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China Medical & HealthCare Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 383)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

The board of directors (the “Directors” and the “Board” respectively) of China Medical & HealthCare Group Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2021 together with the comparative figures for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	3	1,463,495	1,194,148
Gross proceeds from sales of investments held for trading		2,184	3,248
Total		<u>1,465,679</u>	<u>1,197,396</u>
Revenue	3		
Goods and services from contracts with customers		1,457,285	1,186,660
Rental		6,195	7,460
Others		15	28
		<u>1,463,495</u>	1,194,148
Cost of goods and services		<u>(1,196,037)</u>	<u>(973,416)</u>

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Gross profit		267,458	220,732
Other gains and losses, and other income	5	(60,204)	(39,289)
Selling and distribution costs		(2,667)	(3,352)
Administrative expenses		(222,764)	(224,731)
Impairment loss of goodwill		(34,043)	–
		<hr/>	<hr/>
Loss from operations		(52,220)	(46,640)
Finance costs	6	(58,248)	(49,922)
		<hr/>	<hr/>
Loss before taxation		(110,468)	(96,562)
Income tax expense	7	(16,802)	(8,577)
		<hr/>	<hr/>
Loss for the year	8	(127,270)	(105,139)
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
Owners of the Company	10	(137,296)	(111,928)
Non-controlling interests		10,026	6,789
		<hr/>	<hr/>
		(127,270)	(105,139)
		<hr/> <hr/>	<hr/> <hr/>
Loss per share	10		
		HK	HK
Basic		(0.948) cents	(0.773) cents
		<hr/> <hr/>	<hr/> <hr/>
Diluted		N/A	N/A
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss for the year	<u>(127,270)</u>	<u>(105,139)</u>
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	80	166
Exchange differences on translating foreign operations	<u>28,041</u>	<u>70,720</u>
	<u>28,121</u>	<u>70,886</u>
<i>Items that will not be reclassified to profit or loss:</i>		
Gain on revaluation of leasehold land and buildings included in property, plant and equipment	20,811	32,568
Deferred tax arising from revaluation of leasehold land and buildings included in property, plant and equipment	<u>(5,040)</u>	<u>(8,142)</u>
	<u>15,771</u>	<u>24,426</u>
Other comprehensive income for the year, net of tax	<u>43,892</u>	<u>95,312</u>
Total comprehensive income for the year	<u><u>(83,378)</u></u>	<u><u>(9,827)</u></u>
Attributable to:		
Owners of the Company	(84,477)	(19,552)
Non-controlling interests	<u>1,099</u>	<u>9,725</u>
	<u><u>(83,378)</u></u>	<u><u>(9,827)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*AT 31 DECEMBER 2021*

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Investment properties		806,445	783,576
Property, plant and equipment		1,541,800	1,433,064
Right-of-use assets		152,309	102,166
Loan receivable		–	68,846
Interests in associates		–	–
Financial assets at fair value through profit or loss		802	802
Goodwill		–	32,931
Deposits for acquisition of property, plant and equipment		6,087	8,996
		<hr/> 2,507,443	<hr/> 2,430,381
Current assets			
Inventories		26,675	21,142
Properties under development for sale		6,488	6,324
Properties held for sale		114,207	142,294
Debt instruments at fair value through other comprehensive income		4,682	4,602
Investments held for trading		14,791	21,759
Debtors, deposits and prepayments	<i>11</i>	178,090	149,059
Pledged bank deposits		46,678	12,670
Restricted bank deposits		13,994	20,469
Bank balances and cash		576,490	616,474
		<hr/> 982,095	<hr/> 994,793

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current liabilities			
Creditors, deposits, receipts in advance and accrued charges	<i>12</i>	562,145	424,841
Deposits received on sales of properties		1,910	6,021
Other contract liabilities		40,777	34,602
Amount due to an associate		6,726	6,555
Borrowings		603,533	538,845
Lease liabilities		2,780	2,534
Current tax liabilities		120,604	114,326
		<u>1,338,475</u>	<u>1,127,724</u>
Net current liabilities		<u>(356,380)</u>	<u>(132,931)</u>
Total assets less current liabilities		<u>2,151,063</u>	<u>2,297,450</u>
Non-current liabilities			
Other contract liabilities		14,375	18,482
Borrowings		316,407	432,534
Lease liabilities		49,236	–
Deferred tax liabilities		53,789	45,800
		<u>433,807</u>	<u>496,816</u>
Net assets		<u>1,717,256</u>	<u>1,800,634</u>
Capital and reserves			
Equity attributable to owners of the Company			
Share capital		7,240	7,240
Reserves		1,693,357	1,777,834
		<u>1,700,597</u>	<u>1,785,074</u>
Non-controlling interests		<u>16,659</u>	<u>15,560</u>
Total equity		<u>1,717,256</u>	<u>1,800,634</u>

1. BASIS OF PREPARATION

China Medical & HealthCare Group Limited (the “Company”) was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

