和美醫療控股有限公司
HARMONICARE MEDICAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1509)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

2019 INTERIM RESULTS HIGHLIGHTS

- Total revenue for the six months ended 30 June 2019 amounted to RMB447.43 million, representing a decrease of 12.0% when compared with that of RMB508.53 million for the six months ended 30 June 2018.

- The net loss attributable to owners of the Company for the six months ended 30 June 2019 was RMB16.47 million, as compared with the net loss attributable to owners of the Company of RMB25.26 million for the six months ended 30 June 2018.

- Basic loss per share for the six months ended 30 June 2019 amounted to RMB2.29 cents (for the six months ended 30 June 2018: basic loss per share of RMB3.38 cents).

- The Board does not recommend payment of an interim dividend for the six months ended 30 June 2019 (for the six months ended 30 June 2018: Nil).

The Board announces the unaudited consolidated financial results of the Group for the six months ended 30 June 2019 together with the comparative figures in 2018 as set out below.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

		For the six months ended 30 June	
		2019	2018
		RMB'000	*RMB'000*
	Notes	**(Unaudited)**	(Unaudited)
Revenue	*5*	**447,425**	508,527
Cost of sales and services		**(290,519)**	(289,275)
Gross profit		**156,906**	219,252
Other income		**844**	3,521
Other gains and losses, net		**63,799**	(1,005)
Selling and distribution expenses		**(110,326)**	(138,430)
Administrative and other operating expenses		**(123,118)**	(100,617)
Share of loss of associates		**(102)**	(8,064)
Operating loss		**(11,997)**	(25,343)
Finance costs	*7*	**(16,050)**	–
Loss before income tax		**(28,047)**	(25,343)
Income tax expense	*9*	**(1,709)**	(1,567)
Loss for the period	*10*	**(29,756)**	(26,910)
Other comprehensive income/(expense):			
Item that may be reclassified to profit or loss:			
Share of other comprehensive income/(expense) of associates		**8**	(246)
Total other comprehensive income/(expense) for the period		**8**	(246)
Total comprehensive loss for the period		**(29,748)**	(27,156)
Loss for the period attributable to:			
Owners of the Company		**(16,473)**	(25,264)
Non-controlling interests		**(13,283)**	(1,646)
		(29,756)	(26,910)
Total comprehensive loss for the period attributable to:			
Owners of the Company		**(16,465)**	(25,510)
Non-controlling interests		**(13,283)**	(1,646)
		(29,748)	(27,156)
Loss per share			
Basic and diluted (RMB cents)	*12*	**(2.29)**	(3.38)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Notes	**As at 30 June 2019** *RMB'000* **(Unaudited)**	As at 31 December 2018 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment	*13*	**357,917**	369,183
Land use right		**–**	116,713
Right-of-use assets		**746,477**	–
Goodwill		**22,444**	22,444
Other intangible assets		**53,432**	56,536
Interests in associates		**7,371**	7,465
Rental deposits		**23,211**	11,921
Deferred tax assets		**2,085**	2,595
Financial assets at fair value through profit or loss ("FVTPL")		**172,320**	165,845
Contingent consideration receivables		**4,087**	4,087
Other long-term assets		**20,817**	57,801
		1,410,161	814,590
Current assets			
Inventories		**25,588**	33,746
Contingent consideration receivables		**6,903**	6,903
Trade receivables	*14*	**66,563**	54,299
Prepayment, deposits and other receivables		**222,005**	166,821
Cash and cash equivalents		**56,796**	133,846
		377,855	395,615
Current liabilities			
Trade payables	*15*	**42,779**	33,056
Other payables and accruals		**250,044**	261,487
Amount due to a related party		**1,225**	1,225
Tax payable		**11,131**	14,332
Other borrowings		**41,047**	32,770
Lease liabilities		**83,517**	–
Provision		**2,395**	44,238
		432,138	387,108
Net current (liabilities)/assets		**(54,283)**	8,507

