



# China Medical & HealthCare Group Limited

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 383)**

**2023** Interim Report



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## 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 2023 together with the comparative figures for the corresponding period in 2022 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

		Six months ended	
	NOTES	30.6.2023 HK\$'000 (unaudited)	30.6.2022 HK\$'000 (unaudited)
Revenue	3	760,951	736,020
Gross proceeds from sales of investments held for trading		3,468	–
Total		764,419	736,020
<b>Revenue</b>	3		
Goods and services from contracts with customers		756,462	732,685
Rental		4,489	3,322
Others		–	13
Cost of goods and services		760,951 (614,576)	736,020 (618,553)
<b>Gross profit</b>		146,375	117,467
Other gains and losses, and other income	5	4,077	(2,064)
Selling and distribution costs		(2,714)	(310)
Administrative expenses		(118,416)	(122,560)
<b>Profit/(loss) from operations</b>		29,322	(7,467)
Finance costs	6	(26,520)	(31,571)
<b>Profit/(loss) before taxation</b>		2,802	(39,038)
Income tax expense	7	(2,238)	(772)
<b>Profit/(loss) for the period</b>	8	564	(39,810)

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

For the six months ended 30 June 2023

		Six months ended	
		30.6.2023	30.6.2022
	NOTE	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
<b>Attributable to:</b>			
Owners of the Company		(1,755)	(43,902)
Non-controlling interests		2,319	4,092
		<u>564</u>	<u>(39,810)</u>
<b>Loss per share</b>	10		
Basic		<u>HK(0.23) cents</u>	(Restated) <u>HK(6.02) cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>



## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Six months ended	
	30.6.2023 HK\$'000 (unaudited)	30.6.2022 HK\$'000 (unaudited)
<b>Profit/(loss) for the period</b>	<b>564</b>	<b>(39,810)</b>
<b>Other comprehensive income:</b>		
<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)
Exchange differences on translating foreign operations	<b>(35,265)</b>	<b>(24,505)</b>
	<b>(35,265)</b>	<b>(24,579)</b>
<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	<b>33,735</b>	-
Deferred tax arising from revaluation of leasehold land and buildings included in property, plant and equipment	<b>(7,858)</b>	-
	<b>25,877</b>	-
Other comprehensive income for the period, net of tax	<b>(9,388)</b>	<b>(24,579)</b>
<b>Total comprehensive income for the period</b>	<b>(8,824)</b>	<b>(64,389)</b>
<b>Attributable to:</b>		
Owners of the Company	<b>(13,477)</b>	<b>(67,499)</b>
Non-controlling interests	<b>4,653</b>	<b>3,110</b>
	<b>(8,824)</b>	<b>(64,389)</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	NOTES	30.6.2023 HK\$'000 (unaudited)	31.12.2022 HK\$'000 (audited)
<b>Non-current assets</b>			
Investment properties	11	547,121	557,089
Property, plant and equipment	11	1,472,978	1,480,940
Right-of-use assets		122,623	130,156
Loan receivable	13	–	–
Interests in associates		–	–
Financial assets at fair value through profit or loss		802	802
Goodwill		–	–
Deposits for acquisition of property, plant and equipment		19,429	30,114
		<b>2,162,953</b>	2,199,101
<b>Current assets</b>			
Inventories		34,785	35,313
Properties under development for sale		176,819	185,606
Properties held for sale		79,711	91,688
Investments held for trading		8,007	12,089
Debtors, deposits and prepayments	12	122,176	94,654
Pledged bank deposits		32,310	24,319
Restricted bank deposits		279	714
Bank balances and cash		822,019	589,050
		<b>1,276,106</b>	1,033,433

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

As at 30 June 2023

	NOTES	30.6.2023 HK\$'000 (unaudited)	31.12.2022 HK\$'000 (audited)
<b>Current liabilities</b>			
Creditors, deposits, receipts in advance and accrued charges	14	514,248	419,705
Deposits received on sales of properties		–	1,757
Contract liabilities		30,507	40,744
Amount due to an associate		5,928	6,178
Borrowings	15	487,886	544,816
Lease liabilities		5,991	5,979
Current tax liabilities		110,701	111,539
		<u>1,155,261</u>	<u>1,130,718</u>
<b>Net current assets/(liabilities)</b>		<u>120,845</u>	<u>(97,285)</u>
<b>Total assets less current liabilities</b>		<u>2,283,798</u>	<u>2,101,816</u>
<b>Non-current liabilities</b>			
Other payables		12,176	12,689
Contract liabilities		8,500	10,276
Borrowings	15	268,812	388,787
Lease liabilities		36,254	39,439
Deferred tax liabilities	16	78,729	71,766
		<u>404,471</u>	<u>522,957</u>
<b>Net assets</b>		<u>1,879,327</u>	<u>1,578,859</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2023

	<i>NOTE</i>	<b>30.6.2023</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.12.2022 HK\$'000 (audited)
<b>Capital and reserves</b>			
Equity attributable to owners of the Company			
Share capital	17	<b>10,860</b>	7,240
Reserves		<b>1,839,897</b>	1,547,702
		<b>1,850,757</b>	1,554,942
Non-controlling interests		<b>28,570</b>	23,917
<b>Total equity</b>		<b>1,879,327</b>	1,578,859



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### For the six months ended 30 June 2023

	Attributable to owners of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Properties revaluation reserve	Investment revaluation reserve	Capital redemption reserve	Other reserve	Translation reserve	Accumulated losses	Sub-total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2022 (audited)	7,240	2,621,374	104,798	1,100	2,496	(796,531)	77,806	(317,686)	1,700,597	16,659	1,717,256	
(Loss)/profit for the period	-	-	-	-	-	-	-	(43,902)	(43,902)	4,092	(39,810)	
Other comprehensive income for the period	-	-	-	(74)	-	-	(23,523)	-	(23,597)	(982)	(24,579)	
Total comprehensive income for the period	-	-	-	(74)	-	-	(23,523)	(43,902)	(67,499)	3,110	(64,389)	
As at 30 June 2022 (unaudited)	7,240	2,621,374	104,798	1,026	2,496	(796,531)	54,283	(361,588)	1,633,098	19,769	1,652,867	
As at 1 January 2023 (audited)	7,240	2,621,374	160,267	-	2,496	(796,531)	1,356	(441,260)	1,554,942	23,917	1,578,859	
(Loss)/profit for the period	-	-	-	-	-	-	-	(1,755)	(1,755)	2,319	564	
Other comprehensive income for the period	-	-	24,393	-	-	-	(36,115)	-	(11,722)	2,334	(9,388)	
Total comprehensive income for the period	-	-	24,393	-	-	-	(36,115)	(1,755)	(13,477)	4,653	(8,824)	
Rights issue (note 17)	3,620	305,672	-	-	-	-	-	-	309,292	-	309,292	
Changes in equity for the period	3,620	305,672	24,393	-	-	-	(36,115)	(1,755)	295,815	4,653	300,468	
As at 30 June 2023 (unaudited)	10,860	2,927,046	184,660	-	2,496	(796,531)	(34,759)	(443,015)	1,850,757	28,570	1,879,327	

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended	
	30.6.2023 HK\$'000 (unaudited)	30.6.2022 HK\$'000 (unaudited)
<b>Operating activities</b>		
Cash generated from operating activities	146,361	23,801
Interest paid	(26,520)	(31,571)
Tax paid	(1,721)	(621)
	<b>118,120</b>	(8,391)
<b>Investing activities</b>		
Net (placement)/withdrawal of pledged bank deposits/ restricted bank deposits	(8,940)	12,524
Proceeds from disposal of investments held for trading	3,468	–
Additions of investment properties	–	(3,710)
Additions of property, plant and equipment	(30,805)	(44,220)
Deposits paid for acquisition of property, plant and equipment	(20,273)	(10,594)
Other investing activities	3,819	947
	<b>(52,731)</b>	(45,053)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)**

For the six months ended 30 June 2023

	Six months ended	
	30.6.2023 HK\$'000 (unaudited)	30.6.2022 HK\$'000 (unaudited)
<b>Financing activities</b>		
Net proceeds from issue of shares under rights issue	<b>309,292</b>	–
New borrowings raised	<b>155,314</b>	120,712
Repayments of borrowings	<b>(300,535)</b>	(93,955)
Principal element of lease payments	<b>(1,438)</b>	(793)
<b>Net cash generated from financing activities</b>	<b>162,633</b>	25,964
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>228,022</b>	(27,480)
Effect of foreign exchange rate changes	<b>4,947</b>	(9,528)
<b>Cash and cash equivalents at beginning of the period</b>	<b>589,050</b>	576,490
<b>Cash and cash equivalents at end of the period</b>	<b>822,019</b>	539,482
<b>Analysis of cash and cash equivalents</b>		
Bank balances and cash	<b>822,019</b>	539,482

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

### 1. BASIS OF PREPARATION

These condensed consolidated financial statements of China Medical & HealthCare Group Limited (the “Company”) and its subsidiaries (the “Group”) have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

These condensed consolidated financial statements should be read in conjunction with the 2022 annual financial statements. Except as described below, 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 2022.