The Group incurred a net loss of approximately HK\$127,270,000 during the year ended 31 December 2021 and, as of 31 December 2021, the Group’s current liabilities exceeded its current assets by approximately HK\$356,380,000. 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 31 December 2021. 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\$106,500,000 and the utilisation of the medium term standby loan facility (“Medium Term Standby Loan Facility”) of approximately HK\$300,000,000, of which the credit limit was increased to HK\$415,000,000 subsequent to the reporting period, 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; (iii) given the Group’s relatively low gearing level, it can raise additional finance, if necessary; and (iv) the net loss for the year then ended comprised mainly various non-cash items such as impairment loss recognised on loan receivable and goodwill, hence the impact of the net loss on the cash flows would be much smaller, 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 consolidated financial statements have been prepared on a going concern basis.

2. ADOPTION OF NEW AND REVISED HKFRSs

(a) Application of new and revised HKFRSs

The Group has applied the following 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 consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, Interest Rate Benchmark Reform – Phase 2
HKFRS 4 and HKFRS 16

(b) New and revised HKFRSs in issue but not yet effective

The Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 January 2021. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3 Business Combination – Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 Property Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to HKFRSs 2018 – 2020 Cycle	1 January 2022
Amendments to HKAS 1 Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 Presentation of Financial Statements and HKFRS Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023

3. REVENUE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from contracts with customers		
Hospital fees and charges	1,372,032	1,093,752
Eldercare related services and sales of nutritions	39,011	37,345
Sale of properties	46,242	55,563
	<u>1,457,285</u>	<u>1,186,660</u>
Revenue from other sources		
Rental income	6,195	7,460
Dividend income from listed investments	15	28
	<u>6,210</u>	<u>7,488</u>
	<u><u>1,463,495</u></u>	<u><u>1,194,148</u></u>

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 year ended 31 December 2021, 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 People’s Republic of China, except Hong Kong (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.

Segment revenues and results

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

For the year ended 31 December 2021

	Healthcare <i>HK\$'000</i>	Eldercare <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Securities trading and investments <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Gross proceeds from sales of investments held for trading	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,184</u>	<u>2,184</u>
Revenue	<u>1,372,032</u>	<u>79,889</u>	<u>6,803</u>	<u>4,756</u>	<u>-</u>	<u>15</u>	<u>1,463,495</u>
Segment profit/(loss)	<u>59,573</u>	<u>(72,135)</u>	<u>439</u>	<u>6,296</u>	<u>(75,000)</u>	<u>(4,506)</u>	<u>(85,333)</u>
Unallocated:							
Other gains and losses, and other income							8,693
Net foreign exchange loss							(8,030)
Central corporate expenses							(25,745)
Finance costs							<u>(53)</u>
Loss before taxation							<u>(110,468)</u>

For the year ended 31 December 2020

	Healthcare HK\$'000	Eldercare HK\$'000	Property development HK\$'000	Property investment HK\$'000	Financial services HK\$'000	Securities trading and investments HK\$'000	Consolidated HK\$'000
Gross proceeds from sales of investments held for trading	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>	<u> 3,248</u>	<u> 3,248</u>
Revenue	<u> 1,093,752</u>	<u> 82,392</u>	<u> 11,851</u>	<u> 6,125</u>	<u> -</u>	<u> 28</u>	<u> 1,194,148</u>
Segment profit/(loss)	<u> 31,728</u>	<u> (34,845)</u>	<u> (1,638)</u>	<u> (2,986)</u>	<u> (22,434)</u>	<u> (11,568)</u>	<u> (41,743)</u>
Unallocated:							
Other gains and losses, and other income							(12,093)
Net foreign exchange gain							11,485
Central corporate expenses							(54,086)
Finance costs							<u> (125)</u>
Loss before taxation							<u> (96,562)</u>

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 gain/(loss), central corporate expenses and certain finance costs.

5. OTHER GAINS AND LOSSES, AND OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss on fair value of investments held for trading	(4,784)	(11,445)
Fair value changes on investment properties	2,290	(34,722)
Net foreign exchange (loss)/gain	(6,010)	16,382
Impairment loss under expected credit losses model	(68,905)	(26,206)
Net gain on disposal of property, plant and equipment	19	15
Provision for properties held for sale	(7,228)	–
Government subsidies (Note)	575	1,016
Interest income from:		
– Debt instruments at fair value through profit or loss	217	216
– Bank deposits	1,206	3,860
Sale of vision-aid products	2,747	2,409
Clinical training services	3,544	2,698
Subcontracting income from car parking spaces and canteen	820	481
Rental income from shopping and other areas of the hospitals	657	982
Forfeiture of customers' deposits and claims from suppliers	7,698	436
Other sundry income	6,950	4,589
	<u>(60,204)</u>	<u>(39,289)</u>

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 with no special and unfulfilled conditions attached.