	Notes	As at 30 June 2019 *RMB'000* (Unaudited)	As at 31 December 2018 *RMB'000* (Audited)
Total assets less current liabilities		**1,355,878**	823,097
Non-current liabilities			
Accrued rental expenses		**–**	40,113
Other borrowings		**48,823**	69,396
Lease liabilities		**618,595**	–
Deferred tax liabilities		**34,915**	35,417
		702,333	144,926
NET ASSETS		**653,545**	678,171
Capital and reserves			
Share capital	*16*	**598**	598
Reserves		**543,979**	560,444
Equity attributable to owners of the Company		**544,577**	561,042
Non-controlling interests		**108,968**	117,129
TOTAL EQUITY		**653,545**	678,171

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 ("IAS 34") Interim Financial Reporting issued by the International Accounting Standards Board ("IASB") as well as with the applicable disclosure requirement of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with the effect from 7 July 2015.

Reference to the announcement dated on 1 April 2019, the trading of ordinary shares of the Company on the Stock Exchange has been suspended with effect from 1 April 2019 pending the publication of the annual results of the Group for the year ended 31 December 2018.

Reference to the announcement dated on 12 June 2019, the Company received a letter from the Stock Exchange on 15 May 2019 in relation to resumption guidance for the Company including (i) publish all outstanding financial results and address any audit modifications; (ii) conduct an independent internal control review and demonstrate that the Company has in place adequate internal control and procedures to comply with the Listing Rules; and (iii) announce all material information for the Company's shareholders and other investors to appraise the Company's position. If the Company fails to remedy the issues causing the suspension and fully comply with the Listing Rules to the Stock Exchange's satisfaction and resume trading in the Shares by 30 September 2020, the Listing Department of the Stock Exchange will recommend the Listing Committee of the Stock Exchange (the "Listing Committee") to proceed with the cancellation of the Company's listing, subject to the Stock Exchange's right to impose a shorter specific remedial period under Rule 6.10 of the Listing Rules where appropriate.

On 26 November 2020, the Listing Committee considered the Company's resumption and listing status. The Company received a letter from the Stock Exchange dated 27 November 2020 stating that the Listing Committee has decided to cancel the Company's listing under Rule 6.01A of the Listing Rules (the "Delisting Decision"). It is indicated in the Letter that unless the Company applies for a review of the Delisting Decision pursuant to Chapter 2B of the Listing Rules, the last day of listing of the Shares would be on 11 December 2020, and the listing of the Shares would be cancelled with effect from 9:00 a.m. on 14 December 2020.

The Company has submitted an application on 4 December 2020 requesting the Delisting Decision be referred to the Listing Review Committee for review.

The unaudited condensed consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company. All values are rounded to the nearest thousand except when otherwise stated.

2. GOING CONCERN BASIS

The Group incurred a loss of approximately RMB29,756,000 for the six months ended 30 June 2019 and as at 30 June 2019, the Group had net current liabilities of approximately RMB54,283,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The directors of the Company have prepared the unaudited condensed consolidated financial statements based on going concern on the assumptions and measures that:

(a) The Group is actively disposing certain subsidiaries including but not limited to Nantong Hemeijia Hospital. The management of the Group is confident that such disposals would generate at least RMB150 million cash inflow to the Group and significantly reduce overall capital commitments of the Group in 2021;

(b) The management has ceased or delayed nearly all construction of new hospitals and new investments until the Group's net current liabilities situation is resolved;

(c) The Group applies cost control measures in cost of sales, administrative expenses and capital expenditures;

(d) The Group is also maximising its sale effort and implementing comprehensive policies to improve operating cash flows.

The directors of the Company have reviewed the Group's cash flow projections prepared by the management. The cash flow projections cover a period of not less than twelve months from 30 June 2019. After taking into account the above assumptions and measures, the directors of the Company consider that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 30 June 2019 and believe that the Group will continue as a going concern and consequently have prepared the unaudited condensed consolidated financial statements on a going concern basis.

3. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed consolidated financial statements should be read in conjunction with the 2018 annual financial statements. The accounting policies 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 2018 except as stated below.

Leases

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

Leasehold land	2%
Land and buildings	5%-67%

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US$5,000.

4. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and consolidated amounts reported for the current period and prior years except as stated below.