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

#### **Deferred tax related to assets and liabilities arising from a single transaction**

The Group has adopted Amendments to HKAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction” from 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases.

Prior to the adoption of Amendments to HKAS 12, the Group applied the initial recognition exemption under paragraphs 15 and 24 of HKAS 12 for leasing transactions that give rise to equal and offsetting temporary differences, and therefore no deferred tax has been recognised for temporary differences relating to right-of-use assets and lease liabilities at initial recognition, and also over the lease terms under paragraph 22(c) of HKAS 12.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

### 2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

#### **Deferred tax related to assets and liabilities arising from a single transaction *(Continued)***

The Group has applied the transitional provisions under paragraphs 98K and 98L of Amendments to HKAS 12 to leasing transactions that occur on or after the beginning of the earliest comparative period presented and also, at the beginning of the earliest comparative period presented by:

- (i) Recognising a deferred tax asset to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, and a deferred tax liability for all deductible and taxable temporary differences associated with right-of-use assets and lease liabilities; and
- (ii) Recognising the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

Based on the management's assessment, there was immaterial impact on the condensed consolidated statement of financial position as at 1 January 2022, 31 December 2022 and 30 June 2023, because the deferred tax assets and the deferred tax liabilities recognised as a result of the adoption of Amendments to HKAS 12 qualify for offset under paragraph 74 of HKAS 12. There was also immaterial impact on the opening accumulated losses as at 1 January 2022 and the disclosure of the deferred tax results and liabilities in Note 16 to the condensed consolidated financial statements as a result of the change.

In addition to the adoption of the above amendments to standards, in the current period, the Group has adopted all other new and revised Hong Kong Financial Reporting Standards issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2023. They do not have a material effect on the Group's condensed consolidated interim financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated interim financial statements.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### For the six months ended 30 June 2023

#### 3. REVENUE

	<b>Six months ended</b>	
	<b>30.6.2023</b>	30.6.2022
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
<b>Revenue from contracts with customers</b>		
Hospital fees and charges	<b>733,887</b>	705,153
Eldercare related services and sales of nutritions	<b>18,765</b>	17,585
Sales of properties	<b>3,810</b>	9,947
	<b><u>756,462</u></b>	<u>732,685</u>
<b>Revenue from other sources</b>		
Rental income	<b>4,489</b>	3,322
Dividend income from listed investments	–	13
	<b><u>4,489</u></b>	<u>3,335</u>
	<b><u>760,951</u></b>	<u>736,020</u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the six months ended 30 June 2023

**3. REVENUE (Continued)****(a) Disaggregation of revenue from contracts with customers***For the six months ended 30 June 2023 (unaudited)*

Segments	Healthcare HK\$'000	Eldercare HK\$'000	Property development HK\$'000	Total HK\$'000
<b>Types of goods or services</b>				
Hospital fees and charges				
– Inpatient healthcare services	270,415	–	–	270,415
– Outpatient healthcare services	218,650	–	–	218,650
– Other healthcare services	4,599	–	–	4,599
– Physical examination services	53,143	–	–	53,143
– Sales of pharmaceutical	187,080	–	–	187,080
Eldercare related services	–	14,731	–	14,731
Sales of nutritions	–	4,034	–	4,034
Sales of properties	–	3,680	130	3,810
	<b>733,887</b>	<b>22,445</b>	<b>130</b>	<b>756,462</b>
<b>Timing of revenue recognition</b>				
At a point in time	719,331	11,929	130	731,390
Over time	14,556	10,516	–	25,072
	<b>733,887</b>	<b>22,445</b>	<b>130</b>	<b>756,462</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### For the six months ended 30 June 2023

#### 3. REVENUE (Continued)

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

For the six months ended 30 June 2022 (unaudited)

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

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### For the six months ended 30 June 2023

#### 3. REVENUE (Continued)

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

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

##### *For the six months ended 30 June 2023 (unaudited)*

	Healthcare HK\$'000	Eldercare HK\$'000	Property development HK\$'000
Revenue disclosed in segment information	733,887	22,952	130
Less: Rental income	—	(507)	—
Revenue from contracts with customers	<u>733,887</u>	<u>22,445</u>	<u>130</u>

##### *For the six months ended 30 June 2022 (unaudited)*

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### For the six months ended 30 June 2023

#### 3. REVENUE *(Continued)*

##### (b) Performance obligations for contracts with customers

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

For revenue from healthcare services, except for the revenue from the provision of beds for inpatient admissions, the revenue of healthcare services is recognised at a point in time, i.e. when the services are provided. For the revenue from the provision of beds for inpatient admissions, for which the control of the services is transferred when the Group had provided the related services over the time, revenue is recognised when the patients simultaneously receive and consume the benefits provided by services over time.

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

For revenue from certain eldercare related services, for which the control of the services is transferred when the Group had provided the related services over the time, revenue is recognised when the customers simultaneously receive and consume the benefits provided by the eldercare related services over time. For revenue from remaining eldercare related services is recognised at a point in time, i.e. when the services are provided.

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

Revenue from sales of pharmaceutical and nutritions is recognised at the point when the control of the products has transferred, being at the point the customer receives the pharmaceutical and nutritions. Payment of the transaction price is due immediately at the point the customer receives the pharmaceutical and nutritions.

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

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

### 3. REVENUE (Continued)

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

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

### 4. SEGMENT INFORMATION

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

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

During the six months ended 30 June 2023, the CODM has identified the following six operating and reportable segments under HKFRS 8 Operating Segments. No operating segments have been aggregated to form the following reportable segments.

Healthcare – operations of hospitals in the PRC.

Eldercare – property development of independent living units and project management of health campus in the PRC with focus on eldercare and retirement community, which consist of an elderly nursing home, service apartments, independent living units and a commercial area comprising a shopping mall, retail shops and club hall facilities.

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

Property investment – leasing of residential and office properties.

Financial services – provision of loan financial services.

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### For the six months ended 30 June 2023

#### 4. SEGMENT INFORMATION *(Continued)*

##### 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 2023*

	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	-	-	-	-	-	3,468	3,468
Revenue	733,887	22,952	130	3,982	-	-	760,951
Segment profit/(loss)	32,329	(19,296)	(4,071)	6,168	(1,424)	(640)	13,066
Unallocated:							
Other gains and losses, and other income							5,501
Net foreign exchange loss							(2,953)
Central corporate expenses							(12,784)
Finance costs							(28)
Profit before taxation							2,802



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### For the six months ended 30 June 2023

#### 4. SEGMENT INFORMATION (Continued)

##### Segment revenue and results (Continued)

For the six months ended 30 June 2022

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

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

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### For the six months ended 30 June 2023

#### 4. SEGMENT INFORMATION *(Continued)*

##### Segment assets and liabilities

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

##### As at 30 June 2023

	Healthcare HK\$'000 (unaudited)	Eldercare HK\$'000 (unaudited)	Property development HK\$'000 (unaudited)	Property investment HK\$'000 (unaudited)	Financial services HK\$'000 (unaudited)	Securities trading and investments HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Segment assets	1,649,068	799,405	41,776	236,116	144	8,301	2,734,810
Corporate assets							<u>704,249</u>
Consolidated assets							<u>3,439,059</u>
Segment liabilities	1,051,186	454,688	41,234	2,316	-	-	1,549,424
Corporate liabilities							<u>10,308</u>
Consolidated liabilities							<u>1,559,732</u>

##### As at 31 December 2022

	Healthcare HK\$'000 (audited)	Eldercare HK\$'000 (audited)	Property development HK\$'000 (audited)	Property investment HK\$'000 (audited)	Financial services HK\$'000 (audited)	Securities trading and investments HK\$'000 (audited)	Consolidated HK\$'000 (audited)
Segment assets	1,701,908	824,081	61,679	229,372	-	12,442	2,829,482
Corporate assets							<u>403,052</u>
Consolidated assets							<u>3,232,534</u>
Segment liabilities	1,066,176	539,350	35,513	2,142	2,477	-	1,645,658
Corporate liabilities							<u>8,017</u>
Consolidated liabilities							<u>1,653,675</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### For the six months ended 30 June 2023