6. FINANCE COSTS

The finance costs represent interest as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on:		
Bank and other borrowings	57,877	49,405
Lease liabilities	371	321
Obligations under finance leases	–	196
	<u>58,248</u>	<u>49,922</u>

7. INCOME TAX EXPENSE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax		
Corporate Income Tax (“CIT”) in the PRC	9,064	7,491
Land Appreciation Tax (“LAT”) in the PRC	4,401	5,609
Under-provision in prior years	1,159	–
	<u>14,624</u>	<u>13,100</u>
Deferred tax		
Origination and reversal of temporary differences	2,178	(4,523)
	<u>16,802</u>	<u>8,577</u>

Under the two-tiered Profits Tax 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 rate regime will continue to be taxed at a rate of 16.5%.

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

The tax charge in respect of the current year 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.

8. LOSS FOR THE YEAR

Loss for the year is stated after charging the following:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Auditor's remuneration		
Current	2,544	2,946
Over-provision in prior years	(788)	–
	1,756	2,946
Depreciation of property, plant and equipment	98,422	108,455
Depreciation of right-of-use assets	6,107	7,976
Employee benefits expense, inclusive of directors' emoluments	502,302	350,364
Direct operating expenses of investment properties that generated rental income	502	523
Direct operating expenses of investment properties that did not generate rental income	545	16
Cost of inventories sold and properties held for sale recognised as an expense (included in cost of goods and services)	591,037	478,202
	<u>591,037</u>	<u>478,202</u>

9. DIVIDENDS

The Board of Directors of the Company does not recommend any dividend in respect of the years ended 31 December 2021 and 2020.

10. LOSS PER SHARE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss		
Loss for the purpose of calculating basic loss per share for the year attributable to owners of the Company	<u>(137,296)</u>	<u>(111,928)</u>

2021 2020

Number of shares

Weighted average number of ordinary shares for the purposes of calculating basic loss per share

14,480,072,773 14,480,072,773

No diluted loss per share has been presented as there were no potential dilutive shares outstanding for the years ended 31 December 2021 and 2020.

11. DEBTORS, DEPOSITS AND PREPAYMENTS

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables		
Debtors from securities trading	65	67
Debtors from financial services	876	876
Debtors from leasing of property	646	648
Trade receivables arising from hospital operation and eldercare related services operation	<u>149,335</u>	<u>136,301</u>
	150,922	137,892
Less: Allowance for credit losses	<u>(2,519)</u>	<u>(10,368)</u>
	148,403	127,524
Deposits with and receivables from the financial institutions	418	491
Prepayments, other debtors and deposits	<u>29,269</u>	<u>21,044</u>
	<u>178,090</u>	<u>149,059</u>

As at 31 December 2021 and 2020, trade receivables from contracts with customers amounted to approximately HK\$149,335,000 and HK\$136,301,000 respectively.

The settlement terms of debtors from securities trading are 2-3 days after trade date and they are aged within 2-3 days as at 31 December 2021 and 2020.

The settlement terms of debtors from leasing of property are before the 16th of each month (2020: 10th of each month) and they are aged more than 365 days (2020: within 91-365 days).

The customers of hospital operation and eldercare related services operation are either settled by cash, credit card or governments' social insurance schemes. For credit card payment, the banks will pay the Group usually 7 days after the trade date. Payments by governments' social insurance schemes will normally be settled by the local social insurance bureau or similar government departments which are responsible for the reimbursement of medical expenses for patients who are covered by the government medical insurance schemes 90 days from the invoice date.

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

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	113,230	99,790
31 – 60 days	15,251	31,561
61 – 90 days	4,289	1,555
91 – 365 days	16,370	2,551
More than 365 days	195	844
	149,335	136,301

As at 31 December 2021, included in the Group's trade receivables balance are receivables with aggregate carrying amount of approximately HK\$20,854,000 (2020: HK\$4,950,000) which are past due as at the reporting date. Out of the past due balances, approximately HK\$16,565,000 (2020: HK\$3,395,000) has been past due 90 days or more and is not considered as in default because the receivables were related to a number of independent customers that have good repayment records with the Group.

The Group has policy for recognition of impairment which is based on the evaluation of collectability and aging analysis of accounts and on management's judgment including creditworthiness and the past collection history of each customer.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables of hospital operation, of eldercare related services operation and to construction contractors	169,344	148,635
Bills payable	61,145	–
Accrued compensation for late delivery of properties held for sale	6,339	6,178
Accrued construction cost for properties under development for sale	34,402	33,698
Construction cost payable for hospital buildings classified as property, plant and equipment	6,354	6,183
Deposits and receipts in advance	100,084	116,208
Other payables and accrued charges	184,477	113,939
	<u>562,145</u>	<u>424,841</u>

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.

Deposits and receipts in advance mainly represent refundable deposits from eldercare related services.

