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 2020

2020 INTERIM RESULTS HIGHLIGHTS

- Total revenue for the six months ended 30 June 2020 amounted to RMB250.44 million, representing a decrease of 44% when compared with that of RMB447.43 million for the six months ended 30 June 2019.
- The net loss attributable to owners of the Company for the six months ended 30 June 2020 was RMB66.49 million, as compared with the net loss attributable to owners of the Company of RMB16.47 million for the six months ended 30 June 2019.
- Basic loss per share for the six months ended 30 June 2020 amounted to RMB9.23 cents (for the six months ended 30 June 2019: basic loss per share of RMB2.29 cents).
- The Board does not recommend payment of an interim dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: Nil).

The Board announces the unaudited consolidated financial results of the Group for the six months ended 30 June 2020 together with the comparative figures in 2019 as set out below.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

		For the six months ended 30 June	
		2020	2019
		RMB'000	*RMB'000*
	Notes	**(Unaudited)**	(Unaudited)
Revenue	*4*	**250,435**	447,425
Cost of sales and services		**(191,820)**	(290,519)
Gross profit		**58,615**	156,906
Other income		**1,327**	844
Other gains and losses, net		**3,334**	63,799
Selling and distribution expenses		**(63,593)**	(110,326)
Administrative and other operating expenses		**(61,705)**	(123,118)
Share of loss of associates		**–**	(102)
Operating loss		**(62,022)**	(11,997)
Finance costs	*6*	**(13,163)**	(16,050)
Loss before income tax		**(75,185)**	(28,047)
Income tax credit/(expense)	*7*	**19**	(1,709)
Loss for the period	*8*	**(75,166)**	(29,756)
Other comprehensive income:			
Item that may be reclassified to profit or loss:			
Share of other comprehensive income of associates		**142**	8
Total other comprehensive income for period		**142**	8
Total comprehensive loss for the period		**(75,024)**	(29,748)
Loss for the period attributable to:			
Owners of the Company		**(66,491)**	(16,473)
Non-controlling interests		**(8,675)**	(13,283)
		(75,166)	(29,756)
Total comprehensive loss for the period attributable to:			
Owners of the Company		**(66,349)**	(16,465)
Non-controlling interests		**(8,675)**	(13,283)
		(75,024)	(29,748)
Loss per share	*10*		
Basic and diluted (RMB cents)		**(9.23)**	(2.29)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Notes	**As at 30 June 2020 *RMB'000* (Unaudited)**	As at 31 December 2019 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment	*11*	**351,287**	338,728
Right-of-use assets		**398,455**	428,942
Goodwill		**22,444**	22,444
Other intangible assets		**50,887**	52,507
Interest in associates		**7,434**	7,292
Rental deposits		**11,005**	11,996
Deferred tax assets		**1,412**	1,412
Financial assets at fair value through profit or loss ("FVTPL")		**185,766**	185,766
Other long-term assets		**17,070**	13,931
		1,045,760	1,063,018
Current assets			
Inventories		**17,261**	23,437
Contingent consideration receivables		**12,419**	12,419
Trade receivables	*12*	**48,141**	51,944
Prepayment, deposits and other receivables		**192,314**	196,956
Cash and cash equivalents		**15,658**	33,853
		285,793	318,609
Current liabilities			
Trade payables	*13*	**54,072**	47,169
Other payables and accruals		**340,449**	295,359
Amount due to a related party		**1,225**	1,225
Tax payable		**12,561**	12,365
Other borrowings		**21,321**	36,008
Lease liabilities		**55,813**	73,424
Provision		**1,656**	1,656
		487,097	467,206
Net current liabilities		**(201,304)**	(148,597)
Total assets less current liabilities		**844,456**	914,421

	Notes	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Non-current liabilities			
Other borrowings		**52,697**	37,577
Lease liabilities		**574,933**	584,493
Deferred tax liabilities		**33,912**	34,413
		661,542	656,483
NET ASSETS		**182,914**	257,938
Capital and reserves			
Share capital	*14*	**598**	598
Reserves		**160,047**	226,396
Equity attributable to owners of the Company		**160,645**	226,994
Non-controlling interests		**22,269**	30,944
TOTAL EQUITY		**182,914**	257,938

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

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 RMB75,166,000 for the six months ended 30 June 2020 and as at 30 June 2020, the Group had net current liabilities of approximately RMB201,304,000. 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 2020. 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 2020 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 2019 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 2019.