IFRS 16 "Leases"

The Group was initially applied IFRS 16 "Leases" with effect from 1 January 2019 and has taken transitional provisions and methods not to restate comparative information for prior period.

On adoption of IFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as 'operating leases' under IAS 17 "Leases", resulted in changes in the consolidated amounts reported in the consolidated financial statements as follows:

	1 January 2019 ***RMB'000***
Increase in right-of-use assets	**800,444**
Increase in lease liabilities	**(739,101)**
Decrease in provision for onerous lease	**41,337**
Decrease in land use right	**(116,713)**
Decrease in other long-term assets	**(6,289)**
Decrease in prepayment, deposits and other receivables	**(24,380)**
Decrease in other payables and accruals	**4,589**
Decrease in accrued rental expense	**40,113**

The reconciliation of operating lease commitment to lease liabilities as at 1 January 2019 is set out below:

	1 January 2019 ***RMB'000***
Operating lease commitment at 31 December 2018	**971,973**
Less:	
Discounting at 4.75%	**(232,872)**
Lease liability as at 1 January 2019	**739,101**

The Group has not applied the new IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new IFRSs but is not yet in a position to state whether these new IFRSs would have a material impact on its results of operations and financial position.

5. REVENUE

Revenue represents the amount received or receivable from provision of specialised hospital services and supply of pharmaceuticals and medical devices business, net of discount and sales related taxes, are as follows:

The Group's revenue is analysed as follows:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Specialised hospital services:		
Provision of healthcare services	**390,302**	432,119
Sales of pharmaceuticals and medical devices	**52,359**	54,890
Supply of pharmaceuticals and medical devices business	**4,764**	21,518
Revenue from contracts with customers	**447,425**	508,527

For the six months ended 30 June 2019 and 2018, all revenue is recognised at a point in time.

6. SEGMENT INFORMATION

Mr. Lin Yuming, Mr. Zhao Xingli and Mr. Fang Zhifeng, the directors of the Company, are identified as the chief operating decision maker (the "**CODM**") of the Group for the purposes of resources allocation and performance assessment. The CODM reviews operating results and financial information on a company by company basis. This is also the basis upon which the Group is organised. Accordingly, each company is identified as an operating segment. When the group companies are operating in similar business model with similar target group of customers, and under the same regulatory environment, the Group's operating segment are aggregated and the Group's reportable segments for segment reporting purposes are as follows:

Specialised hospital services	provision of specialised hospital services, especially in obstetrics and gynecology, provided at hospitals within the Group.
Supply of pharmaceuticals and medical devices business	sales of pharmaceuticals and medical devices other than those supply as part of the specialised hospital services.

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

For the six months ended 30 June 2019 (unaudited)

	Specialised hospital services *RMB'000*	**Supply of pharmaceuticals and medical devices business** *RMB'000*	**Total** *RMB'000*
External revenue	**442,661**	**4,764**	**447,425**
Inter-segment revenue	**–**	**13,614**	**13,614**
Segment revenue	**442,661**	**18,378**	**461,039**
Eliminations	**–**	**(13,614)**	**(13,614)**
Consolidated revenue	**442,661**	**4,764**	**447,425**
Segment results	**(4,867)**	**424**	**(4,443)**
Unallocated results			**(23,604)**
Loss before income tax			**(28,047)**

For the six months ended 30 June 2018 (unaudited)

	Specialised hospital services *RMB'000*	Supply of pharmaceuticals and medical devices business *RMB'000*	Total *RMB'000*
External revenue	487,009	21,518	508,527
Inter-segment revenue	–	21,245	21,245
Segment revenue	487,009	42,763	529,772
Eliminations	–	(21,245)	(21,245)
Consolidated revenue	487,009	21,518	508,527
Segment results	1,076	4,112	5,188
Unallocated results			(30,531)
Loss before income tax			(25,343)

7. FINANCE COSTS

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on lease liabilities and other borrowings	**16,050**	–

8. DISPOSAL OF SUBSIDIARIES

For the six months ended 30 June 2019

By the end of May 2019, the Group had entered into disposal agreement with independent third party, in which the Group would dispose 3,680 shares among 4,000 shares, being the entire shares owned by the Group, in issue of Shenzhen HarMoniCare Gynecology and Paediatrics Hospital Co., Ltd (the "Shenzhen HarMoniCare") at a total cash consideration of RMB1,000,000 (the "Shenzhen HarMoniCare Disposal"). The disposal was completed in May 2019.