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 – 30 days	68,456	53,026
31 – 60 days	46,310	44,587
61 – 90 days	27,378	18,494
91 – 365 days	21,545	23,643
More than one year but not exceeding two years	2,440	3,489
More than two years but not exceeding five years	3,215	5,396
	<u>169,344</u>	<u>148,635</u>

The following is an aging analysis of bills payable denominated in RMB and presented based on the invoice date:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
91 – 365 days	51,725	–
More than 365 days	9,420	–
	<u>61,145</u>	<u>–</u>

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

Opinion

We have audited the consolidated financial statements of China Medical & HealthCare Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Group incurred a net loss of approximately HK\$127,270,000 during the year ended 31 December 2021 and, as of that date, the Group’s current liabilities exceeded its current assets by approximately HK\$356,380,000. As stated in Note 2, these conditions indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Subsequent to the reporting period, the Group was able to obtain the consent of certain banks to refinance the bank borrowings of approximately HK\$106,500,000 currently included in current liabilities as at 31 December 2021. In addition, the Group was also able to increase the credit limit of an undrawn, medium term, standby loan facility of HK\$300,000,000 to HK\$415,000,000 from a financial institution. The management considered that such medium term standby loan facility gives the Group more flexibility in refinancing its current liabilities with

non-current borrowings. The management also considered that given the gearing of the Group is relatively low, it can raise additional finance if necessary. The management further considered that the net loss for the year then ended comprised mainly various non-cash items such as impairment loss recognised on loan receivable and goodwill, hence the impact of the net loss on the cash flows would be much smaller. In view of the above, we are of the opinion that the going concern assumption is appropriate and our opinion is not modified in respect of the matter.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the year ended 31 December 2021, the Group recorded an increased total revenue of HK\$1,465,679,000 (2020: HK\$1,197,396,000) but a loss for the year attributable to owners of the Company of HK\$137,296,000 (2020: HK\$111,928,000). The increase in loss attributable to owners of the Company was mainly due to (i) the increase in impairment loss under expected credit losses model of financial assets of HK\$68,905,000 (2020: HK\$26,206,000); (ii) a provision for properties held for sale of HK\$7,228,000 (2020: nil); (iii) an impairment loss recognised on goodwill of HK\$34,043,000 (2020: nil), which were partially off-set by; (iv) the decreased loss on fair value of investments held for trading of HK\$4,784,000 (2020: HK\$11,445,000); and (v) a gain on fair value changes on investment properties of HK\$2,290,000 (2020: loss of HK\$ 34,722,000).

Loss per share (basic) for the year ended 31 December 2021 was HK0.948 cents compared with loss per share (basic) of HK0.773 cents in 2020.

The Group's net asset value per share as at 31 December 2021 amounted to HK\$0.117 (2020: HK\$0.123).

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend (2020: nil) for the year ended 31 December 2021.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "AGM") is scheduled to be held on Wednesday, 1 June 2022. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 27 May 2022 to Wednesday, 1 June 2022, both dates inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all transfers of ordinary shares, duly accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration, no later than 4:30 p.m. on Thursday, 26 May 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:

Despite the adverse impact from the on-going COVID-19 pandemic with sporadic incidences, there was a gradual recovery in the global business and production activities, employment and economic performance, and movement in people during the year 2021. 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) ("Tongren Healthcare"), managed to achieve an increased revenue of HK\$1,372,032,000 (2020: HK\$1,093,752,000) and an increased profit of HK\$59,573,000 (2020: HK\$31,728,000). Without interest, tax, depreciation and amortisation, the Healthcare Division generated an increased EBITDA, being earnings before interest, tax, depreciation and amortisation, of HK\$195,567,000 (2020: HK\$174,073,000) for the year ended 31 December 2021.

Nanjing hospital of the Healthcare 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, and anesthesiology), an academician workstation, as well as the approved Nanjing Tongren's ENT Hospital and Nanjing Tongren Children's Hospital.

During the year under review:

- (i) for infrastructure development: various construction and renovation projects were completed in accordance with the annual reinvestment plan thereby ensuring medical safety while enhancing the quality of service and improving the overall environment of the hospital. Among them, NJH completed the expansion of sewage treatment plant, construction of new wastage disposal station and renovation of hazardous chemicals warehouse, configured its sewage treatment capacity in accordance with the planned allocation of hospital beds and resolved the potential safety concerns arising from the hazardous chemicals warehouse located in the hospital. In October 2021, the renovation of the central operating room system was completed and upon inspection acceptance, relevant China Inspection Body and Laboratory Mandatory Approval (中國計量認證檢測報告) was received, thereby improving the medical safety of the hospital. To meet the needs of epidemic prevention and control, the fever clinic has been expanded to include a waiting area, infusion area, consultation room, observation room, clinical laboratory, pharmacy and computed tomography mobile shelter;

