realised gain/(loss) 2022 HK\$'000	Fair value gain/(loss) 2022 HK\$'000	Dividend received 2022 HK\$'000	% of carrying value to the Group's total assets 2022 %
Entertainment and media	1,419	1,980	-	(132)	-	0.04%
Financial services and investment	192	379	-	(61)	-	0.01%
Industrial materials	5,203	5,803	-	161	-	0.16%
Property and construction	7,308	10,890	-	(637)	13	0.22%
Total	<u>14,122</u>	<u>19,052</u>	<u>-</u>	<u>(669)</u>	<u>13</u>	

As at 30 June 2022, there was no investment held for trading which was significant to the Group (exceeded 5% of the total assets of the Group).

REVIEW OF OPERATIONS *(Continued)*

Securities Trading and Investments: *(Continued)*

Investments held for trading: *(Continued)*

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 (2021: nil) and a loss of HK\$1,206,000 (2021: HK\$51,467,000) with no further impairment loss recognised on the loan receivable (2021: HK\$51,467,000). As at 30 June 2022, the carrying value of the loan receivable ("Loan"), after full impairment provision, is nil (2021: HK\$17,379,000).

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, the announcement dated 20 April 2021, the paragraph headed "Money Lending" on pages 22 to 23 of the announcement of the interim results for the six months ended 30 June 2021 dated 26 August 2021 and the paragraph headed "Money Lending" on pages 25 to 26 of the announcement of the annual results for the year ended 31 December 2021 dated 29 March 2022. Capitalised terms used herein shall have the same meanings as those defined in the aforesaid announcements unless the context requires otherwise.

During the period under review, the Group is aware that the Borrower Group has announced that the listing of the shares of the Borrower was cancelled in January 2022 since the Borrower failed to fulfill the resumption guidance set by the Stock Exchange and resume trading in its shares by 1 January 2022.

In view of the above-mentioned development and based on information available at the material time, the Group made a prudent full impairment loss provision on the Loan in 2021. However, the Group and the Receivers will continue to maintain dialogue with the Borrower Group and the new JPLs, if possible, discuss and negotiate with potential investors, regularly monitor the progress of settlement, enforcement and/or realisation of security assets, reassess 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 2022, the Group's non-current assets of HK\$2,214,251,000 (2021: HK\$2,417,939,000) consisted of investment properties of HK\$597,392,000 (2021: HK\$798,017,000), property, plant and equipment of HK\$1,464,895,000 (2021: HK\$1,463,128,000), right-of-use assets of HK\$140,884,000 (2021: HK\$100,115,000), loan receivable of nil (2021: HK\$17,379,000), financial assets at FVTPL of HK\$802,000 (2021: HK\$802,000), goodwill of nil (2021: HK\$32,765,000) and deposits for acquisition of property, plant and equipment of HK\$10,278,000 (2021: HK\$5,733,000). These non-current assets are principally financed by the Group's shareholders' funds.

As at 30 June 2022, the total borrowings of the Group amounted to HK\$907,011,000 (2021: HK\$971,290,000) consisting of secured bank borrowings of HK\$167,992,000 (2021: HK\$228,131,000), unsecured bank borrowings of HK\$429,147,000 (2021: HK\$436,069,000), secured other borrowings of HK\$53,965,000 (2021: HK\$90,856,000) and unsecured term loans of HK\$255,907,000 (2021: HK\$216,234,000). Among the total borrowings of the Group, HK\$628,717,000 (2021: HK\$537,104,000) was with maturity of less than one year, HK\$231,632,000 (2021: HK\$414,585,000) was with maturity more than one year but not exceeding two years and HK\$46,662,000 (2021: HK\$19,601,000) was with maturity more than two years but not exceeding five years.

As at 30 June 2022, 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 19.5% (2021: 20.8%). The Group's gearing ratio would be adjusted to 18.3% (2021: 19.4%) with marketable securities inclusive of debt instruments at FVTOCI and investments held for trading deducted from the net borrowings.

