



China Medical & HealthCare Group Limited

(formerly known as COL Capital Limited)

(Incorporated in Bermuda with limited liability)

(Stock Code: 383)

**2015 Interim
Report**

UNAUDITED RESULTS OF THE GROUP

The board of directors (the "Directors") 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 31 December 2015 together with the comparative figures for the corresponding period in 2014 as follows:–

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

		Six months ended	
	NOTES	31.12.2015 HK\$'000 (unaudited)	31.12.2014 HK\$'000 (unaudited) (restated)
Revenue	3	812,393	352,262
Gross proceeds from sales of investments held for trading		<u>371,927</u>	<u>412,469</u>
Total		<u>1,184,320</u>	<u>764,731</u>
Revenue	3	812,393	352,262
Cost of goods and services		<u>(717,329)</u>	<u>(318,206)</u>
Gross profit		95,064	34,056
Other gains and losses	5	(372,971)	(120,127)
Other income		19,621	10,567
Selling and distribution costs		(2,994)	(1,194)
Administrative expenses		(91,836)	(69,300)
Finance costs	6	(74,496)	(72,285)
Share of results of associates	12	(4,861)	(328,978)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

		Six months ended	
	NOTES	31.12.2015 HK\$'000 (unaudited)	31.12.2014 HK\$'000 (unaudited) (restated)
Reversal of impairment on interest in an associate and result on distribution in specie of shares of an associate	12	—	261,266
Loss before taxation		(432,473)	(285,995)
Taxation expense	7	(29,979)	(12,388)
Loss for the period		<u>(462,452)</u>	<u>(298,383)</u>
Loss for the period attributable to:			
– Owners of the Company		(445,581)	(249,740)
– Non-controlling interests		<u>(16,871)</u>	<u>(48,643)</u>
		<u>(462,452)</u>	<u>(298,383)</u>
Loss per share	10		
– Basic		<u>HK\$(0.041)</u>	<u>HK\$(0.024)</u>
– Diluted		<u>HK\$(0.041)</u>	<u>HK\$(0.024)</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

	Six months ended	
	31.12.2015	31.12.2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period	<u>(462,452)</u>	<u>(298,383)</u>
Other comprehensive income (expense)		
Items that will be reclassified subsequently to profit or loss:		
Net loss on available-for-sale investments:		
Gain (loss) on fair value changes	2,837	(14,551)
Reclassification adjustment for the cumulative gain included in profit or loss upon disposal of available-for-sale investments	(9,116)	(31,259)
Reclassification adjustment for the cumulative loss included in profit or loss upon distribution in specie of shares of an associate	<u>-</u>	<u>15,447</u>
	<u>(6,279)</u>	<u>(30,363)</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

	Six months ended	
	31.12.2015 HK\$'000 (unaudited)	31.12.2014 HK\$'000 (unaudited)
Exchange differences arising on translation:		
Exchange (loss) gain arising from translation of foreign operation	(33,370)	917
Share of changes in other comprehensive income (expense) of an associate	1,982	(99,348)
Reclassification adjustment for the cumulative loss included in profit or loss upon distribution in specie of shares of an associate	–	51,603
Reclassification adjustment for the cumulative gain included in profit or loss upon deemed disposal of an associate	(1,146)	–
	<u>(32,534)</u>	<u>(46,828)</u>
Other comprehensive expense for the period	<u>(38,813)</u>	<u>(77,191)</u>
Total comprehensive expense for the period	<u>(501,265)</u>	<u>(375,574)</u>
Total comprehensive expense attributable to:		
Owners of the Company	(478,511)	(325,742)
Non-controlling interests	<u>(22,754)</u>	<u>(49,832)</u>
	<u>(501,265)</u>	<u>(375,574)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2015

	NOTES	31.12.2015 HK\$'000 (unaudited)	30.6.2015 HK\$'000 (audited)
Non-current assets			
Investment properties	11	605,187	229,270
Property, plant and equipment	11	1,375,692	1,366,311
Prepaid lease payments		111,070	118,298
Interests in associates	12	–	9,001
Available-for-sale investments		7,667	11,353
Intangible assets		14,434	14,844
Goodwill	28	28,671	–
Pledged bank deposit		132,744	139,636
		<u>2,275,465</u>	<u>1,888,713</u>
Current assets			
Inventories		24,670	20,649
Properties under development for sale		1,453,183	974,554
Properties held for sale		301,031	27,544
Prepaid lease payments		2,923	3,073
Available-for-sale investments		803	53,396
Investments held for trading		1,253,525	1,830,232
Debtors, deposits and prepayments	13	212,168	197,729
Loans receivable	14	61,247	61,247
Derivative financial instruments	18	1,712	470
Pledged bank deposits		313,241	157,511
Restricted bank deposits		19,892	53,698
Bank balances and cash		900,891	157,622
		<u>4,545,286</u>	<u>3,537,725</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AT 31 DECEMBER 2015

	NOTES	31.12.2015 HK\$'000 (unaudited)	30.6.2015 HK\$'000 (audited)
Current liabilities			
Creditors and accrued charges	15	355,112	657,126
Deposits received on sales of properties		975,343	519,623
Customers' deposits and receipts in advance		42,646	24,861
Consideration payable		–	68,712
Amount due to an associate		7,725	8,120
Borrowing from a related party	16	75,462	–
Borrowings – due within one year	17	1,951,521	1,641,721
Obligations under finance leases – due within one year		32,534	51,819
Derivative financial instruments	18	19,034	17,816
Taxation payable		84,818	77,477
		<u>3,544,195</u>	<u>3,067,275</u>
Net current assets		<u>1,001,091</u>	<u>470,450</u>
Total assets less current liabilities		<u>3,276,556</u>	<u>2,359,163</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AT 31 DECEMBER 2015