- (ii) for application of Class III A integrated hospital accreditation: application was submitted to the Jiangsu Province Medical Management Centre (江蘇省醫管中心) in April 2021. Preparatory works for the accreditation assessment, such as policies and procedures review, training and learning sessions for all staff, emergency drills, knowledge and skills assessment, and books of records and accounts review, were undertaken. In November 2021, the accreditation assessment was conducted with on-site review of the hospital from various aspects, including document review, record review, staff interview, on-site inspection, operational assessment, patient interview, medical record check, medical case check, data verification and tracking inspection;
- (iii) for epidemic prevention and control: in July 2021's COVID-19 incidence occurred at Nanjing Lukou International Airport, Nanjing, NJH mobilised its healthcare staff, participated in the intensive prevention and control work that lasted for 30 days and achieved zero cross-infection within the hospital. During the period, NJH (a) deployed 25 batches of healthcare staff to support local Lukou community in epidemic prevention and control which covered a total of 3,600 person-visits and 159,058 nucleic acid samples; (b) arranged infection-control specialists to provide assistance to designated medical institutions, infection-control authority and quarantine hotels; (c) set up vaccination clinic with more than 220,000 doses of vaccines given; and (d) undertook 830 vaccinations for people who wanted to leave the city. In this wave of the epidemic, NJH was highly recognised and praised by government authorities for successfully completed the task of epidemic prevention and control that contained the risk of spread of the infection;
- (iv) for high-end integrated clinic – Cedar Care Polyclinic: renovation works of the poly-clinic situated at the prime commercial building in central business district of Hexi, Nanjing commenced and will offer a wide range of healthcare services, such as general practice, ophthalmology, otorhinolaryngology, stomatology and medical aesthetic;
- (v) for commercial medical projects: the stomatology center has deployed various special technologies, such as micro-endodontics, dental anesthesia for children, dental implant and restoration and chairside digital systems in implant restoration in its services;
- (vi) for scientific research development: the vice president of NJH was awarded one specialised project each from the National Natural Science Foundation of China (國家自然科學基金) and the Natural Science Foundation of Jiangsu Province (江蘇省自然基金). In addition, NJH has applied for 4 research projects on geriatrics in Jiangsu Province, 2 medical research projects from Jiangsu Commission of Health, 1 special project on life and health sciences and technology in Nanjing and 11 projects from Nanjing Commission of Health;
- (vii) for information system development: Level 5 provincial assessment on NJH's electronic medical records system was passed, internet hospital system was launched, and acceptance inspections on digital medical case system and endoscopic cleaning and disinfecting tracking system were completed; and

(viii) for marketing: during the epidemic, NJH actively supported and led enterprises to carry out epidemic prevention and control work, such as on-site nucleic acid tests covering 10,452 person-visits. In a bid to expand its patient base, NJH successfully applied as a designated assessment agency for Nanjing's disability income insurance program, which will provide qualification accreditation and assessment for more than 10,000 severely disabled people in Jiangning District before they are entitled to the disability income insurance. The hospital entered into cooperation agreements with 43 optical shops of 15 optometric centers across the country with an aim to expand the publicity and technical influence of its ophthalmology department.

Kunming hospital of the Healthcare Division ("KMH"):

For KMH, another Class III integrated hospital of the Group located in Kunming City, Yunnan Province, PRC, currently it operates 40 clinical medical & technical departments.

During the year under review:

- (i) for specialty and department development: the thoracalgia center was officially upgraded from the basic version to standard version while the stroke prevention and control center successfully passed through the expert acceptance inspection. The 120 network emergency stations continued to improve its services quality and efficiency for treatment of trauma patients with all its operational data ranked at the top in Xishan District, Yunnan Province, PRC;
- (ii) for application of Class III A integrated hospital accreditation: preparatory works for the accreditation assessment, including review and construction of hospital system development and the relevant functional department system development were undertaken;
- (iii) for scientific research management: the application made by the International Spinal Cord Injury Center (國際脊髓損傷治療中心) of KMH to Kunming Science and Technology Bureau (昆明市科學技術局) for the establishment of the "Luo Zhuojing Expert Workstation" (羅卓荊專家工作站) (orthopedics) was approved. In 2021, a total of 16 continuing educational projects were approved, including 1 state-level, 6 provincial-level and 9 municipal-level projects; and
- (iv) for marketing: by exploring the new media marketing, KMH cooperates with local internet celebrities to promote the comfortable treatment of its stomatology department and night-time clinic through short videos on TikTok and shop visits. The hospital also assists gynaecologists to operate TikTok accounts to regularly produce and push specialist science videos, and combined health lectures with live streaming.

For the year under review, NJH recorded a total of 1,180,171 out-patients visits (2020: 712,829), 27,154 in-patient admissions (2020: 27,062) and 62,612 body-checks (2020: 49,386) while KMH recorded a total of 299,951 out-patients visits (2020: 229,930), 15,917 in-patient admissions (2020: 13,441) and 70,810 body-checks (2020: 77,601). As at 31 December 2021, NJH operated with 402 doctors (2020: 404), 532 nurses (2020: 501) and 1,015 beds (2020: 1,015) and KMH operated with 266 doctors (2020: 250), 387 nurses (2020: 354) and 475 beds (2020: 450).