Shenzhen HarMoniCare was principally engaged in the provision of obstetrics and gynecology specialty hospital services.

The assets and liabilities of the Shenzhen HarMoniCare at the date of the disposal were as follows:

	Shenzhen HarMoniCare
	RMB'000
Property, plant and equipment	27,584
Right-of-use assets	51,988
Other intangible assets	101
Other non-current assets	15
Rental deposits	2,703
Inventories	1,716
Trade receivables	790
Prepayments, deposits and other receivables	2,028
Cash and bank balances	556
Trade payables	(930)
Other payables	(34,697)
Tax payables	–
Lease liabilities	(53,048)
Amount due to fellow subsidiaries	(62,842)
Net liabilities disposal of	(64,036)
Non-controlling interests	5,122
Gain on disposal of subsidiaries	59,914
Total consideration – satisfied by cash	1,000
Net cash inflow/(outflow) arising on disposal:	
Cash consideration received	1,000
Cash and cash equivalents disposed of	(556)
	444

9. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
The PRC Enterprise Income Tax		
Current tax in the PRC	**1,701**	11,118
Deferred tax	**8**	(9,551)
Income tax expense	**1,709**	1,567

The Company is a tax exempted company incorporated in the Cayman Islands.

No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profit subject to Hong Kong Profits Tax during the current period (2018: Nil).

Under the EIT Law and Implementation Regulation of the EIT Law in the PRC, the statutory EIT rate in the PRC is 25% (2018: 25%). In accordance with the approval from the local taxation bureau in the PRC, certain PRC subsidiaries of the Group were entitled to a preferential income tax rate of 15% for the six months ended 30 June 2019 and 2018.

10. LOSS FOR THE PERIOD

The Group's loss for the period is stated after charging the following:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories recognised as expense	**69,489**	84,109
Depreciation of property, plant and equipment	**26,596**	30,673
Depreciation of right-of-use assets	**47,217**	–
Amortisation of other intangible assets	**3,383**	4,767
Amortisation of land use right	**–**	1,223
Total depreciation and amortisation	**77,196**	36,663
Operating lease rentals in respect of rental premises	**–**	40,725
Directors' emoluments	**1,046**	996
Other staff costs		
Salaries, bonus and allowances	**198,253**	189,046
Retirement benefits scheme contributions	**20,390**	20,043
	218,643	209,089

11. DIVIDEND

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2019 (for the six months ended 30 June 2018: Nil).

12. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the six months attributable to owners of the Company of approximately RMB16,473,000 (2018: RMB25,264,000) and the weighted average number of ordinary shares of 720,560,000 (2018: 748,340,000) in issue during the six months period.

Diluted loss per share

There is no dilution factor for the six months ended 30 June 2019 and 2018.

The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share has been adjusted with taking into account the shares purchased and held by the trustee of Company's Restricted Share Incentive Scheme for the six months ended 30 June 2019 and 2018.

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, additions to the property, plant and equipment amounted to RMB48,230,000 (for the six months ended 30 June 2018: RMB62,015,000) mainly consisting of construction in progress, medical equipment, leasehold improvement and building.

14. TRADE RECEIVABLES

The Group allows a credit period of approximately 60 days to 180 days (2018: 60 days to 180 days) for the specialised hospital services to the patients which are due from medical and commercial insurance program, and 0 day to 90 days (2018: 0 day to 90 days) for the sale of pharmaceuticals and medical devices after issuing invoice.