4. 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	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Specialised hospital services:		
Provision of healthcare services	**211,645**	390,302
Sales of pharmaceuticals and medical devices	**37,349**	52,359
Supply of pharmaceuticals and medical devices business	**1,441**	4,764
Revenue from contracts with customers	**250,435**	447,425

For the six months ended 30 June 2020 and 2019, all revenue is recognised at a point in time.

5. 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 2020 (unaudited)

	Specialised hospital services *RMB'000*	**Supply of pharmaceuticals and medical devices business** *RMB'000*	**Total** *RMB'000*
External revenue	248,994	1,441	250,435
Inter-segment revenue	–	2,345	2,345
Segment revenue	248,994	3,786	252,780
Eliminations	–	(2,345)	(2,345)
Consolidated revenue	248,994	1,441	250,435
Segment results	(61,776)	(971)	(62,747)
Unallocated results			(12,438)
Loss before income tax			(75,185)

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)

6. FINANCE COSTS

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on lease liabilities and other borrowings	**13,163**	16,050

7. INCOME TAX CREDIT/(EXPENSE)

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
The PRC Enterprise Income Tax		
Current tax in the PRC	**(482)**	(1,701)
Deferred tax	**501**	(8)
Income tax credit/(expense)	**19**	(1,709)

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 (2019: Nil).

Under the EIT Law and Implementation Regulation of the EIT Law in the PRC, the statutory EIT rate in the PRC is 25% (2019: 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 2020 and 2019.

8. LOSS FOR THE PERIOD

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

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories recognised as expense	**40,401**	69,489
Depreciation of property, plant and equipment	**23,337**	26,596
Depreciation of right-of-use assets	**22,212**	47,217
Amortisation of other intangible assets	**1,620**	3,383
Total depreciation and amortisation	**47,169**	77,196
Directors' emoluments	**1,882**	1,046
Other staff costs		
Salaries, bonus and allowances	**148,195**	198,253
Retirement benefits scheme contributions	**10,754**	20,390
	158,949	218,643

9. DIVIDEND

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: Nil).

10. 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 RMB66,491,000 (2019: loss for the six months attributable to owners of the Company of approximately RMB16,473,000) and the weighted average number of ordinary shares of 720,560,000 (2019: 720,560,000) in issue during the six months period.

Diluted loss per share

There is no dilution factor for the six months ended 30 June 2020 and 2019.

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 2020 and 2019.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, additions to the property, plant and equipment amounted to RMB23,943,000 (for the six months ended 30 June 2019: RMB48,230,000) mainly consisting of construction in progress, medical equipment, leasehold improvement and building.

12. TRADE RECEIVABLES

The Group allows a credit period of approximately 60 days to 180 days (2019: 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 (2019: 0 days 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 2020 ***RMB'000*** **(Unaudited)**	As at 31 December 2019 *RMB'000* (Audited)
Within 90 days	**9,514**	14,963
91 to 180 days	**1,249**	1,177
181 days to 1 year	**4,495**	3,834
Over 1 year	**32,883**	31,970
	48,141	51,944

13. 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 2020 ***RMB'000***	As at 31 December 2019 *RMB'000*
Within 90 days	**12,006**	13,091
91 to 180 days	**10,316**	2,708
181 days to 1 year	**12,355**	12,164
Over 1 year	**19,395**	19,206
	54,072	47,169

14. SHARE CAPITAL

The Company and the Group

	Number of shares	**Nominal value per share** *HK$*	**Share capital** *HK$*
Authorised			
At 1 January 2019, 30 June 2019, 1 January 2020 and 30 June 2020	1,140,000,000	0.001	1,140,000
Issued and fully paid			
At 1 January 2019, 30 June 2019, 1 January 2020 and 30 June 2020	758,418,085	0.001	758,418

	As at 30 June 2020 ***RMB'000***	As at 31 December 2019 *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 2020 and 31 December 2019, 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 Restricted Share Incentive Scheme are as follows:

		Price per share		
Month of purchase	**Number of ordinary shares**	**Highest**	**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 REVIEW AND OUTLOOK