	NOTES	31.12.2015 HK\$'000 (unaudited)	30.6.2015 HK\$'000 (audited)
Non-current liabilities			
Deferred tax liabilities	19	165,179	77,445
Borrowings – due after one year	17	457,534	232,409
Obligations under finance leases – due after one year		<u>29,598</u>	<u>37,884</u>
		<u>652,311</u>	<u>347,738</u>
		<u>2,624,245</u>	<u>2,011,425</u>
Capital and reserves			
Share capital	20	7,240	5,262
Reserves		<u>2,457,258</u>	<u>1,649,125</u>
Equity attributable to owners of the Company		<u>2,464,498</u>	<u>1,654,387</u>
Non-controlling interests		<u>159,747</u>	<u>357,038</u>
Total equity		<u>2,624,245</u>	<u>2,011,425</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

	Attributable to the owners of the Company										
	Share capital	Share premium	Properties revaluation reserve	Investment revaluation reserve	Capital redemption reserve	Other reserves	Translation reserve	Retained profits	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2014 (audited)	5,311	659,028	16,000	30,203	2,440	46,696	81,909	981,383	1,822,970	441,957	2,264,927
Loss for the period	-	-	-	-	-	-	-	(249,740)	(249,740)	(48,643)	(298,383)
Other comprehensive expense for the period	-	-	-	(30,363)	-	-	(45,639)	-	(76,002)	(1,189)	(77,191)
Total comprehensive expense for the period	-	-	-	(30,363)	-	-	(45,639)	(249,740)	(325,742)	(49,832)	(375,574)
Recognition of equity-settled share-based payments (note 26)	-	-	-	-	-	-	-	-	-	2,252	2,252
Dividends recognised as distribution (note 9)	-	-	-	-	-	-	-	(53,032)	(53,032)	-	(53,032)
Dividend by way of distribution of shares of an associate (note 9)	-	-	-	-	-	-	-	(254,551)	(254,551)	-	(254,551)
Repurchases of shares	(8)	(2,049)	-	-	8	-	-	(8)	(2,057)	-	(2,057)
At 31 December 2014 (unaudited)	5,303	656,979	16,000	(160)	2,448	46,696	36,270	424,052	1,187,588	394,377	1,581,965
At 1 July 2015 (audited)	5,262	641,175	17,100	3,819	2,489	46,696	35,652	902,194	1,654,387	357,038	2,011,425
Loss for the period	-	-	-	-	-	-	-	(445,581)	(445,581)	(16,871)	(462,452)
Other comprehensive expense for the period	-	-	-	(6,279)	-	-	(26,651)	-	(32,930)	(5,883)	(38,813)
Total comprehensive expense for the period	-	-	-	(6,279)	-	-	(26,651)	(445,581)	(478,511)	(22,754)	(501,265)
Recognition of equity-settled share-based payments (note 26)	-	-	-	-	-	-	-	-	-	2,252	2,252
Repurchases of shares	(7)	(2,042)	-	-	7	-	-	(7)	(2,049)	-	(2,049)
Issue of new ordinary shares for the acquisition of non-controlling interest of a subsidiary (note 27)	835	918,391	-	-	-	(693,555)	-	-	225,671	(279,035)	(53,364)
Issue of new ordinary shares for the acquisition of a business (note 28)	150	164,850	-	-	-	-	-	-	165,000	-	165,000
Acquisition of a business (note 28)	-	-	-	-	-	-	-	-	-	102,246	102,246
Issue of new ordinary shares	1,000	899,000	-	-	-	-	-	-	900,000	-	900,000
At 31 December 2015 (unaudited)	7,240	2,621,374	17,100	(2,460)	2,496	(646,859)	9,001	456,606	2,464,498	159,747	2,624,245

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

	Six months ended	
	31.12.2015	31.12.2014
NOTE	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Cash (used in) from operating activities	(209,278)	404,895
Interest paid	(74,496)	(106,993)
Tax paid	(7,690)	(13,493)
Net cash (used in) from operating activities	(291,464)	284,409
Investing activities		
Acquisition of available-for-sale investments	(2,593)	–
Proceeds from disposal of available-for-sale investments	61,282	93,161
Acquisition of additional interest in an associate	–	(1,822)
Withdrawal of pledged bank deposits and restricted bank deposits	288,041	648,084
Placement of pledged bank deposits and restricted bank deposits	(402,605)	(677,950)
Acquisition of investment properties	(19,582)	–
Acquisition of property, plant and equipment	(16,032)	(21,861)
Repayment of consideration payable	(67,002)	–
Acquisition of a business	28 69,602	–
Other investing activities	3,271	8,658
Net cash (used in) from investing activities	(85,618)	48,270

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

	Six months ended	
	31.12.2015 HK\$'000 (unaudited)	31.12.2014 HK\$'000 (unaudited)
Financing activities		
New borrowing from a related party	75,462	–
New borrowings raised	1,458,084	1,431,247
Repayments of borrowings	(1,203,815)	(1,975,487)
Repayment of borrowing from a related party	(75,462)	–
Proceeds from issue of ordinary shares	900,000	–
Repurchases of shares	(2,049)	(2,057)
Repayments of obligations under finance leases	(23,198)	(21,429)
Repayments of bonds	–	(247,000)
Net cash from (used in) financing activities	1,129,022	(814,726)
Net increase (decrease) in cash and cash equivalents	751,940	(482,047)
Cash and cash equivalents at beginning of the period	157,622	632,769
Effect of changes in foreign exchange rate	(8,671)	611
Cash and cash equivalents at end of the period	900,891	151,333
Represented by:		
Bank balances and cash	900,891	151,333

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

1. BASIS OF PREPARATION

The 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”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules” on the “Stock Exchange”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2015.