As at 30 June 2022, the Group recorded a net current liabilities amounted to HK\$172,195,000 (2021: HK\$177,200,000). As at 30 June 2022, the Group had undrawn, unsecured, standby credit facility with terms of more than one year amounting to HK\$415,000,000 ("Medium Term Standby Loan Facility").

Taking into account that (i) there exists the ongoing availability of finance to the Group, including the cash flows generated from its principal operations, the existing banking facilities, successful refinancing of certain bank borrowings of approximately HK\$18,622,000 and the utilisation of the Medium Term Standby Loan Facility, if necessary; (ii) the Medium Term Standby Loan Facility gives the Group more flexibility in refinancing the Group's current liabilities with non-current borrowings; and (iii) given the Group's relatively low gearing level, it can raise additional finance, if necessary, the Group considers that it will have sufficient working capital to meet its financial obligations as and when they fall due within the next 12 months from the end of the reporting period.



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

During the period under review, the Company did not repurchase any shares (2021: 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 2022, the Group's investments held for trading of HK\$14,122,000 (2021: HK\$19,052,000), building (included in property, plant and equipment) of HK\$253,096,000 (2021: HK\$189,990,000), investment properties of HK\$352,116,000 (2021: HK\$495,884,000), properties under development for sale of HK\$149,914,000 (2021: nil), properties held for sale of HK\$4,082,000 (2021: HK\$37,841,000), pledged bank deposits of HK\$45,665,000 (2021: HK\$39,799,000) and medical equipment of HK\$68,308,000 (2021: HK\$88,057,000) were pledged to banks, financial institution, securities brokers houses and finance lease provider to secure credit facilities granted to the Group.

CAPITAL COMMITMENT

As at 30 June 2022, the Group had capital commitment contracted for but not provided relating to the acquisition of property, plant and equipment, properties under development for sale and investment properties of HK\$16,332,000 (2021: HK\$37,590,000), HK\$8,095,000 (2021: nil) and nil (2021: HK\$14,683,000) respectively.

CONTINGENT LIABILITIES

Save as disclosed in this report, as at 30 June 2022, 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 2022, 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 2022, the Group did not have any plan for material investments or capital assets.

EMPLOYEES

The Group had 2,539 employees as at 30 June 2022 (2021: 2,372). 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

During the period under review, 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:

In July 2022, the Group entered into a construction agreement with a contractor for the construction of the Phase II of the development of KMH ("KMH Phase II") at a consideration of about HK\$264,322,000.

In 2022, the Division will cautiously carry out the construction of the KMH Phase II, and the Oncology and Nuclear Medicine Centre of NJH and continue the construction of high-end out-patient clinics, Cedar Care Polyclinic in Nanjing, the PRC, so as to achieve development and upgrade in the midst of new opportunities and challenges. While the Division will strictly enforce the pandemic prevention and control, the Division will put efforts on scientific research and operational management, in order to improve medical and service quality and accelerate the development and business expansion of the Division. The Division will also leverage on its own medical advantages to drive consumer medical specialties, such as medical aesthetics and postnatal care centers to strengthen its internal capabilities and enhance its branding with advanced medical technology, diversified product portfolio and high-quality service experience.

Eldercare Division:

In the second half of 2022, it is expected that the severe pandemic will continue to affect the operation of the Division. As the community village and the nursing homes are expected to be under close-loop management, the Group will actively respond and balance the elders' and the employees' needs and expectations so as to maintain the stable operation of the health campus. The Division will improve the quality and efficiency by strengthening internal management, optimising products and services and refining management of operating costs. At the same time, the Division will mobilise the staff, explore new business categories, establish new channels, adjust the business structure, and continue to improve the overall operational performance. Moreover, the Division will maintain the customers in the community village and enhance service reputation by providing core services, such as nucleic acid testing and health management, in order to build a solid foundation.