The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	As at 30 June 2019 *RMB'000* **(Unaudited)**	As at 31 December 2018 *RMB'000* (Audited)
Within 90 days	**20,407**	21,095
91 to 180 days	**6,165**	3,218
181 days to 1 year	**8,244**	11,445
Over 1 year	**31,747**	18,541
	66,563	54,299

15. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	As at 30 June 2019 *RMB'000*	As at 31 December 2018 *RMB'000*
Within 90 days	**15,437**	19,413
91 to 180 days	**6,151**	2,674
181 days to 1 year	**4,405**	8,301
Over 1 year	**16,786**	2,668
	42,779	33,056

16. SHARE CAPITAL

The Company and the Group

	Number of shares	**Nominal value per share** *HK$*	**Share capital** *HK$*
Authorised			
At 1 January 2018, 30 June 2018, 1 January 2019 and 30 June 2019	1,140,000,000	0.001	1,140,000
Issued and fully paid			
At 1 January 2018, 30 June 2018, 1 January 2019 and 30 June 2019	758,418,085	0.001	758,418

	As at 30 June 2019 *RMB'000*	As at 31 December 2018 *RMB'000*
Presented as:	**598**	598

The Board announced that on 21 December 2017, it resolved to adopt the Restricted Share Incentive Scheme as a means to recognise the contribution of and provide incentives for the key management of the Group and persons who made special contribution to the Group. As at 30 June 2019 and 31 December 2018, no award has been made under the Restricted Share Incentive Scheme.

Details of shares of the Company purchased by the trustee of the Restricted Share Incentive Scheme pursuant to the Restricted Share Inventive Scheme are as follows:

Month of purchase	Number of ordinary shares	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	*HK$*	*HK$'000*
December 2017	5,404,000	3.15	2.86	16,081
January 2018	6,291,000	3.19	3.00	19,691
March 2018	3,050,000	2.80	2.60	8,407
April 2018	198,000	2.68	2.65	529
July 2018	4,812,000	2.23	1.88	9,728
August 2018	880,000	2.15	2.10	1,864
September 2018	4,847,000	2.29	2.04	10,568
October 2018	5,171,000	2.34	2.19	11,597
November 2018	6,718,000	2.30	2.02	14,801
December 2018	487,000	2.23	2.10	1,054
	37,858,000		Total	94,320
				RMB'000
Presented as:				81,552

During the period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts, which includes other borrowings, net of cash and cash equivalents, and equity attributable to the owner of the Company, comprising issued share capital, share premium and reserves.

The Group's management review the capital structure periodically. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the repayment of existing debt.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND OUTLOOK

The Group is mainly engaged in providing high-quality healthcare services to women and children. China has issued relevant policies to vigorously support and create a good environment for the development of private medical care. However, due to the increasing financial pressure of having children, the continuous decline in the number of newborns, the downward trend of disposable income of residents, and increasingly fierce competition in the obstetrics and gynecology industry, the Group is confronted with enormous challenges in operation and management.

As of 30 June 2019, the Group established a total of 13 mid to high-end ob-gyn and pediatrics specialty hospitals in 8 tier-1 and tier-2 cities in China and operated 768 beds among which the construction of Wuxi HarMoniCare Hospital and Zhengzhou HarMoniCare Hospital has completed and these two hospitals are currently under acceptance and pending operation. In addition, Xiamen HarMoniCare Hospital of the Group is under construction.

In the first half of 2019, the Group focused on asset optimization, core hospital upgrades, new construction and post-investment management of investment projects. As at 30 June 2019, the number of outpatient services provided by the Group's hospitals in operation was 303,075, representing a year-on-year decrease of 6% over 2018. The number of inpatient hospital services provided was 10,440, representing a year-on-year decrease of 21.4% over last year. Average charge per diagnosis and treatment was RMB1,391, representing a year-on-year decrease of 2.9% over last year. The number of newborns was 4,509, representing a year-on-year decrease of 16% over 2018. The Group recorded revenue of RMB447 million, representing a year-on-year decrease of 12.0%; and net loss of RMB30 million, representing an increase in loss of 9.5% over the six months ended 30 June 2018 (Such figures include relevant data of Shenzhen HarMoniCare Hospital in January to April 2019). The decline in operating results and revenue of the Group in 2019 was mainly due to:

1. The decrease in number of hospitals as the Group disposed of Shenzhen HarMoniCare Hospital at the end of April 2019;

2. Guangzhou Woman Hospital, Fuzhou Modern Hospital and Nantong Hemeijia Hospital, the key hospitals under the Group, experienced government demolition and relocation, which seriously affected the normal operation of such hospitals and staff stability, in particular the inpatient hospital business. The impact is expected to continue in the second half of the year;

3. Expenses for post-investment management of newly-built hospital projects and invested projects increased, which had a certain impact on the financial conditions of the Group;

4. Most hospitals under the Group have been in operation for a long time, and there was an urgent need to upgrade the internal environment, which resulted in increase in hospital expenses.