Eldercare Division:

For the year ended 31 December 2021, the Group's Eldercare Operations, operated through its wholly-owned subsidiary, Aveo China (Holdings) Limited ("Aveo China"), recorded a reduced revenue of HK\$79,889,000 (2020: HK\$82,392,000) and an increased loss of HK\$72,135,000 (2020: HK\$34,845,000) inclusive of a loss on fair value changes of investment properties of HK\$1,404,000 (2020: HK\$27,382,000), an impairment loss recognised on goodwill of HK\$34,043,000 (2020: nil) and provision for properties held for sale of HK\$7,228,000 (2020: nil). During the year under review, the business environment of Eldercare Division was difficult which was due to the negative impacts of the COVID-19 epidemic, the consequential stringent regulations on elders community village and the increasingly tightened regulation and control in elders real estate market in PRC.

As of 31 December 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 (Shanghai Deyi Hospital, "SDH"), sold 854 Independent Living Units ("ILU(s)") out of a total inventory of 868 ILUs and among which 14 ILUs (2020: 11) were recorded as sales in the year under review with more than 346 residents (2020: 330) moved into the retirement community village. In addition, the Division's serviced apartments ("SA(s)") 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 31 December 2021, the Division leased out 59 SAs (2020: 58).

During the year under review:

- (i) for sale of ILUs and lease of SAs: amid the difficult elders real estate market condition, with limited inventory, the pace of sales of ILUs was controlled while marketing efforts on lease of SAs were made;
- (ii) for community village operations: due to the recurring local epidemic, owner resident's occupancy rate in the community village remained low. The Division focused on existing non-owners residents, i.e. members, to tap their spending potential, expanded value-added services and implemented revenue-raising measures, improved member service profiles and health records management, etc.. During 2021, the community village continued close-loop management of its nursing homes with focus on strengthening internal management and trainings in order to provide more people-oriented services to the elders; and

(iii) for SDH operation: continued to strengthen its refined management, improve operational efficiency, explore the development of rehabilitation department treatment programs and enhance its medical technology leverage.

During the year ended 31 December 2021, SDH recorded a total of 25,330 out-patients visits (2020: 17,395) and 8,670 in-patient admissions (2020: 8,086). As at 31 December 2021, SDH operated with 21 doctors (2020: 18), 17 nurses (2020: 19) and 100 beds (2020: 100). As of 31 December 2021, home care services were rendered to a total of 34 elders (2020: 46) with 5,419 visits (2020: 7,143).

As at 31 December 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 25,804 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\$549,570,000 (2020: HK\$530,396,000).

Property Development:

For the year ended 31 December 2021, the Group's property development business recorded a turnover of HK\$6,803,000 (2020: HK\$11,851,000) and a profit of HK\$439,000 (2020: loss of HK\$1,638,000). As at 31 December 2021, the Group's properties under development for sale of HK\$6,488,000 (2020: HK\$6,324,000) consisted of a parcel of commercial land in Lianyungang, PRC.

Property Investments:

For the year ended 31 December 2021, the Group's investment properties portfolio, for leasing, located in Hong Kong and the PRC recorded a rental income of HK\$4,756,000 (2020: HK\$6,125,000) and a profit of HK\$6,296,000 (2020: loss of HK\$2,986,000) with a gain on fair value changes of investment properties of HK\$3,694,000 (2020: loss of HK\$7,340,000). As at 31 December 2021, the Group's investment properties portfolio, 100% attributable to the Group, amounted to HK\$256,875,000 (2020: HK\$253,180,000).

Securities Trading and Investments:

For the year under review, the Group's activities in securities trading and investments recorded a reduced turnover of HK\$2,199,000 (2020: HK\$3,276,000) and a loss of HK\$4,506,000 (2020: HK\$11,568,000). This was mainly due to the loss on fair value of investments held for trading of HK\$4,784,000 compared with a loss of HK\$11,445,000 recorded in 2020.

As at 31 December 2021, the Group maintained a portfolio of financial assets at fair value through profit or loss ("FVTPL") and debt instruments at fair value through other comprehensive income ("FVTOCI") of HK\$5,484,000 (2020: HK\$5,404,000) and a portfolio of investments held for trading of HK\$14,791,000 (2020: HK\$21,759,000).