#### 5. OTHER GAINS AND LOSSES, AND OTHER INCOME

	Six months ended	
	30.6.2023 HK\$'000 (unaudited)	30.6.2022 HK\$'000 (unaudited)
Loss on fair value of investments held for trading	(614)	(669)
Fair value changes on investment properties	6,203	–
Training and other services	3,281	3,081
Impairment loss recognised on trade receivables	(1,677)	(177)
Revaluation deficit on property, plant and equipment	(4,136)	–
Net foreign exchange loss	(5,931)	(11,473)
Provision for properties under development for sale	(2,652)	–
Provision for properties held for sale	(373)	–
Government subsidies ( <i>Note</i> )	88	4,153
Interest income from:		
– Debt instruments at fair value through other comprehensive income	–	111
– Bank deposits	6,113	836
Other sundry income	3,775	2,074
	<b>4,077</b>	<b>(2,064)</b>

*Note:* The government subsidies mainly represent the subsidies on costs incurred for operation in the PRC with no special and unfulfilled conditions attached.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### For the six months ended 30 June 2023

#### 6. FINANCE COSTS

The finance costs represent interest as follows:

	<b>Six months ended</b>	
	<b>30.6.2023</b>	30.6.2022
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
<hr/>		
Interest on:		
Bank and other borrowings	<b>24,780</b>	29,626
Lease liabilities	<b>1,740</b>	1,945
	<hr/>	<hr/>
	<b>26,520</b>	31,571
	<hr/>	<hr/>

#### 7. INCOME TAX EXPENSE

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

	<b>Six months ended</b>	
	<b>30.6.2023</b>	30.6.2022
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
<hr/>		
Current tax		
Corporate income tax ("CIT") in the PRC	<b>1,618</b>	249
Land appreciation tax ("LAT") in the PRC	<b>148</b>	449
	<hr/>	<hr/>
	<b>1,766</b>	698
Deferred tax		
Origination and reversal of temporary differences (Note 16)	<b>472</b>	74
	<hr/>	<hr/>
	<b>2,238</b>	772
	<hr/>	<hr/>

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

### 7. INCOME TAX EXPENSE *(Continued)*

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

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

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

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

Under the Provisional Regulations on LAT implemented upon the issuance of the Provisional Regulations of the PRC on 27 January 1995, all gains arising from transfer of real estate property in the PRC effective from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including borrowings costs and all property development expenditures.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### For the six months ended 30 June 2023

#### 8. PROFIT/(LOSS) FOR THE PERIOD

Profit/(loss) for the period is stated after charging the following:

	<b>Six months ended</b>	
	<b>30.6.2023</b>	30.6.2022
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Depreciation of property, plant and equipment	<b>47,242</b>	61,764
Depreciation of right-of-use assets	<b>4,708</b>	5,355
Cost of inventories sold and properties held for sale recognised as an expense (included in cost of goods and services)	<b>304,081</b>	319,748

#### 9. DIVIDENDS

The Board of the Company does not recommend any dividend in respect of the six months ended 30 June 2023 and 2022.

#### 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:

	<b>Six months ended</b>	
	<b>30.6.2023</b>	30.6.2022
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
<b>Loss</b>		
Loss for the purpose of calculating basic loss per share for the period attributable to owners of the Company	<b>(1,755)</b>	(43,902)

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

### 10. LOSS PER SHARE (Continued)

	Six months ended	
	30.6.2023	30.6.2022
	(unaudited)	(unaudited) (Restated)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of calculating basic loss per share	<b>758,959,038</b>	729,406,650

The weighted average number of ordinary shares for the six months ended 30 June 2022 has been adjusted to reflect the effect of the Share Consolidation and the bonus effect of the Rights Issue as defined in Note 17 to the condensed consolidated financial statements.

No diluted loss per share has been presented as there were no potential dilutive shares outstanding for the six months ended 30 June 2023 and 2022.

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

During the six months ended 30 June 2023, additions to the Group's property, plant and equipment amounted to HK\$60,957,000 (six months ended 30 June 2022: HK\$44,220,000) and properties held for sale with a carrying amount of HK\$3,962,000 (six months ended 30 June 2022: Nil) were transferred to property, plant and equipment upon the change in use as staff quarters.

The Group had no additions to or transfer to/from investment properties during the six months ended 30 June 2023. During the six months ended 30 June 2022, additions to the Group's investment properties amounted to HK\$3,710,000 and investment properties with a carrying amount of HK\$187,158,000 were transferred to properties under development for sale upon the commencement of development with a view to sale.

As at 30 June 2023, the Group's investment properties and leasehold land and buildings included in property, plant and equipment were revalued by Norton Appraisals Holdings Limited, being an independent qualified professional valuer not related to the Group. Fair value gain on investment properties of HK\$6,203,000 (six months ended 30 June 2022: Nil) was recognised in the profit or loss for the six months ended 30 June 2023. Revaluation surplus and deficit on leasehold land and buildings included in property, plant and equipment of HK\$33,735,000 (six months ended 30 June 2022: Nil) and HK\$4,136,000 (six months ended 30 June 2022: Nil) were recognised in the other comprehensive income and profit or loss for the six months ended 30 June 2023 respectively.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

### 12. DEBTORS, DEPOSITS AND PREPAYMENTS

	30.6.2023 HK\$'000 (unaudited)	31.12.2022 HK\$'000 (audited)
Trade receivables		
Debtors from financial services	876	876
Debtors from leasing of properties	1,482	675
Trade receivables arising from hospital operation and eldercare related services operation	<u>108,124</u>	<u>76,452</u>
	<b>110,482</b>	78,003
Less: Allowance for credit losses	<b>(5,867)</b>	<u>(5,867)</u>
	<b>104,615</b>	72,136
Deposits with and receivables from the financial institutions	259	316
Prepayments, other debtors and deposits	<u>17,302</u>	<u>22,202</u>
	<b><u>122,176</u></b>	<b><u>94,654</u></b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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

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>30.6.2023</b>	31.12.2022
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
0 – 30 days	<b>62,905</b>	48,115
31 – 60 days	<b>18,217</b>	11,806
61 – 90 days	<b>6,704</b>	2,557
91 – 365 days	<b>17,910</b>	10,120
More than 365 days	<b>2,388</b>	3,854
	<b>108,124</b>	76,452

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### For the six months ended 30 June 2023

#### 13. LOAN RECEIVABLE

	30.6.2023 HK\$'000 (unaudited)	31.12.2022 HK\$'000 (audited)
Fixed-rate loan	95,215	95,215
Less: Allowance for credit losses	<u>(95,215)</u>	<u>(95,215)</u>
	<u>—</u>	<u>—</u>

The balance represents a secured loan by a subsidiary of the Company (the "Subsidiary") as lender, to an independent third party corporate borrower (the "Borrower"). The loan is secured by (i) a debenture created by the chargor, a wholly owned subsidiary of the Borrower (the "Chargor") in favour of the Subsidiary by way of a first fixed and floating charge over all the undertaking, property and assets of the Chargor; (ii) a share mortgage in favour of the Subsidiary by way of a first fixed mortgage of the 75% of the entire issued share capital of the Chargor; (iii) an additional deed of assignment of shareholder's loan owed by another non-wholly-owned subsidiary of the Borrower and held by the Borrower; and (iv) a deed of assignment of shareholder's loan owed by Chargor and held by the Borrower. The loan receivable is interest-bearing at a range of 16% to 22.41% per annum and repayable by 11 September 2020.

As at 30 June 2023, based on the assessment of the directors of the Company, the loan receivable is not expected to be settled within the next 12 months and therefore classified as non-current asset.

