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## China Medical & HealthCare Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 383)

### ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

#### 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		<u>736,020</u>	<u>710,856</u>
Revenue	3		
Goods and services from contracts with customers		732,685	705,619
Rental		3,322	3,038
Others		13	15
		<u>736,020</u>	<u>708,672</u>
Cost of goods and services		<u>(618,553)</u>	<u>(572,109)</u>

	<i>NOTES</i>	<b>Six months ended</b>	
		<b>30.6.2022</b>	30.6.2021
		<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
		<b>(unaudited)</b>	(unaudited)
Gross profit		<b>117,467</b>	136,563
Other gains and losses, and other income	5	<b>(2,064)</b>	(49,402)
Selling and distribution costs		<b>(310)</b>	(1,727)
Administrative expenses		<b>(122,560)</b>	(115,225)
Loss from operations		<b>(7,467)</b>	(29,791)
Finance costs	6	<b>(31,571)</b>	(29,930)
Loss before taxation		<b>(39,038)</b>	(59,721)
Income tax expense	7	<b>(772)</b>	(6,058)
Loss for the period	8	<b><u>(39,810)</u></b>	<u>(65,779)</u>
Attributable to:			
Owners of the Company		<b>(43,902)</b>	(73,899)
Non-controlling interests		<b>4,092</b>	8,120
		<b><u>(39,810)</u></b>	<u>(65,779)</u>
Loss per share	10		
Basic		<b><u>HK(0.30) cents</u></b>	<u>HK(0.51) cents</u>
Diluted		<b><u>N/A</u></b>	<u>N/A</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**  
*FOR THE SIX MONTHS ENDED 30 JUNE 2022*

	<b>Six months ended</b>	
	<b>30.6.2022</b>	30.6.2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
Loss for the period	<u>(39,810)</u>	<u>(65,779)</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	(74)	85
Exchange differences on translating foreign operations	<u>(24,505)</u>	<u>8,196</u>
	<u>(24,579)</u>	<u>8,281</u>
Total comprehensive income for the period	<u><b>(64,389)</b></u>	<u><b>(57,498)</b></u>
Attributable to:		
Owners of the Company	(67,499)	(63,910)
Non-controlling interests	<u>3,110</u>	<u>6,412</u>
	<u><b>(64,389)</b></u>	<u><b>(57,498)</b></u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 30 JUNE 2022**

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

	<i>NOTE</i>	<b>30.6.2022</b> <i>HK\$'000</i> <b>(unaudited)</b>	31.12.2021 <i>HK\$'000</i> (audited)
<b>Current liabilities</b>			
Creditors, deposits, receipts in advance and accrued charges	12	<b>517,451</b>	562,145
Deposits received on sales of properties		<b>186</b>	1,910
Other contract liabilities		<b>27,225</b>	40,777
Amount due to an associate		<b>6,442</b>	6,726
Borrowings		<b>628,717</b>	603,533
Lease liabilities		<b>4,804</b>	2,780
Current tax liabilities		<b>115,895</b>	120,604
		<u><b>1,300,720</b></u>	<u>1,338,475</u>
<b>Net current liabilities</b>		<u><b>(172,195)</b></u>	<u>(356,380)</u>
<b>Total assets less current liabilities</b>		<u><b>2,042,056</b></u>	<u>2,151,063</u>
<b>Non-current liabilities</b>			
Other contract liabilities		<b>13,130</b>	14,375
Borrowings		<b>278,294</b>	316,407
Lease liabilities		<b>44,411</b>	49,236
Deferred tax liabilities		<b>53,354</b>	53,789
		<u><b>389,189</b></u>	<u>433,807</u>
<b>Net assets</b>		<u><b>1,652,867</b></u>	<u>1,717,256</u>
<b>Capital and reserves</b>			
Equity attributable to owners of the Company			
Share capital		<b>7,240</b>	7,240
Reserves		<b>1,625,858</b>	1,693,357
		<u><b>1,633,098</b></u>	<u>1,700,597</u>
Non-controlling interests		<b>19,769</b>	16,659
		<u><b>1,652,867</b></u>	<u>1,717,256</u>
<b>Total equity</b>		<u><b>1,652,867</b></u>	<u>1,717,256</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.

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.

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.

## 3. Revenue

	Six months ended	
	30.6.2022	30.6.2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<b>Revenue from contracts with customers</b>		
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>
<b>Revenue from other sources</b>		
Rental income	3,322	3,038
Dividend income from listed investments	13	15
	<u>3,335</u>	<u>3,053</u>
	<u><u>736,020</u></u>	<u><u>708,672</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.

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 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 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.