The Group has applied, for the first time, certain new or revised Hong Kong Financial Reporting Standards (“HKFRS”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements. The application of the new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in the condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES (*Continued*)

In addition, the Group has applied the following accounting policies during the current period:

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted (the carrying amount of the net assets attributable to non-controlling interests) and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Incompletion of initial accounting for a business combination

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

3. REVENUE

	Six months ended	
	31.12.2015 HK\$'000 (unaudited)	31.12.2014 HK\$'000 (unaudited) (restated)
Dividend income from listed investments	14,364	7,742
Interest income from loans receivable	7,049	8,658
Rental income	2,123	1,912
Hospital fees and charges	386,719	331,262
Revenue from sale of properties	402,138	2,688
	812,393	352,262

4. SEGMENT INFORMATION

Information regularly reviewed by the chief operating decision maker (“CODM”), represented by the executive directors of the Company, for the purpose of allocating resources to segments and assessing their performance focuses on types of goods or services delivered or provided. No operating segments identified by the CODM have been aggregated in arriving at the reporting segments of the Group.

The Group is organised into six operating and reportable segments as follows:

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

Financial services – provision of financial services.

Property investment – leasing of residential and office properties.

4. SEGMENT INFORMATION *(Continued)*

Property development – developing and selling of properties and land in the People’s Republic of China (“PRC”).

Hospital and healthcare – operations of hospitals in the PRC.

Aged care – property development and project management businesses in the PRC with focus on elderly care and retirement community.

During the six months ended 31 December 2015, the Group acquired additional 40% equity interest in Aveo China (Holdings) Limited (“Aveo China”) as detailed in note 28, since then, the Group is interested in 70% equity interest in Aveo China and Aveo China became a subsidiary of the Group. The CODM reviewed the results of Aveo China being consolidated by the Group and the aged care business of Aveo China has been regarded as a reportable segment of the Group during the period.

During the year ended 30 June 2014, property development and hospital segments were originally excluded from segment information of continuing operations as both segments were discontinuing as a result of the proposed disposal of Lianyungang Jiatai Construction Co., Ltd. (連雲港嘉泰建設工程有限公司) (“Jiatai Construction”). However, as the proposed disposal had been terminated in March 2015, and the comparative figures in the segment information for the six months ended 31 December 2014 have been restated.

4. SEGMENT INFORMATION *(Continued)*

Segment revenues and results

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

For the six months ended 31 December 2015

	Securities trading and investments	Financial services	Property investment	Property development	Hospital and healthcare	Aged care	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Gross proceeds from sales of investments held for trading	<u>371,927</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>371,927</u>
Revenue	<u>14,364</u>	<u>7,049</u>	<u>2,123</u>	<u>202</u>	<u>386,719</u>	<u>401,936</u>	<u>812,393</u>
Segment (loss) profit	<u>(468,624)</u>	<u>4,841</u>	<u>1,249</u>	<u>(15,214)</u>	<u>(1,736)</u>	<u>13,498</u>	<u>(465,986)</u>
Other income							900
Net foreign exchange loss							(250)
Gain on deemed disposal of an associate							97,270
Central corporate expenses							(26,517)
Share of results of associates							(4,861)
Finance costs							<u>(33,029)</u>
Loss before taxation							<u>(432,473)</u>

4. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

For the six months ended 31 December 2014 (restated)

	Securities trading and investments HK\$'000 (unaudited)	Financial services HK\$'000 (unaudited)	Property investment HK\$'000 (unaudited)	Property development HK\$'000 (unaudited)	Hospital and healthcare HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Gross proceeds from sales of investments held for trading	412,469	–	–	–	–	412,469
Revenue	7,742	8,658	1,912	2,688	331,262	352,262
Segment (loss) profit	(127,512)	(5,496)	1,014	(17,337)	(15,008)	(164,339)
Other income						575
Net foreign exchange loss						(77)
Central corporate expenses						(22,535)
Share of results of associates						(328,978)
Reversal of impairment on interest in an associate and result on distribution in specie of shares of an associate						261,266
Finance costs						(31,907)
Loss before taxation						(285,995)

4. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

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

Segment (loss) profit represents the loss incurred or profit earned by each segment without allocation of certain other income, certain foreign exchange loss, gain on deemed disposal of an associate, central corporate expenses, share of results of associates, reversal of impairment on interest in an associate and result on distribution in specie of shares of an associate and certain finance costs.

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

At 31 December 2015

	Securities trading and investments HK\$'000 (unaudited)	Financial services HK\$'000 (unaudited)	Property investment HK\$'000 (unaudited)	Property development HK\$'000 (unaudited)	Hospital and healthcare HK\$'000 (unaudited)	Aged care HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Segment assets	1,322,206	64,437	230,601	1,079,621	1,587,393	1,291,392	5,575,650
Corporate assets							<u>1,245,101</u>
Consolidated assets							<u>6,820,751</u>
Segment liabilities	697,679	87,392	1,724	806,293	803,627	1,120,108	3,516,823
Corporate liabilities							<u>679,683</u>
Consolidated liabilities							<u>4,196,506</u>

4. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

At 30 June 2015

	Securities trading and investments HK\$'000 (audited)	Financial services HK\$'000 (audited)	Property investment HK\$'000 (audited)	Property development HK\$'000 (audited)	Hospital and healthcare HK\$'000 (audited)	Consolidated HK\$'000 (audited)
Segment assets	1,945,793	62,226	229,273	1,115,873	1,555,783	4,908,948
Interests in associates						9,001
Corporate assets						<u>508,489</u>
Consolidated assets						<u>5,426,438</u>
Segment liabilities	981,504	70,265	1,095	827,197	671,644	2,551,705
Corporate liabilities						<u>863,308</u>
Consolidated liabilities						<u>3,415,013</u>

5. OTHER GAINS AND LOSSES

	Six months ended	
	31.12.2015 HK\$'000 (unaudited)	31.12.2014 HK\$'000 (unaudited) (restated)
Loss in fair value change of investments held for trading	(477,748)	(120,196)
Gain (loss) in fair value change of derivative financial instruments	7,113	(28,810)
Gain on deemed disposal of an associate (note 28)	97,270	–
Gain on disposal of available-for-sale investments	9,116	31,259
Gain on disposal of property, plant and equipment	–	42
Net foreign exchange loss	(8,722)	(2,422)
	(372,971)	(120,127)