Business Review in the First Half of 2020

The Group is mainly engaged in providing high-quality healthcare services to women and children. In the first half of 2020, confronted with the sudden COVID-19 epidemic, the hospitals under the Group have participated in the fight against the COVID-19 epidemic to control domestic epidemic and actively fulfilled their social responsibilities. As of 30 June 2020, the Group established a total of 10 mid to high-end ob-gyn and paediatrics specialty hospitals in 7 tier-1 and tier-2 cities in China. The number of outpatient services provided was 170,037, representing a year-on-year decrease of 43.90% over 303,075 in 2019. The number of inpatient hospital services provided was 5,965, representing a year-on-year decrease of 42.48% over 10,440 last year. The number of newborns was 3,071, representing a year-on-year decrease of 31.89% over 4,509 in 2018. In the six months ended 30 June 2020, the Group recorded revenue of RMB250.44 million, representing a year-on-year decrease of 44.03%, and net loss of RMB75.02 million, an increase in loss of 152.20% over the six months ended 30 June 2019.

The decline in operating results and revenue of the Group in the first half of 2020 was mainly due to the following: 1. there were the needs of epidemic prevention and control; many places have issued relevant documents requiring women and children specialist hospitals to only admit emergency patients. The epidemic significantly affected the income from obstetric outpatient clinics, gynecological outpatient clinics, gynecological inpatient departments, postpartum, neonatal and other departments, resulting in serious decline in daily business of our hospitals; 2. the demolition and relocation of Guangzhou Woman Hospital, Fuzhou Modern Hospital and Nantong Hemeijia Hospital, the key hospitals under the Group, have not yet been finished, which had certain impact on hospital operation, in particular, the above-ground of the main building of the new Nantong Hemeijia Hospital had topped out and it is expected to start trial operation in 2021. The hospital has a planned construction area of approximately 80,000 square meters and 400 beds. It is planned to be built as a tertiary hospital of obstetrics and gynecology with JCI standard as the preparatory standard; and 3. the decrease in number of hospitals as the Group disposed of Shenzhen HarMoniCare Gynecology and Paediatrics Hospital, Chongqing Liren Hospital and Chongqing Wanzhou HarMoniCare Obstetrics and Gynecology Hospital.

COVID-19 epidemic

Immediately after COVID-19 outbreak in the early 2020, the Group's headquarters established an anti-epidemic command directing the epidemic prevention and control of our member hospitals and actively participated in domestic epidemic prevention and control. We firstly issued the Notice on Effectively Strengthening the Epidemic Prevention and Control and Safety Protection in Hospitals (《關於切實加強各醫院新冠病毒感染防控及安全防護通知》) and the Notice on the Establishment of a Leading Group for Epidemic Prevention and Control and Safety Protection in Hospitals(《成立新冠病毒感染防控及安全防護領導小組的通知》), and provided medical services to patients after ensuring prevention and control in hospitals and medical safety, while hospitals were actively opening up online patient consultation and enquiry. Second, the hospitals under the Group rushed to the front line with practical actions. Nearly 200 medical staff enthusiastically signed up to go to the prevention and control front organized by local governments. On 7 February 2020, Wuhan Modern Obstetrics and Gynecology Hospital, a subsidiary of Harmonicare Medical, was requisitioned as a designated hospital for the admission and treatment of fever patients. Focusing on the overall situation, the hospital closed operation and the medical staff participated in the front line of epidemic treatment. Wuxi HarMoniCare Obstetrics and Gynecology Hospital, which was also requisitioned as a designated hospital for fever patients in response to the call, was the first high-end maternity hospital jointly built by Harmonicare Medical Group after its listing which was not officially put into use. After the notice of expropriation by relevant departments, in order to meet the requirements of hospital sense, the hospital worked overtime and overnight to renovate the ward, add three-channel partitions, etc., and actively contributed to the prevention and control of the epidemic without reservation. When the epidemic broke out in Beijing in June 2020, Beijing HarMoniCare Gynecology and Paediatrics Hospital actively assumed social responsibility and actively responded to the government's call. Under the overall coordination and arrangement of Chaoyang District Government of Beijing City and Chaoyang District Health Commission, more than 200 personnel of the hospital were assigned to 6 sites for nucleic acid sampling, and a total of 32,000 nucleic acid samples were collected. Whether it was the scorching heat of summer or the heavy rain at night, Harmonicare people have always been in the position of nucleic acid sampling, demonstrating the spirit of Harmonicare people obeying orders without complaint and charging ahead in the face of the epidemic, which has been praised by the Chaoyang District Government, the District Health Commission and the people. The Chaoyang District Health Commission awarded Beijing HarMoniCare Gynecology and Paediatrics Hospital the honorary title of "Hand in hand to overcome difficulties together." The performance of Harmonicare in the fight against the epidemic has demonstrated the role and responsibility of social capital in the fight against the epidemic.