Due to the sharp decline in performance in the first half of 2019, the Group took relevant measures in terms of asset optimization, management upgrade, human resource adjustment, and core hospital upgrading and transformation, which mainly include:

1. Strengthening refined management, budget management and cost control, formulating a process and result-oriented performance management system to improve operational efficiency, reduce costs and increase efficiency;

2. Significantly reducing the marketing cost budget, and promoting the innovation and transformation of hospitals from online marketing to word-of-mouth marketing;

3. Improving manual efficiency and optimizing the echelon of doctors, and adjusting the department structure, accountability, salary performance, etc., to strengthen training and assessment, and continuously improve employee capabilities and work efficiency;

4. Strengthening hospital quality control, and continuously strengthening the risk control awareness of medical staff through training and assessment to ensure customer safety;

5. Encouraging business innovation, especially the expansion of upstream and downstream businesses such as pediatrics, prenatal and postnatal care, as well as the provision of value-added services in existing departments, and enriching product lines to increase profitability while improving customer satisfaction;

6. Strengthening regional resources sharing of hospitals in Beijing, Guiyang, Chongqing and other regions, strengthening the business guidance and team training for new hospitals, to create greater benefits by maximizing the use of resource;

7. Optimizing the asset structure, streamlining existing hospitals and projects, and appropriately disposing non-performing assets, to concentrate limited resources on core hospital upgrades;

8. Optimizing information services and providing customers with online one-stop consultation, treatment and pregnancy management experience as well as convenient value-added services.

In addition, during the period under review, the Group's new projects in connection with Wuxi HarMoniCare Hospital and Zhengzhou HarMoniCare Hospital have been completed. Due to funding issue, the opening of such hospitals may be postponed; Nantong Hemeijia Hospital acquired in July 2017 has been performing well; it is currently operated in temporary sites due to demolition of the old site. As site restrictions, obstetric hospital services were temporarily closed, which had a certain impact on performance. The hospital was actively seeking new business growth points and strived to minimize the impact on performance. In addition, the new planning area of Nantong Hemeijia Hospital was under preparation. It covers an area of about 80,000 square meters and 400 beds are expected to be operated. It is planned to build a tertiary specialist hospital that runs through the upstream and downstream businesses of the obstetrics and gynecology industry chain. Beijing Baiziwan HarMoniCare Hospital, which was acquired by the Group at the end of March 2018, has now completed a comprehensive upgrade from medical care, services, personnel and management, and shows a steady growing trend in performance. The resource sharing model with Beijing HarMoniCare Gynecology and Paediatrics Hospital in one city among two hospitals has achieved initial results.

In the second half of the year, in light of numerous adjustments and uncertainties, the Group will actively seek solutions from medical technology, talent team, service upgrade, differentiated competition and cost control, to continuously improve market competitiveness and provide customers with high-quality and secure medical services.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2019, the Group had cash and cash equivalents of RMB57 million (31 December 2018: RMB134 million). The cash and bank balances consisted majority in Renminbi.

As at 30 June 2019, the Group had total assets of approximately RMB1,788,016,000 (31 December 2018: approximately RMB1,210,205,000) and total liabilities of approximately RMB1,134,471,000 (31 December 2018: approximately RMB532,034,000). As at 30 June 2019, the current ratio was 0.87 (31 December 2018: 1.02), calculated on the basis of current assets of approximately RMB377,855,000 (31 December 2018: approximately RMB395,615,000) over current liabilities of approximately RMB432,138,000 (31 December 2018: approximately RMB387,108,000).