Investments held for trading:

As at 31 December 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	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	%
Hong Kong	12,065	18,682	900	(5,348)	15	0.35%
Australia	1,658	1,592	–	66	–	0.05%
Philippines	1,068	1,485	(3)	(399)	–	0.03%
Total	<u>14,791</u>	<u>21,759</u>	<u>897</u>	<u>(5,681)</u>	<u>15</u>	

As at 31 December 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 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 company	1,551	2,820	900	–	–	0.04%
Financial services and investment company	254	403	(3)	(132)	–	0.01%
Industrial materials company	5,041	6,198	–	(1,156)	–	0.14%
Property and construction company	7,945	12,338	–	(4,393)	15	0.23%
Total	<u>14,791</u>	<u>21,759</u>	<u>897</u>	<u>(5,681)</u>	<u>15</u>	

As at 31 December 2021, there was no investment held for trading which was significant to the Group (exceeded 5% 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 year under review, the Group's money lending business recorded no interest income (2020: nil) and a loss of HK\$75,000,000 (2020: HK\$22,434,000) after the impairment loss recognised on the loan receivable and other relevant receivables of HK\$75,000,000 (2020: HK\$22,468,000). As at 31 December 2021, the carrying value of the loan receivable ("Loan") is nil (2020: HK\$68,846,000).

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 and 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. Capitalised terms used herein shall have the same meanings as those defined in the aforesaid announcements unless the context requires otherwise.

During the year 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 Joint Provisional Liquidators (the "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. However, in December 2021, the potential investor informed the new JPLs that it would not pursue the restructuring of the Borrower Group given the impossibility of fulfilling the resumption guidance by January 2022 as the trading in the shares of the Borrower has been suspended since July 2020. Trading of the shares of the Borrower was cancelled in January 2022;
- (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"). In the hearing held in November 2021, the Bermuda Court ordered that the Creditor's Winding-up Petition be further adjourned to February 2022; 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"). In August 2021, as part of the Proposed Creditors' Scheme, a voluntary conditional cash offer was made by the investor on all the issued shares of Borrower Subsidiary II but did not become unconditional and therefore lapsed. Since the Borrower Subsidiary II received a winding-up petition in May 2020 and with no written consent by all parties concerned to further adjourn the hearing by the deadline, the Borrower Subsidiary II was ordered by the High Court of Hong Kong to be wound up and the Official Receiver was appointed as provisional liquidator in September 2021. In October 2021, a new joint and several liquidators was appointed for the Borrower Subsidiary II.

During the year 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 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 31 December 2021.

In view of the above-mentioned development, the Group made a prudent full impairment loss allowance on the Loan of HK\$68,846,000 (2020: HK\$22,468,000). However, 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, 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 31 December 2021, the Group's non-current assets of HK\$2,507,443,000 (2020: HK\$2,430,381,000) consisted of investment properties of HK\$806,445,000 (2020: HK\$783,576,000), property, plant and equipment of HK\$1,541,800,000 (2020: HK\$1,433,064,000), right-of-use assets of HK\$152,309,000 (2020: HK\$102,166,000), loan receivable of nil (2020: HK\$68,846,000), financial assets at FVTPL of HK\$802,000 (2020: HK\$802,000), goodwill of nil (2020: HK\$32,931,000) and deposits for acquisition of property, plant and equipment of HK\$6,087,000 (2020: HK\$8,996,000). These non-current assets are principally financed by the Group's shareholders' funds.

As at 31 December 2021, the total borrowings of the Group amounted to HK\$919,940,000 (2020: HK\$971,379,000) consisting of secured bank borrowings of HK\$210,140,000 (2020: HK\$204,828,000), unsecured bank borrowings of HK\$367,701,000 (2020: HK\$445,592,000), secured other borrowings of HK\$74,895,000 (2020: HK\$106,417,000) and unsecured term loans of HK\$267,204,000 (2020: HK\$214,542,000). Among the total borrowings of the Group, HK\$603,533,000 (2020: HK\$538,845,000) was with maturity of less than one year, HK\$267,358,000 (2020: HK\$261,207,000) was with maturity more than one year but not exceeding two years and HK\$49,049,000 (2020: HK\$171,327,000) was with maturity more than two years but not exceeding five years.

As at 31 December 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 16.5% (2020: 17.9%). The Group's gearing ratio would be adjusted to 15.3% (2020: 16.4%) with marketable securities inclusive of debt instruments at FVTOCI and investments held for trading deducted from the net borrowings.

As at 31 December 2021, the Group recorded a net current liabilities amounted to HK\$356,380,000 (2020: HK\$132,931,000). As at 31 December 2021, the Group had undrawn, unsecured, standby credit facility with terms of more than two years amounting to HK\$300,000,000 (2020: HK\$200,000,000), of which the credit limit was increased to HK\$415,000,000 subsequent to the reporting period ("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\$106,500,000 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; (iii) given the Group's relatively low gearing level, it can raise additional finance, if necessary; and (iv) the net loss for the year then ended comprised mainly various non-cash items such as impairment loss recognised on loan receivable and goodwill, hence the impact of the net loss on the cash flows would be much smaller, 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.