6. FINANCE COSTS

The finance costs represent interest as follows:

	Six months ended	
	31.12.2015	31.12.2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
		(restated)
<hr/>		
Interest on:		
Other borrowings wholly repayable within five years	35,173	30,226
Bank borrowings wholly repayable within five years	33,029	30,290
Bonds	–	1,807
Obligations under finance leases	4,540	3,368
Discounted bills	1,754	6,594
	<hr/>	<hr/>
	74,496	72,285
	<hr/>	<hr/>

7. TAXATION EXPENSE

	Six months ended	
	31.12.2015	31.12.2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
		(restated)
<hr/>		
Current tax charge – Enterprise Income Tax (“EIT”) in the PRC	2,355	130
Underprovision of EIT in the PRC in previous years	6,168	–
Land appreciation tax in the PRC	21,132	12,600
Deferred taxation (<i>note 19</i>)	324	(342)
	<hr/>	<hr/>
	29,979	12,388
	<hr/>	<hr/>

7. TAXATION EXPENSE *(Continued)*

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both periods. No tax was payable arising in Hong Kong as the assessable profits for both periods were wholly absorbed by tax losses brought forward.

EIT in the PRC is calculated at 25% of estimated assessable profit for both periods.

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

8. LOSS FOR THE PERIOD

	Six months ended	
	31.12.2015	31.12.2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
		(restated)
<hr/>		
Loss for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	45,454	45,279
Release of prepaid lease payments	1,498	1,565
Amortisation of intangible assets (included in cost of goods and services)	410	418
Interest income from:		
– available-for-sale debt instruments	(530)	(2,095)
– bank deposits	(2,741)	(2,446)
Cost of inventories recognised as an expense (included in cost of goods and services)	180,682	148,893
Cost of properties held for sale recognised as an expense (included in costs of goods and services)	381,758	1,799
	<hr/> 381,758 <hr/>	<hr/> 1,799 <hr/>

9. DIVIDENDS

Dividends recognised as distributions during the six months ended:

	Six months ended	
	31.12.2015	31.12.2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Final dividend for the year ended 30 June 2014, declared – HK\$0.05 per share	–	26,516
Special dividend for the year ended 30 June 2014, declared – HK\$0.05 per share	–	26,516
Special dividend by way of distribution of shares in an associate (<i>Note</i>)	–	254,551
	–	307,583

Note:

On 20 November 2014, the Company announced that a special dividend was declared and would be satisfied by way of a distribution in specie (“Distribution in Specie”) of the ordinary shares of APAC Resources Limited (“APAC Shares”), a company with its ordinary shares listed on the Main Board of the Stock Exchange, held by the Group in the proportion of 3.75 APAC Shares for every 1 ordinary share of the Company held by the shareholders of the Company which represents 1,988,680,113 APAC Shares. Fair value of the 1,988,680,113 APAC Shares as determined based on quoted market bid price at the date of distribution was HK\$254,551,000.

The directors do not recommend the payment of an interim dividend for the six months ended 31 December 2015.

10. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

Loss

	Six months ended	
	31.12.2015	31.12.2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the purpose of basic and diluted loss per share attributable to owners of the Company	<u>(445,581)</u>	<u>(249,740)</u>

	Number of shares	Number of shares (restated)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>10,789,386,297</u>	<u>10,616,466,540</u>

The computations of diluted loss per share for the six months ended 31 December 2015 and 2014 do not assume the exercise of share options granted by a subsidiary since such assumed exercise would be anti-dilutive.

The weighted average number of ordinary shares adopted in the calculation of basic and diluted loss per share for the six months ended 31 December 2014 have been adjusted to reflect the impact of the share subdivision effected on 15 June 2015.

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

During the six months ended 31 December 2015, additions to the Group's investment properties amounted to HK\$382,265,000 in which was purchased through acquisition of a business (six months ended 31 December 2014: nil).

During the six months ended 31 December 2015, additions to the Group's property, plant and equipment amounted to HK\$123,513,000 (six months ended 31 December 2014: HK\$21,861,000), of which HK\$107,481,000 was purchased through acquisition of a business (six months ended 31 December 2014: nil).

The Group's investment properties and buildings included in property, plant and equipment were revalued by the directors. At 31 December 2015 and 31 December 2014, the directors considered that the carrying amounts of the investment properties and buildings included in property, plant and equipment carried at revalued amounts did not differ significantly from that what would be determined using fair values at the reporting date.

12. INTERESTS IN ASSOCIATES

	31.12.2015	30.6.2015
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Cost of investments in associates		
Unlisted	199,197	259,199
Share of post-acquisition losses and other comprehensive expense, net of dividends received	(126,180)	(177,181)
Less: Impairment loss	(73,017)	(73,017)
	—	9,001

12. INTERESTS IN ASSOCIATES *(Continued)*

Share of results of associates, net of reversal of impairment recognised on interests in an associate and result on distribution in specie of shares of an associate:

	Six months ended	
	31.12.2015	31.12.2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Share of loss of associates	(4,861)	(328,978)
Reversal of impairment recognised on interests in an associate	–	328,316
Result on distribution in specie of shares of an associate	–	(67,050)
	(4,861)	(67,712)

During the six months ended 31 December 2015, the Group acquired additional 40% equity interest in Aveo China as detailed in note 28, since then, the Group is interested in 70% equity interest in Aveo China and Aveo China became a subsidiary of the Group.

During the six months ended 31 December 2014, part of the Group's interests in APAC Resources Limited was distributed to the shareholders of the Company by way of Distribution in Specie. On the date of declaration and distribution of the APAC Shares, the Group owned an aggregate of 2,041,719,562 APAC Shares, representing approximately 33.32% of the issued share capital of APAC Resources Limited. The Group's investment in 33.32% equity interest of APAC Resources Limited was classified as interests in an associate in the condensed consolidated financial statements before the distribution.