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	Property	Financial	Securities	Consolidated
	HK\$’000	HK\$’000	development	investment	services	trading and	HK\$’000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Gross proceeds from sales of investments held for trading	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenue	<u>705,153</u>	<u>27,852</u>	<u>381</u>	<u>2,621</u>	<u>-</u>	<u>13</u>	<u>736,020</u>
Segment profit/(loss)	<u>1,588</u>	<u>(17,055)</u>	<u>(3,152)</u>	<u>(193)</u>	<u>(1,206)</u>	<u>(588)</u>	<u>(20,606)</u>
Unallocated:							
Other gains and losses, and other income							533
Net foreign exchange loss							(6,434)
Central corporate expenses							(12,464)
Finance costs							<u>(67)</u>
Loss before taxation							<u><u>(39,038)</u></u>

For the six months ended 30 June 2021

	Healthcare HK\$'000 (unaudited)	Eldercare HK\$'000 (unaudited)	Property development HK\$'000 (unaudited)	Property investment HK\$'000 (unaudited)	Financial services HK\$'000 (unaudited)	Securities trading and investments HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
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>662,217</u>	<u>38,060</u>	<u>6,074</u>	<u>2,306</u>	<u>–</u>	<u>15</u>	<u>708,672</u>
Segment profit/(loss)	<u>17,600</u>	<u>(11,492)</u>	<u>1,526</u>	<u>1,288</u>	<u>(51,467)</u>	<u>(311)</u>	<u>(42,856)</u>
Unallocated:							
Other gains and losses, and other income							89
Net foreign exchange loss							(4,033)
Central corporate expenses							(12,890)
Finance costs							<u>(31)</u>
Loss before taxation							<u>(59,721)</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 loss, central corporate expenses and certain finance costs.

## Segment assets and liabilities

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

*As at 30 June 2022*

	Healthcare	Eldercare	Property	Property	Financial	Securities	Consolidated
	HK\$'000	HK\$'000	development	investment	services	trading and	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	investments	(unaudited)
			HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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><u>3,342,776</u></u>
Segment liabilities	1,132,518	496,598	42,127	7,111	–	–	1,678,354
Corporate liabilities							<u>11,555</u>
Consolidated liabilities							<u><u>1,689,909</u></u>

*As at 31 December 2021*

	Healthcare	Eldercare	Property	Property	Financial	Securities	Consolidated
	HK\$'000	HK\$'000	development	investment	services	trading and	HK\$'000
	(audited)	(audited)	(audited)	(audited)	(audited)	investments	(audited)
			HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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><u>3,489,538</u></u>
Segment liabilities	1,162,168	546,003	45,590	6,563	–	–	1,760,324
Corporate liabilities							<u>11,958</u>
Consolidated liabilities							<u><u>1,772,282</u></u>

## 5. Other Gains and Losses, and Other Income

	Six months ended	
	30.6.2022 <i>HK\$'000</i> (unaudited)	30.6.2021 <i>HK\$'000</i> (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 ( <i>Note</i> )	4,153	–
Interest income from:		
– Debt instruments at fair value through other comprehensive income	111	111
– Bank deposits	836	632
Other sundry income	2,074	869
	<u>(2,064)</u>	<u>(49,402)</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 in the PRC with no special and unfulfilled conditions attached.

## 6. Finance Costs

The finance costs represent interest as follows:

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

## 7. Income Tax Expense

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

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

## 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)	<u>319,748</u>	<u>284,205</u>

## 9. Dividends

The Board 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)
<b>Loss</b>		
Loss for the purpose of calculating basic loss per share for the period attributable to owners of the Company	<u>(43,902)</u>	<u>(73,899)</u>
	<b>Number of shares</b>	Number of shares
<b>Number of shares</b>		
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. Debtors, Deposits and Prepayments

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

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:

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

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

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

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

The following is an 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:

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

## 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; (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 polices 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 academicians workstation, as well as the approved Nanjing Tongren's ENT Hospital, Nanjing Tongren Internet Hospital and Nanjing Tongren Children's Hospital.

### 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 district 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.

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;
- (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-patients 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-patients 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).

## **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).

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-patients 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 two SAs (2021: three) (two 11-storey buildings with total gross floor area ("GFA") of 17,117 m<sup>2</sup> (2021: 25,804 m<sup>2</sup>)) and the retail shopping precinct (retail shops with GFA of 1,980 m<sup>2</sup> and shopping mall with GFA of 7,354 m<sup>2</sup>) 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).

### **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 of 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).

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	Carrying	Realised	Fair value	Dividend	% of
	value	value	gain/(loss)	gain/(loss)	received	carrying
	2022	2021	2022	2022	2022	value to the
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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	Carrying	Realised	Fair value	Dividend	% of
	value	value	gain/(loss)	gain/(loss)	received	carrying
	2022	2021	2022	2022	2022	value to the
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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>	

At 30 June 2022, 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 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 of Hong Kong Limited 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, re-assess the value of securities, based on the information currently available to the Group from time to time and shall take all appropriate further actions as and when appropriate.

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

As at 30 June 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.

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 announcement, 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 announcement, 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 announcement, 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.

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.

## **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.

## **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.

## **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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, they have confirmed their compliance with the required standard as set out in the Model Code throughout the six months ended 30 June 2022.

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 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*