As at 30 June 2023 and 31 December 2022, the directors of the Company considered that the estimated cash flow of the loan receivable and/or the realisation of the relevant collaterals was expected to be zero due to the adverse development of value of collaterals (inclusive of the anticipated receipts of the shareholder's loan held by the Borrower that are assigned to the Group) and the loan receivable was fully impaired.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### For the six months ended 30 June 2023

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

	30.6.2023 HK\$'000 (unaudited)	31.12.2022 HK\$'000 (audited)
Trade payables of hospital operations, of eldercare related services operation and to construction contractors	<b>149,259</b>	146,508
Bills payable	<b>101,673</b>	13,480
Accrued compensation for late delivery of properties held for sale	<b>5,587</b>	5,822
Accrued construction cost for properties under development for sale and properties held for sale	<b>28,597</b>	29,802
Construction cost payable for hospital buildings classified as property, plant and equipment	<b>9,538</b>	10,345
Deposits and receipts in advance	<b>78,358</b>	86,026
Other payables and accrued charges	<b>141,236</b>	127,722
	<b><u>514,248</u></b>	<u>419,705</u>

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### For the six months ended 30 June 2023

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

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

	<b>30.6.2023</b>	31.12.2022
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
0 – 30 days	<b>70,420</b>	68,420
31 – 60 days	<b>27,671</b>	34,035
61 – 90 days	<b>25,311</b>	19,564
91 – 365 days	<b>17,446</b>	16,684
More than one year but not exceeding two years	<b>2,745</b>	3,889
More than two years but not exceeding five years	<b>5,666</b>	3,916
	<b>149,259</b>	146,508

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****For the six months ended 30 June 2023****15. BORROWINGS**

The following table provides an analysis of the borrowings:

	<b>30.6.2023</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.12.2022 HK\$'000 (audited)
Bank borrowings, secured	<b>111,952</b>	134,782
Bank borrowings, unsecured	<b>346,443</b>	452,179
Other borrowings, secured	<b>14,275</b>	33,803
Term loans, unsecured	<b>284,028</b>	312,839
	<b>756,698</b>	933,603

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

	<b>30.6.2023</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.12.2022 HK\$'000 (audited)
Within one year	<b>487,886</b>	544,816
More than one year but not exceeding two years	<b>263,708</b>	369,604
More than two years but not exceeding five years	<b>5,104</b>	19,183
	<b>756,698</b>	933,603
Less: Amount due for settlement within 12 months (shown under current liabilities)	<b>(487,886)</b>	(544,816)
Amount due for settlement after 12 months	<b>268,812</b>	388,787

During the current period, the Group obtained new borrowings amounting to HK\$155,314,000 (six months ended 30 June 2022: HK\$120,712,000) and repaid borrowings amounting to HK\$300,535,000 (six months ended 30 June 2022: HK\$93,955,000).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### For the six months ended 30 June 2023

#### 16. DEFERRED TAX LIABILITIES

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

	Revaluation of leasehold land and buildings HK\$'000	Withholding tax in respect of undistributed earnings of PRC subsidiaries HK\$'000	Fair value adjustment on business combination HK\$'000	Total HK\$'000
As at 31 December 2022 (audited)	42,363	1,427	27,976	71,766
Charge to profit or loss (Note 7)	-	-	472	472
Charge to properties revaluation reserve	7,858	-	-	7,858
Exchange differences	(159)	(58)	(1,150)	(1,367)
<b>As at 30 June 2023 (unaudited)</b>	<b>50,062</b>	<b>1,369</b>	<b>27,298</b>	<b>78,729</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### For the six months ended 30 June 2023

#### 17. SHARE CAPITAL

	Notes	Nominal value per share	Number of ordinary shares	Carrying value HK\$'000
Authorised:				
At 31 December 2022 (audited)		HK\$0.0005	600,000,000,000	300,000
Share Consolidation	(a)	HK\$0.0005	(570,000,000,000)	—
At 30 June 2023 (unaudited)		HK\$0.01	<u>30,000,000,000</u>	<u>300,000</u>
Issued and fully paid:				
At 31 December 2022 (audited)		HK\$0.0005	14,480,072,773	7,240
Share Consolidation	(a)	HK\$0.0005	(13,756,069,135)	—
Shares issued under Rights Issue	(b)	HK\$0.01	<u>724,003,638</u>	<u>7,240</u>
		HK\$0.01	<u>362,001,819</u>	<u>3,620</u>
At 30 June 2023 (unaudited)		HK\$0.01	<u>1,086,005,457</u>	<u>10,860</u>

Notes:

- (a) On 24 February 2023, the Company completed the consolidation of every twenty issued and unissued ordinary shares of HK\$0.0005 each in the share capital of the Company into one ordinary share of HK\$0.01 each in the share capital of the Company (the "Share Consolidation"). As a result of the Share Consolidation, the number of authorised ordinary shares was reduced from 600,000,000,000 of HK\$0.0005 each to 30,000,000,000 of HK\$0.01 each while the number of issued and fully paid ordinary shares was reduced from 14,480,072,773 of HK\$0.0005 each to 724,003,638 of HK\$0.01 each.
- (b) On 16 June 2023, the Company issued 362,001,819 ordinary shares of HK\$0.01 each by way of rights on the basis of one rights share for every two issued shares of the Company at subscription price of HK\$0.88 per rights share (the "Rights Issue"). The net proceeds after deducting estimated professional fees and related expenses of HK\$9,270,000 were HK\$309,292,000 and are intended for financing the development of the phase II of Kunming hospital.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### For the six months ended 30 June 2023

#### 18. PLEDGE OF ASSETS

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

	<b>30.6.2023</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.12.2022 HK\$'000 (audited)
Investments held for trading	<b>8,007</b>	12,089
Buildings (included in property, plant and equipment)	<b>226,700</b>	242,520
Investment properties	<b>312,735</b>	326,049
Properties under development for sale	<b>140,000</b>	147,402
Pledged bank deposits	<b>32,310</b>	24,319
Medical equipment (included in property, plant and equipment)	<b>54,689</b>	42,400
	<b>774,441</b>	794,779

#### 19. CAPITAL COMMITMENTS

	<b>30.6.2023</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.12.2022 HK\$'000 (audited)
Capital expenditure contracted for at the end of reporting period but not yet incurred:		
– Property, plant and equipment	<b>263,019</b>	276,746

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the six months ended 30 June 2023

**20. RELATED PARTY TRANSACTIONS**

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

**(a) Transactions with related parties**

	<b>Six months ended</b>	
	<b>30.6.2023</b>	30.6.2022
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Legal and professional services fee paid to a related company (Note 1)	<b>101</b>	7
Payment of interest of term loans from related companies (Note 2)	<b>381</b>	–
Lease principal payment to related companies (Note 2)	<b>122</b>	–
Finance costs on lease liabilities in respect of leases with related companies (Note 2)	<b>2</b>	–
	<b><u>2</u></b>	<u>–</u>

Notes:

1. The related company is a partnership of which a non-executive director of the Company is a partner and is considered as a related party of the Group.
2. The holding companies of these related companies have significant influence over the Company after the completion of the Rights Issue.

**(b) Balances with related parties**

	<b>30.6.2023</b>	31.12.2022
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
Right-of-use assets	<b>1,286</b>	–
Term loans (Note 1)	<b>108,868</b>	–
Creditors, deposits, receipts in advance and accrued charges (Note 2)	<b>895</b>	–
Lease liabilities	<b>1,322</b>	–
	<b><u>1,322</u></b>	<u>–</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### For the six months ended 30 June 2023

#### 20. RELATED PARTY TRANSACTIONS (Continued)

##### (b) Balances with related parties (Continued)

Notes:

1. A balance of HK\$76,531,000 was unsecured, interest bearing at 7% p.a. and repayable within one year. The remaining balance of HK\$32,337,000 was unsecured, interest bearing at 7.2% p.a. and repayable more than one year but not exceeding two years.
2. The balance was unsecured, interest-free and repayable within one year.

These balances were arising from related companies of which the holding companies have significant influence over the Company after the completion of the Rights Issue.

##### (c) Compensation of key management personnel

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

	Six months ended	
	30.6.2023 HK\$'000 (unaudited)	30.6.2022 HK\$'000 (unaudited)
Salaries and other short-term employee benefits	3,186	1,531
Retirement benefits costs	300	51
	<b>3,486</b>	<b>1,582</b>

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

As at 30 June 2023, accrued remuneration of HK\$263,000 (as at 31 December 2022: HK\$168,000) in relation to key management personnel which is unsecured, interest-free and settled in cash was included in accrued charges.

##### (d) Facility granted by a related company

As at 30 June 2023, there was a medium term unsecured standby loan facility of HK\$415,000,000 granted by a related company of which the holding company has significant influence over the Company after the completion of the Rights Issue and there was no loan drawdown by the Group.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### For the six months ended 30 June 2023

#### 21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

Financial assets in the condensed consolidation statement of financial position	Fair value as at 30 June 2023	Fair value as at 31 December 2022	Fair value hierarchy	Valuation techniques and key inputs
1) Investments in listed equity securities classified as investments held for trading	<b>Listed equity securities:</b> – Hong Kong <b>HK\$5,781,000</b> – Overseas <b>HK\$2,226,000</b>	Listed equity securities: – Hong Kong HK\$9,966,000 – Overseas HK\$2,123,000	Level 1	Quoted bid prices in active markets
2) Club debentures classified as financial assets at fair value through profit or loss	<b>Assets – HK\$802,000</b>	Assets – HK\$802,000	Level 2	Quoted prices in a market for identical assets

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL RESULTS

For the six months ended 30 June 2023, the Group recorded a total revenue of HK\$764,419,000 (2022: HK\$736,020,000) representing an approximately 3.9% increase as compared with the total revenue for the six months ended 30 June 2022 (“HY2022”) and a loss attributable to shareholders of the Company of HK\$1,755,000 (2022: HK\$43,902,000) representing an approximately 96.0% decrease as compared with the loss attributable to shareholders of the Company for HY2022. The decrease in loss attributable to shareholders of the Company was mainly due to (i) the increase in revenue from operations of the healthcare division; and (ii) the decrease in cost of medical consumables but were partially off-set by (iii) the increase in cost of pharmaceutical and medicine.