12. INTERESTS IN ASSOCIATES *(Continued)*

At the date of distribution, the Group performed an impairment assessment of its interests in APAC Resources Limited. Management compared the value in use with the fair value less cost to sell and concluded that the fair value less costs to sell is higher than the value in use. The fair value of APAC Resources Limited is determined based on quoted market bid prices available on the Stock Exchange. Based on the assessment, the recoverable amount of the Group's interests in APAC Resources Limited was estimated to be greater than the carrying amount (before impairment recognised) and impairment loss recognised in the prior years of HK\$328,316,000 was reversed to profit or loss during the six months ended 31 December 2014.

At the date of distribution, cumulative exchange loss of HK\$51,603,000 and accumulated loss included in investment revaluation reserve of HK\$15,447,000 previously shared by the Group through its interests in APAC Resources Limited were reclassified from equity to profit or loss and was recognised as result on distribution in specie of shares of an associate.

Upon the completion of the Distribution in Specie, the Group distributed 1,988,680,113 APAC Shares with fair value amounting to HK\$254,551,000 to the shareholders of the Company and retained 53,039,449 APAC Shares with fair value amounting to HK\$6,629,000, which was classified as an available-for-sale investment in the condensed consolidated financial statements.

13. DEBTORS, DEPOSITS AND PREPAYMENTS

	31.12.2015	30.6.2015
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Debtors from securities trading	11,108	18,672
Trade receivables arising from hospital operation	56,934	58,481
Deposits with and receivables from the financial institutions	47,391	30,503
Prepayments	32,136	32,087
Prepaid business taxes and other PRC taxes	49,606	28,175
Other debtors and deposits	14,993	29,811
	212,168	197,729

The settlement terms of debtors from securities trading are 2 – 3 days after trade date and they are aged within 2 – 3 days as at 31 December 2015 and 30 June 2015.

The customers of hospital operation are either settled by cash, credit card or medical insurance. For credit card payment, the banks will pay the Group usually 7 days after the trade date. The medical insurance companies will usually pay the Group 90 days after the trade date.

13. DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

The following is an aged analysis of trade receivables from hospital operation presented based on the invoice date (approximate the date of revenue recognition) as at 31 December 2015 and 30 June 2015:

	31.12.2015	30.6.2015
	HK\$'000	HK\$'000
	(unaudited)	(audited)
0 – 30 days	45,083	29,580
31 – 60 days	5,844	14,053
61 – 90 days	3,121	7,483
91 – 365 days	2,886	7,365
	56,934	58,481

14. LOANS RECEIVABLE

	31.12.2015	30.6.2015
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Fixed-rate loans	59,247	59,247
Variable-rate loan	2,000	2,000
	61,247	61,247

The loans receivable had contractual maturity dates within 1 year as at 31 December 2015 and 30 June 2015.

As at 31 December 2015, the average interest rate for the fixed-rate loans receivable was 24% (30 June 2015: 24%) per annum.

As at 31 December 2015, the contracted interest rate of the variable-rate loan is The Hongkong and Shanghai Banking Corporation Limited prime rate with effective interest rate of 5% (30 June 2015: 5%) per annum and interest is normally repriced every six months.

15. CREDITORS AND ACCRUED CHARGES

	31.12.2015 HK\$'000 (unaudited)	30.6.2015 HK\$'000 (audited)
Trade payables to construction contractors and of hospital operation	124,953	123,741
Creditors from securities trading	12,031	315,946
Accrued compensation for late delivery of properties held for sale	6,302	6,626
Accrued construction cost for properties under development for sale	117,578	126,232
Construction cost payable for hospital buildings classified as property, plant and equipment	13,640	14,150
Other creditors and accrued charges	<u>80,608</u>	<u>70,431</u>
	<u>355,112</u>	<u>657,126</u>

The settlement terms of creditors from securities trading are 2 – 3 days after trade date.

Trade payables of hospital 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 – 60 days.

15. CREDITORS AND ACCRUED CHARGES (*Continued*)

The following is an aged analysis of trade payables to construction contractors and of hospital operations presented based on the invoice date as at 31 December 2015 and 30 June 2015:

	31.12.2015	30.6.2015
	HK\$'000	HK\$'000
	(unaudited)	(audited)
0 – 30 days	32,784	77,905
31 – 60 days	23,151	1,690
61 – 90 days	15,434	404
91 – 365 days	19,187	9,882
Over 1 year but not exceeding 2 years	9,244	23,668
Over 2 years but not exceeding 5 years	25,153	10,192
	124,953	123,741

16. BORROWING FROM A RELATED PARTY

On 23 December 2015, the Company's subsidiary, Aveo China, and an entity ("Lender") entered into an agreement ("Loan Agreement") and obtained a loan, in the sum of HK\$75,462,000 for a term of twelve months from the date of the Loan Agreement ("Loan"). The Loan carries fixed interest at 12% per annum and is secured by the equity interests in certain subsidiaries of Aveo China and the debentures incorporating a first fixed and floating charge over all undertaking, property and assets of certain subsidiaries of Aveo China duly executed by the relevant subsidiaries of Aveo China. A director of Aveo China is an executive director of Lender and has an indirectly beneficial interest in Lender.