Industry Outlook and the Group's Strategy

The epidemic that broke out in early 2020 has had a certain impact on all industries. Looking forward to the post-epidemic era, as the domestic epidemic has fallen, the consumer positioning of the core products of Harmonicare Group has stabilized, the upstream and downstream products have also been taking shape in the past two years, and the development trend of the industrial chain has already been formed. The growth of the confinement center, postpartum rehabilitation, female health management, assisted reproduction and other product chains will facilitate the Group's development in the post-epidemic era. The Group has always insisted on consolidating and enhancing the market position of its core business, steadily advancing the development of various businesses, innovating business models, and concentrating resources to develop advantageous businesses. To achieve this goal, the Group plans to implement the following strategies:

(1) Strengthening medical quality and safety, reducing medical risks, and protecting customer safety and brand reputation;

(2) According to the characteristics of each hospital, we will concentrate our strengths to build core products as well as upstream and downstream industries, while strengthening customer management, with an aim to expanding the product line in all round.

(3) Strengthening informatization construction to help digital medical control and services.

(4) intending to assist the further implementation of medical and health services by utilizing AI and internet technology to connect online and offline medical services.

(5) Strengthening the introduction of outstanding medical talents to maintain long-term core competitiveness.

(6) Increasing the influence of the gynecology brand by creating well-known surgical diseases with technical gold content, to realize the development of both obstetrics and gynecology.

(7) Strict cost management, optimized management thinking of personnel, clarifying profit margin and ensuring the green and healthy development of the Company.

(8) Promoting the divestiture of non-performing assets, ensuring development and gradually restoring profit margins.

Although the income and profit of financial statements declined in the first half of 2020, Harmonicare's internal cost management, core product competitiveness, and industrial chain product optimization have all made great progress during the period. Through a series of adjustments, Harmonicare will surely present itself to the market with a brand-new and complete professional management attitude after the epidemic.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2020, the Group had cash and cash equivalents of approximately RMB15,658,000 (31 December 2019: RMB33,853,000). The cash and bank balances consisted majority in Renminbi.

As at 30 June 2020, the Group had total assets of approximately RMB1,331,553,000 (31 December 2019: approximately RMB1,381,627,000) and total liabilities of approximately RMB1,148,639,000 (31 December 2019: approximately RMB1,123,689,000). As at 30 June 2020, the current ratio was 0.59 (31 December 2019: 0.68), calculated on the basis of current assets of approximately RMB285,793,000 (31 December 2019: approximately RMB318,609,000) over current liabilities of approximately RMB487,097,000 (31 December 2019: approximately RMB467,206,000).

The Group's borrowings amounted to approximately RMB74,018,000 (31 December 2019: approximately RMB73,585,000). 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 5.56% (31 December 2019: 5.33%).

CHARGE OF ASSETS

As at 30 June 2020, the Group with a total net book value of approximately RMB13,161,000 were charged as collateral for the Group's borrowings (31 December 2019: approximately RMB14,950,000).

EMOLUMENT POLICY

As at 30 June 2020, the Group had 2,748 employees (31 December 2019: 3,086 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 2020 (the Corresponding Period in 2019: nil).

EVENTS AFTER THE REVIEW PERIOD

(a) Resumption Guidance

The Company announced that there will be a delay in the release of the 2018 and 2019 Annual Results and despatch of its 2018 and 2019 Annual Reports. 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 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.

(b) Others

Reference are made to announcements of the Company dated 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 2020. 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 2020, 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 of the Company 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 2020.

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 AND INTERIM REPORT

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 2020, 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 2020 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.