The Group's borrowings amounted to approximately RMB89,870,000 as at 30 June 2019 (31 December 2018: RMB102,166,000). The Group's borrowings are denominated in Renminbi, bearing fixed interest rates. The Group's gearing ratio, being the ratio of the total debts to total assets, was 5.03% (31 December 2018: 8.44%).

CHARGE OF ASSETS

As at 30 June 2019, the Group with a total net book value of approximately RMB16,402,000 were charged as collateral for the Group's borrowings (31 December 2018: approximately RMB20,610,000).

EMOLUMENT POLICY

As at 30 June 2019, the Group had 3,382 employees (31 December 2018: 3,983 employees). The remuneration policy and packages are reviewed annually by the management and the Remuneration Committee. The Group remunerates its employees based on their performance, work experience and the prevailing market rate. The remuneration packages include basic salary, double pay, commission, insurance and mandatory provident fund. The Group has adopted a share option scheme and a restricted share incentive scheme to provide incentives or rewards to eligible participants for their contribution or potential contribution to the Group.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (the six months ended 30 June 2018: nil).

EVENTS AFTER THE REVIEW PERIOD

(a) Disposal of the entire equity interest of three subsidiaries

On 24 July 2019, Guiyang HarMoniCare Hospital, a wholly-owned subsidiary of the Company, as vendor, and HarMoniCare Medical Management, as creditor, entered into the disposal agreement with Zhenjiang Kelida Information Technology Service Center (limited partnership), as purchaser, pursuant to which the purchaser agreed to acquire the entire equity interests of each of Wuhan Modern Obstetrics and Gynecology Hospital Co., Ltd., Chongqing Wanzhou HarMoniCare Obstetrics and Gynecology Hospital Co., Ltd. and Chongqing Dushi Liren Hospital Co., Ltd. (collectively, the "**Target Companies**") from the vendor for a total consideration of RMB22,000,000 (including a cash consideration of RMB2,200,000 and the purchaser agreed to settle an amount of RMB19,800,000 of outstanding debts owed by the Target Companies to the creditor).

(b) Resumption Guidance

The Company announced that there will be a delay in the release of the 2018 Annual Results and despatch of its 2018 Annual Report. Such a delay was due to the Company requiring time to negotiate on and approve the proposed settlement of Hibaby and consider implications, if any, on its financial statements, and to provide the former auditors of the Company, Deloitte Touche Tohmatsu ("**Deloitte**"), with further information in connection with the foregoing when available. The equity transfer agreement was given to Deloitte, for their consideration near to the finalization of the 2018 Annual Results in March 2019. An audit committee meeting was convened on 26 March 2019 and it was resolved that the Company would be preparing to engage an independent internal control consultant to review the internal control procedures of the Company. There were additional steps that Deloitte would need to take before signing off on the 2018 Annual Results, and it was expected that the Company would not be able to (1) publish the 2018 Annual Results on or before 31 March 2019; and (2) despatch the 2018 Annual Report to the Shareholders on or before 30 April 2019 (the "**Delay**").

On 15 May 2019, the Company received a letter from the Stock Exchange, in which the Stock Exchange stated the following resumption guidance for the Company ("**Resumption Guidance**"):

(i) publish all outstanding financial results and address any audit modifications;

(ii) conduct an independent internal control review and demonstrate that the Company has in place adequate internal control and procedures to comply with the Listing Rules; and

(iii) announce all material information for the Company's shareholders and other investors to appraise the Company's position.

Consequently, the Audit Committee engaged BDO Financial Services Limited ("**BDO**") as an independent internal control consultant to independently review (the "**Initial IC Review**") certain internal control procedures of the Company. The scope of the Initial IC Review included an independent assessment of the internal control systems of the Group, covering the transaction process of the Equity Transfer, anti-fraud management, the administration of contracts and seals, the management of fund and investment; and the management of cash and payment during the period of 1 January 2018 to 31 March 2019, the results of which were published by the Company in its announcement dated 25 March 2020.