Loss per share (basic) for the six months ended 30 June 2023 was HK0.23 cents (2022 (restated): HK6.02 cents).

The Group’s net asset value, attributable to shareholders of the Company, per share as at 30 June 2023 amounted to HK\$1.70 (2022 (restated): HK\$2.26).

### INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend (2022: nil) for the six months ended 30 June 2023.

### REVIEW OF OPERATIONS

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

## REVIEW OF OPERATIONS *(Continued)*

### Healthcare Division:

Since December 2022, following the full-lifting of COVID-19 control measures and prevention policies in the People's Republic of China (the "PRC"), the Healthcare Division of the Group has been operating under high pressure with numbers of out-patient visits and in-patient admissions of COVID-19-infected patients reaching the peak two weeks after the release of restrictions. The situation continued to mid to late January 2023 with the impact of the epidemics gradually subsided but the operating results of the Division severely affected. On one hand, fever-related outpatient and nucleic acid testing operations were overloaded with a surging of in-patient admissions for the department of internal medicine. On the other hand, general outpatient for emergency services, elective surgery operations and medical check-ups demonstrated a downward trend with in-patient admissions for surgical department dropping sharply. Commencing from March 2023, given that the external restrictive environment has been improved, patients' needs for receiving medical treatments have been fully released, resulting in a resumption of the growing momentum of the hospital business. Despite the market demand having peaked in May 2023, the business volume of the hospitals and the clinic of the Division remained in rising momentum, showing growth in the steady performance.

For the six month ended 30 June 2023, the Healthcare Division, operated through its wholly-owned subsidiary, Tongren Healthcare Industry Group Company Limited (同仁醫療產業集團有限公司), achieved an increased revenue of HK\$733,887,000 (2022: HK\$705,153,000) and an improved profit of HK\$32,329,000 (2022: HK\$1,588,000) inclusive of a revaluation deficit on property, plant and equipment of HK\$4,136,000 (2022: nil). Without interest, tax, depreciation and amortization, the Healthcare Division generated an EBITDA, being earnings before interest, tax, depreciation and amortization, of HK\$95,033,000 (2022: HK\$84,791,000) for the six months ended 30 June 2023.

Nanjing hospital of the Healthcare Division ("NJH"):

For NJH, a Class III B 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), 6 municipal key medical specialties (ENT, head and neck surgery, ophthalmology, neurology, medical imaging, anesthesiology and clinical laboratory), as well as the approved Nanjing Tongren's ENT Hospital, Nanjing Tongren Internet Hospital and Nanjing Tongren Children's Hospital.

## REVIEW OF OPERATIONS *(Continued)*

### Healthcare Division: *(Continued)*

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

During the period under review:

- (i) for scientific research development: NJH completed the presentation of Nanjing Continuing Medical Education Projects for 2023, accumulating 9 reported projects. Its ENT, head and neck surgical team together with its department of anesthesiology, department of medical imaging and operating theatres successfully published 2 science citation index theses concerning the direction of vertigo surgeries on “Frontiers in Neuroscience”, with high impact factors. NJH also completed its annual internal projects evaluation with a total of 26 projects, 18 of which they were eventually approved of which 1 was recommended to participate in the project presentation of the Provincial Health Committee; 10 were in the project presentation of the Municipal Health Committee; and 6 were in the project presentation of the District Health Committee;
- (ii) for specialty and department development: NJH was approved as the “National Clinical Nutrition Department Establishment Pilot Unit” (國家臨床營養科建設試點單位). Its stroke center was recognized as the municipal unit of stroke treatment center laying a solid foundation for the further establishment of key specialty. NJH was admitted to the government’s official hierarchical diagnosis and treatment coordination system, which implemented a divisional contract responsibility system to conduct inspections and technical guidance for 6 community hospitals assisting the basic level of the system to strengthen the diagnosis and treatment capability. NJH was awarded the title of “Nanjing Three-star Enterprise of Collective Negotiation Quality and Efficiency Assessment” (南京市集體協商質效評估三星級企業) reflecting the government authorities’ recognition of the outcome of NJH’s collective negotiation work to improve quality and efficiency. Its geriatrics department joined the Geriatric Specialist Alliance of Nanjing Drum Tower Hospital (南京鼓樓醫院老年專科聯盟) to become one of its cooperative council units; and
- (iii) for marketing and public relation: NJH and Campus Hospital of NUAA (Jiangjun Road) duly entered into a medical consortium cooperation agreement.

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

For KMH, another Class III A integrated hospital of the Group located in Kunming City, Yunnan Province, PRC, currently it operates 42 clinical medical & technical departments.

## REVIEW OF OPERATIONS *(Continued)*

### Healthcare Division: *(Continued)*

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

During the period under review:

- (i) for scientific research development: Dr. Su Guo Huai (蘇國輝院士) and Professor Fan Junming (樊均明教授) of KMH were recognized as the 3rd session of “Kunming Spring City Industry Mentors” (昆明市春城產業導師). Two talent programs for Dianchi Tourist Resort (1 for key project and 1 for general project) were approved for KMH. KMH organized the project presentation for 2023 “Talent Support Program for Rejuvenating Yunnan Province”, and was awarded 3 national, 4 provincial and 7 municipal annual continuing education projects for 2023;
- (ii) for specialty and department development: The children’s health management center of KMH commenced its clinical service to integrate children’s oral cavity and adenoids projects into childcare products through inter-departmental cooperation setting up a specialized examination room which significantly improved customer experience. KMH filed its surgery catalog of levels 3 and 4 to Municipal Health Committee and completed several of restricted diagnosis and treatment technology filing. KMH completed the signing of contract to join the Yunnan Cancer Hospital Gynecology Specialty Alliance. KMH was officially listed as a designated hospital for teeth pit and fissure closure for children of six-year-old in Xishan District, Kunming City;
- (iii) for marketing and public relation: KMH entered into a cooperation agreement with Ancheng Insurance and was listed as a designated hospital. Combined with various themed events in Women’s Day, Ears Caring Day and World Kidney Day, KMH dispatched doctors from 21 departments including gynecology, general surgery, preventive healthcare, stomatology, cardiovascular medicine, vascular surgery, and oncology to 34 communities around KMH giving 212 volunteer health clinic services, providing more than 8,000 residents with professional medical services, such as disease screening, cervical cancer vaccination, disease consultation, and health education. KMH reached a medical consortium cooperation with Yuanjiang Minzu Hospital (元江民族醫院) and Haikou Xiyi Hospital (海口西儀醫院) and signed a contract for being listed, and reached a cooperation model on two-way referrals, technical assistance and resource sharing; and
- (iv) for the development of KMH Phase II: Currently, the development of KMH Phase II has been making good progress. During the period under review, the foundation pit work of the oncology and nuclear medicine centre (腫瘤及核醫學樓) had completed and was well prepared for the pouring of floor concrete; while the rehabilitation building (康復樓) and the integrated inpatient building (綜合住院樓) have commenced their construction of the third anchor cable for their foundation pit support.

## REVIEW OF OPERATIONS *(Continued)*

### Healthcare Division: *(Continued)*

Nanjing Cedar Care Polyclinic (“NCCC”):

NCCC, the high-end integrated clinic situated at the prime commercial building in central business district of Hexi, Nanjing, commenced operation in October 2022, offers a wide range of healthcare services, such as general practice, ophthalmology, ENT, stomatology and medical aesthetic to patients.

For the period under review, the Healthcare Division achieved an increase in business volume with NJH recorded a total of 495,229 out-patients visits (2022: 1,340,016), 16,203 in-patient admissions (2022: 13,536) and 32,458 body-checks (2022: 24,955), KMH recorded a total of 214,569 out-patients visits (2022: 171,452), 10,725 in-patient admissions (2022: 8,520) and 42,666 body-checks (2022: 42,706) and NCCC recorded a total of 11,588 out-patients visits (2022: nil).

As at 30 June 2023, NJH operated with 394 doctors (2022: 400), 510 nurses (2022: 522) and 1,144 beds (2022: 1,144), KMH operated with 267 doctors (2022: 260), 396 nurses (2022: 389) and 500 beds (2022: 500) and NCCC operated with 18 doctors (2022: nil) and 18 nurses (2022: nil).