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 31 December 2021, details of use of net proceeds from the Subscription were as follows:

Intended use of the net proceeds	Actual use of the net proceeds
(i) An amount of approximately HK\$600,000,000 will be used for working capital and for expansion of the Group’s hospital and healthcare, and aged care businesses	<ul style="list-style-type: none"> a) Approximately HK\$139,750,000 was used for construction cost of Block D of NJH. b) Approximately HK\$39,600,000 was used for construction cost of Block F of NJH. c) Approximately HK\$80,569,000 was used for working capital of the healthcare business. d) Approximately HK\$100,287,000 (RMB90,000,000) was used to settle the acquisition costs of 18.36% equity interests of Yangpu Zhaohé Industrial Co. Ltd. (洋浦兆合實業有限公司) (“Yangpu Zhaohé”)*. e) HK\$85,800,000 was used to settle the acquisition cost of 30% equity interests of Aveo China. f) Approximately HK\$153,994,000 was used for purchasing and improvement of medical and healthcare equipment.
(ii) The remaining balance of approximately HK\$299,250,000 will be used for reduction of the borrowings of the Group	HK\$299,250,000 was used for reduction of the borrowings of the Group.

Note:

- * Yangpu Zhaohé owns 72.5% of the equity interests in Tongren Healthcare with the remaining 27.5% equity interests owned by the another wholly-owned subsidiary of the Group.

Intended use of the net proceeds	Net proceeds used in previous financial years	Net proceeds used in the year ended 31 December 2021	Remaining balance of the net proceeds as at 31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(i) An amount of approximately HK\$600,000,000 will be used for working capital and for expansion of the Group's hospital and healthcare, and aged care businesses	586,972	13,028	–
(ii) The remaining balance of approximately HK\$299,250,000 will be used for reduction of the Group's borrowings	299,250	–	–
Total	886,222	13,028	–

The detailed breakdown of proceeds used during the year ended 31 December 2021 is as follows:

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

As at 31 December 2021, the total net proceeds from Subscription have been fully utilised.

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

During the year 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 31 December 2021, the Group's investments held for trading of HK\$14,791,000 (2020: HK\$21,759,000), buildings (included in property, plant and equipment) of HK\$220,352,000 (2020: HK\$175,209,000), investment properties of HK\$520,825,000 (2020: HK\$502,792,000), properties held for sale of HK\$4,435,000 (2020: HK\$37,545,000), pledged bank deposits of HK\$46,678,000 (2020: HK\$12,670,000) and medical equipment of HK\$75,214,000 (2020: HK\$91,022,000) 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 31 December 2021, the Group had capital commitment contracted for but not provided relating to the acquisition of property, plant and equipment and investment properties of HK\$30,692,000 (2020: HK\$28,720,000) and HK\$2,853,000 (2020: HK\$25,387,000) respectively.

CONTINGENT LIABILITIES

Save as disclosed in this announcement, as at 31 December 2021, the Group is not aware of any material contingent liabilities.

MATERIAL ACQUISITIONS AND DISPOSAL, AND FUTURE PLANS

Save as disclosed in this announcement, during the year ended 31 December 2021, the Group did not hold any other significant investments nor have any material acquisitions or disposals of subsidiaries, associated companies and joint ventures.

Save as disclosed in this announcement, as at 31 December 2021, the Group did not have any plan for material investments or capital assets.

EMPLOYEES

The Group had 2,492 employees as at 31 December 2021 (2020: 2,462). 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 year 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.

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 2022, at the hospital healthcare level, the Division will cautiously carry out the development of KMH Phase II, the Nuclear Medicine Centre of NJH and other important strategic projects so as to achieve deeper development of its specialist capabilities in primary care, integrate cutting-edge research technology and multidisciplinary treatment, and build a large specialist system with high technological barriers. As to consumer healthcare level, the Division will continue the development of high-end outpatient clinics, Cedar Care Polyclinic, build an innovative business model with focuses on ENT, light-assets and out-patient medical care, cater for multi-dimensional market stratification needs, accelerate the efficient penetration of our medical resources, experience and practice towards the consumer healthcare market, and establish a medical brand with superior specialist clusters.

Eldercare Division:

Under the prevailing difficult operationg environment, the Division will nurture a corporate culture of “attentiveness, consideration and reliability”. The Divison will make good use of its institutional system, training resources, assessment and incentives system, etc. to improve the working style and habits of staff. It will strengthen its marketing efforts to promote the sales of eldercare products, upgrade the eldercare services offered, enhance the engagement of the elders so as to improve their experience. It will launch home care services in due course, strengthen the establishment of online and offline sales channels to further improve the overall operating performance.

Others:

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

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the applicable code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) throughout the year ended 31 December 2021.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, they have confirmed their compliance with the required standard as set out in the Model Code throughout the year ended 31 December 2021.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the Group’s consolidated financial statements for the year ended 31 December 2021.

SCOPE OF WORK OF RSM HONG KONG

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group’s auditor, RSM Hong Kong, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Hong Kong on the preliminary announcement.

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

Hong Kong, 29 March 2022

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

Executive Directors

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

Non-Executive Directors

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

Independent Non-Executive Directors

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