On 17 July 2020, the Company appointed Netis Advisory Limited ("**Netis**") as its internal control consultant (the "**Internal Control Consultant**") to conduct a comprehensive review (the "**Comprehensive IC Review**") of the Group's internal control procedures which will cover all of the Group's significant subsidiaries and to the extent practicable, its major associated companies, for the period between 1 January 2018 and 31 July 2020 in order to comprehensively evaluate the Group's internal control systems. Netis issued a draft Comprehensive IC Review Report (the "**Comprehensive IC Review Report**") containing its findings of the review and internal control recommendations. The Company has since implemented the internal control recommendations in accordance with the draft Comprehensive IC Review Report in consultation with Netis. The Audit Committee reviewed the draft Comprehensive IC Review Report and agreed with its findings and internal control recommendations in a meeting of the Audit Committee attended by Netis. The final Comprehensive IC Review Report was issued on 3 December 2020. For more details regarding the Initial IC Review, the Comprehensive IC Review, the Resumption Guidance and the resumption progress, please refer to the announcements of the Company dated 12 June 2019, 28 June 2019, 3 July 2019, 31 July 2019, 29 September 2019, 31 October 2019, 31 March 2020, 30 June 2020, 17 July 2020, 30 September 2020, 4 December 2020, 4 January 2021 and 8 January 2021. The Company will keep the public informed of the latest developments by making further announcement(s) as and when appropriate.

(c) Others

Reference are made to announcements of the Company dated 21 November 2019, 15 June 2020, 2 July 2020 and 16 October 2020. Terms used hereinafter shall have the same meaning as defined in the announcements.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. Save as disclosed in this interim results announcement, the Company has, to the best knowledge of the Board, complied with all applicable code provisions of the CG Code during the six months ended 30 June 2019. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. In the six months ended 30 June 2019, Mr. Lin Yuming was the chairman and chief executive officer of the Company. In view of Mr. Lin Yuming being one of the founders of the Group, and his responsibilities in corporate strategic planning and overall business development, the Board believed that it was in the interests of both the Group and the shareholders to have Mr. Lin Yuming taking up both roles for effective management and business development. The Board also met regularly on a quarterly basis to review the operation of the Group led by Mr. Lin Yuming. Accordingly, the Board believed that this arrangement will not impact on the balance of power and authorisations between the Board and the management of the Company. Having said that, as announced on 11 August 2020, Mr. Yang Guo is appointed as an executive director and chief executive officer of the Company, and the Group now is in compliance with the CG Code.

Code provision A.4.2 of the CG Code states that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. As no annual general meeting was held since the last annual general meeting held on 12 June 2018, Mr. Lin Yuming, Mr. Xu Jun, Mr. Qiu Jianwei and Ms. Fang Lan, who have held their offices as directors for more than three years, will be subject to retirement by rotation at the forthcoming annual general meeting.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its code of conduct regarding securities transactions by the Directors.

Having made specific enquiry to all Directors, the Directors confirmed that they had complied with the Model Code throughout the six months ended 30 June 2019.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the period under review, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF INTERIM RESULTS

The Audit Committee, which comprises three independent non-executive Directors and one non-executive Director, has reviewed the unaudited interim results of the Group for the six months ended 30 June 2019, and was of the opinion that such interim results had been prepared in accordance with the relevant accounting standards and that adequate disclosures have been made in accordance with the requirements of the Listing Rules.

PUBLICATION OF THE 2019 CONDENSED CONSOLIDATED INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of HKEx (www.hkexnews.hk) and the Company (www.hemeiyl.com). The interim report for the Review Period will be despatched to the Shareholders and published on the abovementioned websites in due course.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2019. Trading in the shares of the Company will remain suspended until further notice.

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board
Harmonicare Medical Holdings Limited
Lin Yuming
Chairman, Executive Director and President

Hong Kong, 8 January 2021

As at the date of this announcement, the executive directors of the Company are Mr. Lin Yuming, Mr. Yang Guo and Mr. Wei Rongda; the non-executive directors of the Company are Mr. Lin Yuguo, Mr. Qiu Jianwei and Mr. Xu Jun; and the independent non-executive directors of the Company are Ms. Fang Lan, Mr. Cai Jiangnan and Ms. Hsu Wai Man Helen.