### Eldercare Division:

For the Eldercare Division of the Group, given the prolonged negative impact of the epidemic has yet to be completely subsided, the revenue of the Division was affected. For the period under review, the Eldercare Division, operated through its wholly-owned subsidiary, Aveo China (Holdings) Limited, recorded a decreased revenue of HK\$22,952,000 (2022: HK\$27,852,000) and a loss of HK\$19,296,000 (2022: HK\$17,055,000) inclusive of a gain on fair value changes of investment properties of HK\$1,887,000 (2022: nil) but a provision for properties under development for sale of HK\$1,508,000 (2022: nil).

As of 30 June 2023, 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 857 Independent Living Units (“ILU”s) out of a total inventory of 868 ILUs and among which 1 ILU (2022: 1) was recorded as sales in the six months under review with more than 347 residents (2022: 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 (2022: 210) for lease. As at 30 June 2023, the Division leased out 55 SAs (2022: 54).

## REVIEW OF OPERATIONS *(Continued)*

### Eldercare Division: *(Continued)*

During the six months under review:

- i) for community village operations: during the pandemic in January 2023, all kinds of large-scaled gathering activities were cancelled, certain elderly evacuated from the community and those who stay behind shown weak consuming willingness and as a result, purchase of value-added services such as clubhouse and shuttle decreased, resulting in the unsatisfying overall community income. Since March 2023, large-scaled gathering activities gradually resumed, different associations and schools organize different activities as scheduled and the number of participants bounced back to the normal level with membership fees and value-added services fees gradually increased. The elderly homes stepped out from semi-closed management and resumed normal operation, providing various basic services, with an aim to promote reputation, boost sales and increase occupancy rate; and
- ii) for nursing home operation: closed-loop management continued in January 2023 with new admission ceased, auxiliary services including B-scan ultrasonography, radiology and testing as well as rehabilitation services suspended. In February 2023, medical services resumed to a certain extent in view of the easing of the pandemic but closed-loop management were still in place. The clinics suffered great impact and the hospital supplies and catering services provided to our staff both increased the overall expenses. In March 2023, restrictions on nursing hospital were lifted but due to the long-distance travel and difficulties in visiting, numbers of new admission were relatively low. The Division continued to focus on business and channels expansion, strengthen communication with local authorities to promote occupancy rate.

During the six months ended 30 June 2023, SDH recorded a total of 8,915 out-patients visits (2022: 6,305) and 4,597 in-patient admissions (2022: 4,358). As of 30 June 2023, home care services were rendered to nil elders (2022: 41) with nil visits (2022: 2,043) since SDH no longer provides such trial-run services in 2023.

As at 30 June 2023, SDH operated with 19 doctors (2022: 18), 17 nurses (2022: 20) and 100 beds (2022: 100).

As at 30 June 2023, the Division's investment properties portfolio, 100% attributable to the Group, comprising 2 SAs (2022: 2) (two 11-storey buildings with total gross floor area ("GFA") of 17,117m<sup>2</sup>) and the retail shopping precinct (retail shops with GFA of 1,980m<sup>2</sup> and shopping mall with GFA of 7,354 m<sup>2</sup>) with a total value amounted to HK\$335,800,000 (2022: HK\$379,405,000). The Division's property under development for sale consisted of a residential property in Shanghai, the PRC, amounted to HK\$140,000,000 (2022: HK\$149,914,000).

## REVIEW OF OPERATIONS *(Continued)*

### Property Development:

For the six months ended 30 June 2023, the Group's property development business recorded a revenue of HK\$130,000 (2022: HK\$381,000) and a loss of HK\$4,071,000 (2022: HK\$3,152,000) inclusive of a provision for properties under development for sale of HK\$1,144,000 (2022: nil).

As at 30 June 2023, the Division's properties under development for sale amounted to HK\$36,819,000 (2022: HK\$43,458,000) consisted of a parcel of commercial land in Lianyungang and an office premise in Guangzhou, the PRC.

### Property Investments:

For the six months ended 30 June 2023, the Group's investment properties portfolio, for leasing, located in Hong Kong and the PRC recorded a rental income of HK\$3,982,000 (2022: HK\$2,621,000) and a profit of HK\$6,168,000 (2022: loss of HK\$193,000) with a gain on fair value changes of investment properties of HK\$4,316,000 (2022: nil).

As at 30 June 2023, the Division's investment properties portfolio, 100% attributable to the Group, amounted to HK\$211,320,000 (2022: HK\$217,987,000).

### Securities Trading and Investments:

For the period under review, the Group's activities in securities trading and investments recorded a revenue of HK\$3,468,000 (2022: HK\$13,000) and a loss of HK\$640,000 (2022: HK\$588,000). This was mainly due to the loss on fair value of investments held for trading of HK\$614,000 (2022: HK\$669,000).

As at 30 June 2023, the Group maintained a portfolio of debt instruments at fair value through other comprehensive income of nil (2022: HK\$4,608,000) and a portfolio of investments held for trading of HK\$8,007,000 (2022: HK\$14,122,000).

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

Investments held for trading:

As at 30 June 2023, 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 2023 HK\$'000	Carrying value 2022 HK\$'000	Realized gain/(loss) 2023 HK\$'000	Fair value (loss)/gain 2023 HK\$'000	Dividend received 2023 HK\$'000	% of carrying value to the Group's total assets 2023 %
Hong Kong	5,781	11,863	(13)	(703)	-	0.17%
Australia	1,587	1,443	-	217	-	0.05%
Philippines	639	816	-	(115)	-	0.02%
Total	8,007	14,122	(13)	(601)	-	

As at 30 June 2023, 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 2023 HK\$'000	Carrying value 2022 HK\$'000	Realized gain/(loss) 2023 HK\$'000	Fair value gain/(loss) 2023 HK\$'000	Dividend received 2023 HK\$'000	% of carrying value to the Group's total assets 2023 %
Entertainment and media	1,265	1,419	-	55	-	0.04%
Financial services and investment	113	192	-	(27)	-	0.00%
Industrial materials	260	5,203	(13)	(6)	-	0.01%
Property and construction	6,369	7,308	-	(623)	-	0.19%
Total	8,007	14,122	(13)	(601)	-	

At 30 June 2023, there was no investment held for trading which was significant to the Group (exceeded 5% the total assets of the Group).

## **REVIEW OF OPERATIONS (Continued)**

### **Securities Trading and Investments: (Continued)**

Investments held for trading: (Continued)

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

### **Money Lending:**

For the period under review, the Group's money lending business recorded no interest income (2022: nil) and a loss of HK\$1,424,000 (2022: HK\$1,206,000). As at 30 June 2023, the carrying value of the loan receivable ("Loan"), after full impairment provision, is nil (2022: nil).

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, 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, the paragraph headed "Money Lending" on page 23 of the announcement of the interim results for the six months ended 30 June 2022 dated 25 August 2022 and the paragraph headed "Money Lending" on page 24 of the announcement of the annual results for the year ended 31 December 2022 dated 28 March 2023. Capitalized terms used in this paragraph headed "Money Lending" shall have the same meanings as those defined in the aforesaid announcements unless the context requires otherwise.

## REVIEW OF OPERATIONS *(Continued)*

### Money Lending: *(Continued)*

In view of the prevailing development and based on information available at the material time, the Group made a prudent full impairment loss allowance 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 realization of security assets, reassess the value of securities (based on the information currently available to the Group from time to time) and shall take all appropriate actions as and when appropriate.

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

As at 30 June 2023, the Group's non-current assets of HK\$2,162,953,000 (2022: HK\$2,214,251,000) consisted of investment properties of HK\$547,121,000 (2022: HK\$597,392,000), property, plant and equipment of HK\$1,472,978,000 (2022: HK\$1,464,895,000), right-of-use assets of HK\$122,623,000 (2022: HK\$140,884,000), financial assets at fair value through profit or loss of HK\$802,000 (2022: HK\$802,000) and deposits for acquisition of property, plant and equipment of HK\$19,429,000 (2022: HK\$10,278,000). These non-current assets are principally financed by the Group's shareholders' funds.

As at 30 June 2023, the Group recorded a net current assets of HK\$120,845,000 (2022: net current liabilities of HK\$172,195,000).