PROSPECTS (Continued)

Others:

The Group expects that volatility in the economic and business environment will remain due to factors such as variants of COVID-19 and its consequential epidemic prevention measures, geo-political conflicts and tensions, supply chain disruptions, continued interest rate hike. With the uncertainty in the economic and business outlooks, and the impact from increasingly stringent national healthcare polices and medical insurance policies, the operating condition of the Group will be challenging. The Group will be 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 2022, 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, Chapter 571 of the Laws of 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 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					Approximate percentage of issued ordinary shares
	Personal interests	Family interests	Corporate interests	Other interests	Total	
Ms. Chong Sok Un ("Ms. Chong")	12,375,000	–	2,592,514,140 <i>Note (i)</i>	–	2,604,889,140	17.99%



INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE *(Continued)*

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

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 2022.

- (i) Ms. Chong was beneficially interested in 12,375,000 ordinary shares of the Company. For the corporate interests, Vigor Online Offshore Limited ("Vigor"), 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 be interested in 2,592,514,140 ordinary shares of the Company in which Vigor was interested.

Save as disclosed above, as at 30 June 2022, none of the Directors and 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 PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2022, 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 of Shareholder	Capacity		Number of ordinary shares held	Approximate 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")	Beneficial owner Held by controlled corporation	(Note 2) (Note 2)	12,375,000 2,592,514,140	0.09% 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%
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%

**INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES (Continued)****Long positions in the shares of the Company (Continued)**

Name of Shareholder	Capacity		Number of ordinary shares held	Approximate percentage of issued ordinary shares
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%
Mr. Lee Seng Hui	Held by controlled corporation	(Note 5)	3,142,468,833	21.70%
Ms. Lee Su Hwei	Held by controlled corporation	(Note 5)	3,142,468,833	21.70%
Mr. Lee Seng Huang	Held by controlled corporation	(Note 5)	3,142,468,833	21.70%
Allied Group Limited (“Allied Group”)	Held by controlled corporation	(Note 5)	3,142,468,833	21.70%



INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES (*Continued*)

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

Name of Shareholder	Capacity		Number of ordinary shares held	Approximate percentage of issued ordinary shares
Sun Hung Kai & Co. Limited ("SHK")	Held by controlled corporation	(Note 5)	1,284,939,208	8.87%
Shipsape Investments Limited ("Shipsape")	Held by controlled corporation	(Note 5)	1,284,939,208	8.87%
Itso Limited ("Itso")	Holder of security interest	(Note 5)	1,149,739,208	7.94%
Tian An China Investments Company Limited ("Tian An")	Held by controlled corporation	(Note 5)	1,857,529,625	12.82%

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 2022.

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 2022. 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. Ms. Chong was beneficially interested in 12,375,000 ordinary shares of the Company. For the corporate interests, 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 be interested in 2,592,514,140 ordinary shares of the Company in which Vigor was interested.



INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES (*Continued*)

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

Notes: (*Continued*)

- 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.
- 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.
- 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 50.83% 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 73.11% 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 74.99% 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 2022, 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 2022). In carrying out this review, the Audit Committee has relied on a review conducted by the Group’s external auditor, RSM Hong Kong, 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 as set out in Part 2 of Appendix 14 of the Listing Rules throughout the six months ended 30 June 2022.

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 its 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 2022.

CHANGES IN DIRECTORS’ INFORMATION

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

- (i) Mr. Zheng Zhen has resigned as an executive director of New Universe Environmental Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 436), with effect from 30 June 2022.
- (ii) Mr. Lai Hin Wing Henry Stephen has been appointed as an independent non-executive director of China Resources Beer (Holdings) Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 291), with effect from 17 August 2022 and also a member of the Board of Governors of The Hang Seng University of Hong Kong in April 2022.



PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

Hong Kong, 25 August 2022

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