17. BORROWINGS

	31.12.2015	30.6.2015
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Securities margin loans (<i>Note a</i>)	436,614	415,359
Unsecured term loans (<i>Note b</i>)	300,000	302,383
Secured bank borrowings (<i>Note c</i>)	650,396	246,771
Unsecured bank borrowings (<i>Note c</i>)	622,506	465,615
Secured other borrowing (<i>Note d</i>)	–	21,238
Unsecured other borrowings (<i>Note d</i>)	233,163	297,834
Discounted bills (<i>Note e</i>)	166,376	124,930
	<u>2,409,055</u>	<u>1,874,130</u>

Carrying amount repayable based on scheduled repayment dates set out in the loan agreements:

	31.12.2015	30.6.2015
	HK\$'000	HK\$'000
	(unaudited)	(audited)
On demand or within one year	1,951,521	1,641,721
Over one year but not exceeding two years	457,534	232,409
	2,409,055	1,874,130
Less: Amount due within one year shown under current liabilities	<u>(1,951,521)</u>	<u>(1,641,721)</u>
Amount shown under non-current liabilities	<u>457,534</u>	<u>232,409</u>

17. BORROWINGS (Continued)

Notes:

- (a) During the current period, the Group obtained new securities margin loans amounting to HK\$722,005,000 (six months ended 31 December 2014: HK\$708,328,000) and repaid securities margin loans amounting to HK\$700,750,000 (six months ended 31 December 2014: HK\$1,015,733,000).
- (b) During the current period, the Group obtained new unsecured terms loans of HK\$12,662,000 (six months ended 31 December 2014: HK\$300,000,000). The Group repaid unsecured term loans of HK\$15,045,000 (six months ended 31 December 2014: HK\$488,022,000) during the current period.
- (c) During the current period, the Group raised new bank borrowings amounting to HK\$491,780,000 (six months ended 31 December 2014: HK\$220,120,000) and repaid bank borrowings amounting to HK\$231,706,000 (six months ended 31 December 2014: HK\$281,221,000).
- (d) During the current period, the Group raised new other borrowings amounting to HK\$61,086,000 (six months ended 31 December 2014: HK\$3,973,000) and repaid other borrowings amounting to HK\$134,492,000 (six months ended 31 December 2014: HK\$35,028,000).
- (e) During the current period, the Group raised new discounted bills amounting to HK\$170,551,000 (six months ended 31 December 2014: HK\$198,826,000) and repaid discounted bills amounting to HK\$121,822,000 (six months ended 31 December 2014: HK\$155,483,000).

The securities margin loans, secured bank borrowings and other borrowings are secured by the Group's assets as disclosed in note 22. The Group's bank borrowings of HK\$323,245,000 (30 June 2015: HK\$303,581,000) at 31 December 2015 guaranteed by the companies beneficially owned by a director of a non-wholly owned subsidiary.

18. DERIVATIVE FINANCIAL INSTRUMENTS

The derivative financial instruments comprise gross-settled option contracts linked with equity securities listed in Hong Kong and in the United States of America forward and option contracts linked with exchange rates between A\$ and U\$ and between Japanese Yen and US\$. The fair value of derivative financial instruments is quoted by counterparties and determined based on valuation techniques that incorporate market observable data.

19. DEFERRED TAXATION

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

	Fair value adjustment on business combination
	HK\$'000
At 30 June 2015 (audited)	77,445
Acquisition of a business (<i>note 28</i>)	90,228
Charged (credit) to profit or loss for the period	324
Exchange difference	<u>(2,818)</u>
At 31 December 2015 (unaudited)	<u>165,179</u>

20. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.0005 each		
Authorised:		
At 31 December 2015 and 30 June 2015	<u>600,000,000,000</u>	<u>300,000</u>
Issued and fully paid:		
At 1 July 2014 (audited)	531,074,697	5,311
Repurchase of shares	<u>(760,000)</u>	<u>(8)</u>
At 31 December 2014 (unaudited)	530,314,697	5,303
Repurchase of shares	(4,168,000)	(41)
Share subdivision (<i>note a</i>)	<u>9,996,787,243</u>	<u>-</u>
At 30 June 2015 (audited)	10,522,933,940	5,262
Repurchase of shares	(14,180,000)	(7)
Issue of new ordinary shares for the acquisition of non-controlling interests of a subsidiary (<i>note 27</i>)	1,671,318,833	835
Issue of new ordinary shares for the acquisition of a business (<i>note 28</i>)	300,000,000	150
Issue of new ordinary shares (<i>note b</i>)	<u>2,000,000,000</u>	<u>1,000</u>
At 31 December 2015 (unaudited)	<u>14,480,072,773</u>	<u>7,240</u>

20. SHARE CAPITAL (Continued)

During the six months ended 31 December 2015 and 2014, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares of HK\$0.0005 each	Price per share		Aggregate consideration paid HK\$'000
		Highest	Lowest	
		HK\$	HK\$	

For the six months ended 31 December 2015

July 2015	<u>14,180,000</u>	0.18	0.11	<u>2,049</u>
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Month of repurchase	Number of ordinary shares of HK\$0.01 each	Price per share		Aggregate consideration paid HK\$'000
		Highest	Lowest	
		HK\$	HK\$	

For the six months ended 31 December 2014

October 2014	252,000	2.50	2.43	627
November 2014	<u>508,000</u>	3.15	2.63	<u>1,430</u>
	<u>760,000</u>			<u>2,057</u>

Notes:

- (a) Pursuant to a resolution passed at a special general meeting of the Company held on 12 June 2015, issued and unissued share of the Company of HK\$0.01 each was subdivided into 20 shares of HK\$0.0005 each of the Company. The share subdivision was completed on 15 June 2015.
- (b) On 22 December 2015, completion took place for the subscription of 2,000,000,000 share of HK\$0.0005 each in the Company by an independent third party, at subscription price of HK\$0.45 each.

21. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

21. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/financial liabilities in the consolidated statement of financial position	Fair value as at 31.12.2015	Fair value as at 30.6.2015	Fair value hierarchy	Valuation techniques and key inputs
1) Investments in listed equity securities classified as investments held for trading	Listed equity securities: – Hong Kong HK\$974,315,000 – Overseas HK\$279,210,000	Listed equity securities: – Hong Kong HK\$1,399,209,000 – Overseas HK\$431,023,000	Level 1	Quoted bid prices in an active market.
2) Investments in listed equity securities classified as available-for-sale investments	Listed equity securities: – Hong Kong HK\$6,921,000	Listed equity securities: – Overseas HK10,607,000	Level 1	Quoted bid prices in an active market.
3) Investments in unlisted unit trusts classified as available-for-sale investments	Assets – HK\$803,000	Assets – HK\$1,230,000	Level 2	Quoted from financial institutions
4) Investments in listed fixed rate bonds classified as available-for-sale investments	–	Assets – HK\$52,166,000	Level 2	Quoted from financial institutions
5) Gross-settled option contracts linked with listed equity securities and option contracts linked with foreign exchange rates	Assets – HK\$1,712,000 Liabilities – HK\$19,034,000	Assets – HK\$470,000 Liabilities – HK\$17,816,000	Level 3	Quoted from financial institutions

21. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Reconciliation of Level 3 fair value measurements of financial assets and financial liabilities

	Derivative financial instruments
	HK\$'000
At 1 July 2014	2,663
Realised gain in profit or loss	3,118
Unrealised loss in profit or loss	(27,017)
Settlement	<u>(5,781)</u>
At 31 December 2014	<u>(27,017)</u>
At 1 July 2015	(17,346)
Realised gain in profit or loss	7,762
Unrealised loss in profit or loss	(649)
Settlement	<u>(7,089)</u>
At 31 December 2015	<u>(17,322)</u>

22. PLEDGE OF ASSETS

Other than those assets pledged to the Loan as described in note 16, at the end of the reporting period, the following assets of the Group were pledged to securities houses and banks to secure credit facilities granted to the Group:

	31.12.2015	30.6.2015
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Investments held for trading	1,212,296	1,757,635
Available-for-sale investments	6,921	10,608
Building (included in property, plant and equipment)	651,083	586,093
Prepaid lease payments	85,895	91,469
Properties under development for sale	1,107,829	618,718
Properties held for sale	293,089	19,343
Investment properties	375,917	–
Pledged bank deposits	445,985	297,147
	<u>4,179,015</u>	<u>3,381,013</u>

The Group's obligations under finance leases are secured by the Group's charge over the leased assets. At 31 December 2015, the carrying amount of the Group's medical equipment included an amount of HK\$182,161,000 (30 June 2015: HK\$201,575,000) in respect of assets held under finance leases.

23. COMMITMENT

	31.12.2015	30.6.2015
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Capital expenditure contracted for but not provided		
– acquisition of property, plant and equipment	10,535	–
– acquisition of non-controlling interests of a subsidiary (<i>note</i>)	106,650	–

Note: Yangpu Zhaohé Industrial Co., Ltd (洋浦兆合實業有限公司) (“Yangpu Zhaohé”) is a subsidiary directly owned as to 81.64% by Jiatai Construction. On 28 December 2015, a non-controlling shareholder of Yangpu Zhaohé (“Vendor I”) and Jiatai Construction entered into an agreement, pursuant to which Jiatai Construction has conditionally agreed to acquire and Vendor I has conditionally agreed to sell 10.2% of the registered capital held by Vendor I in Yangpu Zhaohé for a cash consideration of RMB50,000,000 (approximately HK\$59,250,000). On the same day, another non-controlling shareholder (“Vendor II”) and Jiatai Construction entered into another agreement, pursuant to which Jiatai Construction has conditionally agreed to acquire and Vendor II has conditionally agreed to sell 8.16% of the registered capital held by Vendor II in Yangpu Zhaohé for a cash consideration of RMB40,000,000 (approximately HK\$47,400,000). The above proposed acquisitions have not been completed at 31 December 2015.

24. CONTINGENT LIABILITIES

On 18 July 2013, Tongren Healthcare Industry Group Company Limited (同仁醫療產業集團有限公司) (“Tongren Healthcare”), an indirectly held subsidiary of Jiatai Construction, entered into a mutual guarantee agreement (the “Mutual Guarantee”) with China Huali Holding Group Company Limited (中國華力控股集團有限公司) (“Huali”). Pursuant to the Mutual Guarantee, both parties agreed that should any party (inclusive of their subsidiaries) (the “Borrowers”) apply for a loan or loans (the “Borrowings”) from a bank or financial institution (the “Lenders”), if the Lenders so requires, the other party shall provide a guarantee for the obligations of the Borrowers under the Borrowings, subject to a cap of RMB300,000,000. The effective period of issuance of guarantees under the Mutual Guarantee is 18 July 2013 to 31 December 2014 and further extended to 31 December 2015. A director of Jiatai Construction and its certain subsidiaries has a beneficial interest in Huali. As at 31 December 2015, Tongren Healthcare provided guarantees of RMB50,000,000 (approximately HK\$59,420,000) (30 June 2015: RMB50,000,000 (approximately HK\$62,465,000)) to Huali under the Mutual Guarantee, while Huali and its subsidiary provided guarantees of RMB272,000,000 (approximately HK\$323,245,000) (30 June 2015: RMB243,000,000 (approximately HK\$303,581,000)) to Tongren Healthcare and its subsidiaries under the Mutual Guarantee. As at 31 December 2015 and 30 June 2015, the fair values of the guarantees are estimated to be insignificant.

25. RELATED PARTY TRANSACTIONS

- (a) Other than the borrowing from a related party mentioned in note 16, Mutual Guarantee mentioned in note 24 and amount due to an associate, which is unsecured, interest-free and repayable on demand, the Group has entered into the following related party transactions during the period:

	Six months ended	
	31.12.2015	31.12.2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest income from loans receivable from associates	<u>–</u>	<u>3,248</u>

- (b) The remuneration of directors and other members of key management of the Group during the period was as follows:

	Six months ended	
	31.12.2015	31.12.2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Salaries and other short-term employee benefits	<u>2,366</u>	1,925
Retirement benefit costs	<u>27</u>	<u>27</u>
	<u>2,393</u>	<u>1,952</u>

26. SHARE-BASED PAYMENT TRANSACTIONS

In March 2013, Jiatai Construction signed a cooperative agreement (“Cooperative Agreement”) with a doctor so as to employ the doctor to be the hospital incharge in Nanjing Tongren Hospital for ten years. At the same time, Jiatai Construction has granted a call option to the doctor so as to provide an incentive to the doctor to serve the Group for the benefit of the development of Nanjing Tongren Hospital. The call option can be exercised within six months upon the completion of five years employment and the satisfaction of performance targets. The performance targets are based on: i) revenue amounting of RMB600 million; and ii) profit excluding finance costs of RMB90 million in Nanjing Tongren Hospital in the fifth year commencing on the date of the employment of the doctor (i.e. from May 2018 to April 2019) as per the management account of Nanjing Tongren Hospital from May 2018 to April 2019.