As at 30 June 2023, the total borrowings of the Group amounted to HK\$756,698,000 (2022: HK\$907,011,000) consisting of secured bank borrowings of HK\$111,952,000 (2022: HK\$167,992,000), unsecured bank borrowings of HK\$346,443,000 (2022: HK\$429,147,000), secured other borrowings of HK\$14,275,000 (2022: HK\$53,965,000) and unsecured term loans of HK\$284,028,000 (2022: HK\$255,907,000). Among the total borrowings of the Group, HK\$487,886,000 (2022: HK\$628,717,000) was with maturity of less than one year, HK\$263,708,000 (2022: HK\$231,632,000) was with maturity more than one year but not exceeding two years and HK\$5,104,000 (2022: HK\$46,662,000) was with maturity more than two years but not exceeding five years.

As at 30 June 2023, 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 -5.2% (2022: 19.5%). The Group's gearing ratio would be adjusted to -5.6% (2022: 18.3%) with marketable securities inclusive of investments held for trading deducted from the net borrowings.

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

In January 2023, the Company announced the proposal of (i) the share consolidation on the basis that every twenty (20) issued and unissued existing shares of HK\$0.0005 each be consolidated into one consolidated share of HK\$0.01 each and (ii) the change in board lot size for trading on the Stock Exchange from 10,000 existing shares to 5,000 consolidated shares subject to and upon the share consolidation becoming effective. As at the date of the announcement, the authorized share capital of the Company was HK\$300,000,000 divided into 600,000,000 existing shares of par value of HK\$0.0005 each, of which 14,480,072,773 existing shares had been issued and were fully paid or credited as fully paid. Upon the completion of the share consolidation, the authorized share capital of the Company would become HK\$300,000,000 divided into 30,000,000,000 consolidated shares of par value of HK\$0.01 each, of which 724,003,638 consolidated shares would be in issue and fully paid or credited as fully paid. The share consolidation was approved by shareholders at the special general meeting held on 22 February 2023. As such, the share consolidation and the change in board lot size have become effective on 24 February 2023.

In May 2023, the Company proposed to issue 362,001,819 rights shares by way of the rights issue, on the basis of one rights share for every two shares held by the qualifying shareholders of the Company on the record date at the subscription price of HK\$0.88 per rights share (“Rights Issue”) to raise approximately HK\$318.6 million before expenses. The Rights Issue was completed in June 2023 and the net proceeds from the Rights Issue after deducting all relevant expenses was approximately HK\$309.3 million. The Company currently intends to apply the net proceeds of approximately HK\$309.3 million from the Rights Issue for financing the development of the KMH Phase II as set out in the prospectus.

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

As at 30 June 2023, details of use of net proceeds from the Rights Issue were as follows:

Intended use	Net proceeds for the planned use HK\$'000	Net proceeds used as at 30 June 2023 HK\$'000	Remaining balance of the net proceeds un-utilized as at 30 June 2023 HK\$'000
KMH Phase II	309,292	–	309,292

The Company expects that the remaining balance of the net proceeds of the Rights Issue will be gradually utilized in the years ending 31 December 2023 to 2025.

During the six months under review, the Company did not repurchase any shares (2022: nil) in the capital of the Company.

During the six months 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 2023, the Group's investments held for trading of HK\$8,007,000 (2022: HK\$14,122,000), buildings (included in property, plant and equipment) of HK\$226,700,000 (2022: HK\$253,096,000), investment properties of HK\$312,735,000 (2022: HK\$352,116,000), properties under development for sale of HK\$140,000,000 (2022: HK\$149,914,000), properties held for sale of nil (2022: HK\$4,082,000), pledged bank deposits of HK\$32,310,000 (2022: HK\$45,665,000) and medical equipment of HK\$54,689,000 (2022: HK\$68,308,000) 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 2023, the Group had capital commitment contracted for but not provided relating to the acquisition of property, plant and equipment, and properties under development for sale of HK\$263,019,000 (2022: HK\$16,332,000) and nil (2022: HK\$8,095,000) respectively.

## **CONTINGENT LIABILITIES**

Save as disclosed in this report, as at 30 June 2023, the Group is not aware of any material contingent liabilities.

## **MATERIAL ACQUISITIONS AND DISPOSAL, AND FUTURE PLANS**

Save as disclosed in this report, during the six months ended 30 June 2023, the Group did not hold any other significant investments nor have any material acquisitions or disposals of subsidiaries, associated companies and joint ventures.

Save as disclosed in this report, as at 30 June 2023, the Group did not have any plan for material investments or capital assets.

## **EMPLOYEES**

The Group had 2,516 employees as at 30 June 2023 (2022: 2,539). 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.

## CORPORATE DEVELOPMENT

References are made to the joint announcements of the Company dated 16 June 2023, 19 June 2023, 7 July 2023 and 21 July 2023 and the announcement of the Company dated 21 June 2023 in relation to, among others, the mandatory conditional cash offer by Yu Ming Investment Management Limited on behalf of Fareast Global Limited (the “Offeror”) to acquire all the issued shares of the Company (other than those shares already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it).

Immediately after the completion of the Rights Issue, the Offeror, being a wholly-owned subsidiary of Tian An China Investments Company Limited, owns 358,717,000 shares of the Company representing approximately 33.03% of the total issued shares capital of the Company. On 16 June 2023, the Offeror made a mandatory conditional cash offer to acquire all the issued shares of the Company (other than those shares already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it) at the offer price of HK\$0.89 per share (“Offer”). The despatch of the composite document in relation to the Offer was further delayed to 31 August 2023.

## PROSPECTS

### Healthcare Division:

For the second half of the year, the Division will carry on with its sustainable operating strategies, consolidate its long-term and short-term functions, optimize its business layout, implement cost saving measures in terms of hospital operation, cost control, business indicators and policies relief, with an aim to promote quality and efficiency. In particular:

- (i) NJH will review the budgetary attainment of various departments in the first half of the year and communicate with clinical departments regarding upgrade plans for the second half of the year and monitor its implementation. Meanwhile, the Division will follow up with the operation team regarding the supervision and assistance on department development related issues;
- (ii) for scientific construction of NJH, traditional advanced departments such as ophthalmology, ENT and dentistry, will be strengthened, promoted and safeguarded its positive operating advantages. Meanwhile, the Division will develop potential departments with business foundation and market needs, and further explore other clinical specialists such as general surgical and urology;

## PROSPECTS *(Continued)*

### Healthcare Division: *(Continued)*

- (iii) NJH will seek breakthrough in the high-end medical field, deepen business interaction with the NCCC, continuously enhance medical services and products delivery ability, optimize marketization operating system;
- (iv) KMH will leverage on its Class III A status and foundation, fully unleash its leading potential in specialists including cardiology, cardiac surgery, gynecology, orthopedics and medical checks, expand its existing business and develop the subspecialty, attract customers from other regions with the long-lasting effect and extend its service scope. In addition, KMH will explore the blue ocean market segment of the specialists in designated areas and fields based on the regional difference of medical services quality. KMH will also consolidate the mid-high end customer base, attractively layout the discretionary medical and high-end business line;
- (v) KMH will focus on the development of KMH Phase II to carry out its mid-long term development, develop new business line in the traditional medical field in a predetermined direction, upgrade its overall infrastructure, medical technology and scientific research level by ways of technology oriented development; and
- (vi) the Division expects to enhance the performance of out-patient clinics for ophthalmology, medical aesthetics and otorhinolaryngology, the three specialties having a relatively high degree of marketization, through investing more resources into these departments to enhance the professional standard of our medical technology level. Besides, the Division will also consolidate the construction of professional marketing teams of various specialties, enlarge market investments and strengthen its cooperation with third-party traffic streaming platforms, as well as attract mid-to-high ended customers through speciality services to boost its popularity and accumulate customer base with an expectation of raising the business revenue at a fast pace.

## **PROSPECTS (Continued)**

### **Eldercare Division:**

For the second half of the year, the Division will ensure proper implementation of business strategies in terms of scale, professionalism and branding, in particular:

- (i) internal management will be standardized according to national standards, industry standards and local standards including the eldercare service standards and ratings;
- (ii) base on the advantages of its medical group, develop a specialized and professional medical group with distinctive characteristics, extend the services of the Tide Health Campus from basic daily care to rehabilitation which require higher standards, develop active daily care and health management; and
- (iii) focus on detail management and seek motivational factors based on the business and service quality, with an aim to properly execute cost saving and efficiency promotion measures.

### **Others:**

The Group expects that the global economic and business environment will remain uncertain and continue to weigh on business and consumer confidence. This is due to factors such as geo-political conflicts and tensions, supply chain disruptions, declining world trade, government monetary and fiscal policies tightening, etc. The Group will be cautious and continue to review and adjust its business and investment strategies, and investment portfolio to suit the prevailing challenging economic and investment environment and will seek investment and business opportunities in the PRC, Hong Kong and the Asia Pacific region to enhance value for its shareholders.

## INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 30 June 2023, the interests and short positions of the Directors, the chief executive of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the “SFO”) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) were as follows:

### Long positions in the shares of the Company

Name of Director	Number of ordinary shares of HK\$0.01 each					Approximate percentage of shareholding
	Personal interests	Family interests	Corporate interests	Other interests	Total interests	
Ms. Chong Sok Un ("Ms. Chong")	928,125	–	194,438,560 <i>Note (i)</i>	–	195,366,685	17.99%

Note:

The percentage of shareholding is calculated on the basis of the Company’s issued share capital of 1,086,005,457 shares as at 30 June 2023.

- (i) Ms. Chong was beneficially interested in 928,125 ordinary shares of the Company. For the corporate interests, Vigor Online Offshore Limited (“Vigor”), a wholly-owned subsidiary of China Spirit Limited (“China Spirit”), owned 194,438,560 ordinary shares of the Company. Ms. Chong maintained 100% beneficial interests in China Spirit. Accordingly, Ms. Chong was deemed to be interested in 194,438,560 ordinary shares of the Company in which Vigor was interested.

Save as disclosed above, as at 30 June 2023, none of the Directors and chief executive of the Company nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

## INTERESTS OF SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2023, the following parties had interests or short positions in the shares or underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

### Long positions in the shares of the Company

Name of Shareholders	Capacity		Number of ordinary shares held	Approximate percentage of shareholding
Tsinghua Tongfang Co., Ltd. ("THTF")	Held by controlled corporation	(Note 1)	200,000,000	18.42%
Resuccess Investments Limited ("Resuccess")	Held by controlled corporation	(Note 1)	200,000,000	18.42%
Cool Clouds Limited ("Cool Clouds")	Beneficial owner	(Note 1)	200,000,000	18.42%
Ms. Chong Sok Un ("Ms. Chong")	Beneficial owner Held by controlled corporation	(Note 2) (Note 2)	928,125 194,438,560	0.09% 17.90%
China Spirit Limited ("China Spirit")	Held by controlled corporation	(Note 2)	194,438,560	17.90%
Vigor Online Offshore Limited ("Vigor")	Beneficial owner	(Note 2)	194,438,560	17.90%
China Minsheng Investment Group Corp., Ltd. 中國民生投資股份有限公司 ("CMI")	Held by controlled corporation	(Note 3)	100,000,000	9.21%

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

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

Name of Shareholders	Capacity		Number of ordinary shares held	Approximate percentage of shareholding
CMIG Asia Asset Management Co., Ltd. 中民投亞洲資產管理有限公司 ("CMIG")	Held by controlled corporation	(Note 3)	100,000,000	9.21%
CMI Financial Holding Corporation ("CMIF")	Held by controlled corporation	(Note 3)	100,000,000	9.21%
CMIG International Capital Limited 中民投國際資本有限公司 ("中民投國際資本")	Held by controlled corporation	(Note 3)	100,000,000	9.21%
CM International Capital Limited ("CMIC")	Held by controlled corporation	(Note 3)	100,000,000	9.21%
Victor Beauty Investments Limited ("Victor Beauty")	Beneficial owner	(Note 3)	100,000,000	9.21%
Ms. Ding Moyan ("Ms. Ding")	Held by controlled corporation	(Note 4)	57,486,960	5.29%
Excellent Top Holdings Limited ("Excellent Top")	Held by controlled corporation	(Note 4)	57,486,960	5.29%
Greatime Management Corp. ("Greatime")	Beneficial owner	(Note 4)	57,486,960	5.29%
Mr. Lee Seng Hui	Held by controlled corporation	(Note 5)	422,963,960	38.94%
Ms. Lee Su Hwei	Held by controlled corporation	(Note 5)	422,963,960	38.94%
Mr. Lee Seng Huang	Held by controlled corporation	(Note 5)	422,963,960	38.94%



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

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

Name of Shareholders	Capacity		Number of ordinary shares held	Approximate percentage of shareholding
Allied Group Limited ("Allied Group")	Held by controlled corporation	(Note 5)	422,963,960	38.94%
Sun Hung Kai & Co. Limited ("SHK")	Held by controlled corporation	(Note 5)	64,246,960	5.91%
Shipshape Investments Limited ("Shipshape")	Held by controlled corporation	(Note 5)	64,246,960	5.91%
Itso Limited ("Itso")	Holder of security interest	(Note 5)	57,486,960	5.29%
Tian An China Investments Company Limited ("Tian An")	Held by controlled corporation	(Note 5)	358,717,000	33.03%

#### Notes:

The percentage of shareholding is calculated on the basis of the Company's issued share capital of 1,086,005,457 shares as at 30 June 2023.

1. Cool Clouds, a wholly-owned subsidiary of Resuccess, owned 200,000,000 ordinary shares of the Company. THTF was the sole shareholder of Resuccess as at 30 June 2023. Accordingly, Resuccess and THTF were deemed to have interests in 200,000,000 ordinary shares of the Company in which Cool Clouds was interested.
2. Ms. Chong was beneficially interested in 928,125 ordinary shares of the Company. For the corporate interests, Vigor, a wholly-owned subsidiary of China Spirit, owned 194,438,560 ordinary shares of the Company. Ms. Chong maintained 100% beneficial interests in China Spirit. Accordingly, Ms. Chong was deemed to be interested in 194,438,560 ordinary shares of the Company in which Vigor was interested.

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

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

Notes: (*Continued*)

- Victor Beauty, a wholly-owned subsidiary of CMIC, owned 100,000,000 ordinary shares of the Company. CMIC was a wholly-owned subsidiary of 中民投國際資本 which in turn was a wholly-owned subsidiary of CMI held directly as to 22.6% interests and indirectly as to 77.4% interests through CMIF and CMIG. CMIF was a wholly-owned subsidiary of CMIG, which in turn was a wholly-owned subsidiary of CMI. Accordingly, CMIC, 中民投國際資本, CMIF, CMIG and CMI were deemed to have interests in 100,000,000 ordinary shares of the Company.
- Greatime, a wholly-owned subsidiary of Excellent Top, owned 57,486,960 ordinary shares of the Company. Ms. Ding maintained 100% beneficial interests in Excellent Top. Accordingly, Ms. Ding was deemed to have an interest in 57,486,960 ordinary shares of the Company.
- Fareast Global Limited, a wholly-owned subsidiary of Tian An, owned 358,717,000 ordinary shares of the Company and Tian An was owned as to approximately 55.72% by China Elite Holdings Limited which was in turn wholly-owned by Allied Group via its subsidiaries.

Itso, a wholly-owned subsidiary of Shipshape, held 57,486,960 ordinary shares of the Company as holder of security interest and Sun Hung Kai Structured Finance Limited, a wholly-owned subsidiary of Shipshape, held 6,760,000 ordinary shares of the Company as holder of security interest. Shipshape was a wholly-owned subsidiary of SHK. SHK was owned as to approximately 73.33% by Allied Group via its subsidiaries.

Mr. Lee Seng Hui together with Ms. Lee Su Hwei and Mr. Lee Seng Huang are the trustees of Lee and Lee Trust, being a discretionary trust. The Lee and Lee Trust controlled approximately 74.99% of the total number of issued shares of Allied Group (inclusive of Mr. Lee Seng Hui's personal interests) and was therefore deemed to have an interest in the shares in which Allied Group was interested.

Save as disclosed above, as at 30 June 2023, there were no other parties who had interests or short positions in the shares or underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

### **AUDIT COMMITTEE REVIEW**

The Audit Committee has reviewed with the management of the Company (the “Management”) the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a general review of the interim report (including unaudited interim condensed consolidated financial statements for the six months ended 30 June 2023). In carrying out this review, the Audit Committee has relied on a review conducted by the Group’s external auditor, RSM Hong Kong, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA as well as reports obtained from the Management. The Audit Committee has not undertaken detailed independent audit checks.

### **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Company has complied with the applicable code provisions of the Corporate Governance Code as set out in Part 2 of Appendix 14 of the Listing Rules throughout the six months ended 30 June 2023.

### **COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, they have confirmed their compliance with the required standard as set out in the Model Code throughout the six months ended 30 June 2023.

### **CHANGES IN DIRECTORS’ INFORMATION**

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

- Mr. Lai Hin Wing Henry Stephen has been appointed as a Member of the Hong Kong Trade Development Council (HKTDC) Professional Services Advisory Committee in April 2023.

## PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

Hong Kong, 18 August 2023

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

*Executive Directors*

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

*Non-Executive Directors*

*Mr. Lai Hin Wing Henry Stephen and Mr. Gao Zhaoyuan*

*Independent Non-Executive Directors*

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