An option of acquiring RMB30,000,000 registered capital of Jiatai Construction is granted from existing equity owners of Jiatai Construction. The exercise price is RMB1 per unit capital of the registered capital of Jiatai Construction. The call option may be exercisable based on the factors as follows:

1. If both performance targets reach 90%, 100% of call option can be exercised;
2. If both performance targets reach 80%, 90% of call option can be exercised;
3. If both performance targets reach 70%, 80% of call option can be exercised;
4. If either one of both performance targets reach below 70%, no call option can be exercised.

Based on the current registered paid up capital of Jiatai Construction, and assuming no increase in the registered paid up capital of Jiatai Construction until the exercise of the call option, the doctor will be interested in 3.7% of the registered capital of Jiatai Construction upon full exercise of the call option.

During the six months period ended 31 December 2015, share-based payment of HK\$2,252,000 was recognised (the six months ended 31 December 2014: HK\$2,252,000) in the condensed consolidated statement of profit or loss and other comprehensive income.

27. ACQUISITION OF NON-CONTROLLING INTERESTS OF A SUBSIDIARY WITHOUT A CHANGE IN CONTROL

On 15 September 2015, the Company issued the relevant offer letters dated on the same date to the relevant non-controlling shareholders of a subsidiary in respect to the acquisition of an aggregate of 39.48% equity interests in Jiatai Construction (“Jiatai Construction Acquisitions”). The consideration shall be satisfied by the allotment and issuance of 1,671,318,833 ordinary shares of HK\$0.0005 each in the share capital of the Company at the issue price of HK\$0.4 per share credited to fully paid and the amounts due from a non-controlling interest of Jiatai Construction and its associate amounted RMB43,777,000 (approximately HK\$53,364,000). The Jiatai Construction Acquisitions were completed in December 2015, since then Jiatai Construction became a wholly owned subsidiary of the Group. Details of the Jiatai Construction Acquisitions are set out in the Company’s announcements dated 15 September 2015, and 17 September 2015 and circular dated 18 November 2015.

The fair value of the aggregated considerations for the Jiatai Construction Acquisitions is determined by reference to the quoted market price of HK\$0.55 per each of the ordinary shares of the Company at the completion date of HK\$919,226,000 and the fair value of amounts due from a non-controlling interest of Jiatai Construction and its associate of HK\$53,364,000. The difference of HK\$693,555,000 between the decrease in non-controlling interests of HK\$279,035,000 and the fair value of the aggregate considerations of HK\$972,590,000 has been debited to other reserves.

28. ACQUISITION OF A BUSINESS

Acquisition of a business through purchase of additional interests in an associate in 2015.

On 23 September 2015, the Company issued the offer letter dated on the same date to another shareholder of Aveo China in respect to the acquisition of additional 40% equity interest in Aveo China at a consideration of HK\$120,000,000 (“Aveo China Acquisition”). The consideration shall be satisfied by the allotment and issuance of 300,000,000 ordinary shares of HK\$0.0005 each in the ordinary shares of the Company at the issue price of HK\$0.4 per share credited as fully paid. The Aveo China Acquisition was completed in December 2015, on the date the control in Aveo China was passed to the Group, since then, the Group is interested in 70% equity interests of the Aveo China. Details of this acquisition are set out in the Company’s announcements dated 23 September 2015 and 24 September 2015, and circular dated 18 November 2015. Aveo China and its subsidiaries are principally engaged in property development and project management businesses in the PRC with focus an elderly care and retirement community.

Consideration transferred

	HK\$'000
Issue of new ordinary shares of the Company (<i>note 1</i>)	165,000
Fair value of previously held interest (<i>note 2</i>)	<u>102,246</u>
	<u>267,246</u>

28. ACQUISITION OF A BUSINESS (Continued)

Consideration transferred (Continued)

Notes:

- (1) The fair value of the ordinary shares of the Company issued as consideration is determined by reference to the quoted market price of HK\$0.55 per each of the ordinary shares of the Company at the date of obtaining the control of Aveo China.
- (2) The fair value of the 30% equity interest in Aveo China previously held by the Group was re-measured as of the date of the acquisition at HK\$102,246,000 by reference to its fair value of assets and liabilities, resulting in a gain of HK\$97,270,000 recognised in the condensed consolidated statement of profit or loss for the six months ended 31 December 2015.

Assets and liabilities at the date of acquisition recognised by the Group:

	HK\$'000
Property, plant and equipment	107,481
Investment properties	382,265
Properties under development for sale	1,082,932
Debtors, deposits and prepayments	58,976
Taxation receivable	14,167
Bank balances and cash	69,602
Creditors and accrued charges	(93,022)
Deposits received on sales of properties	(765,783)
Borrowing from a related party	(75,462)
Borrowings	(350,107)
Deferred tax liabilities	(90,228)
	<hr/>
	340,821
Non-controlling interests	(102,246)
Goodwill	28,671
	<hr/>
	267,246
	<hr/>

28. ACQUISITION OF A BUSINESS (Continued)

Consideration transferred (Continued)

The initial accounting for the above acquisition has been determined provisionally, awaiting the receipt of professional valuation in relation to property, plant and equipment, investment properties, properties under development for sale and properties held for sale.

The fair value as well as the gross contractual amounts of the trade and other receivables acquired amounted to HK\$19,743,000 at the date of acquisition.

Non-controlling interests

The non-controlling interests in Aveo China recognised at the date of the acquisition was measured by reference to the respective proportionate shares of recognised amounts of net assets of relevant subsidiaries and amounted to HK\$102,246,000.

Goodwill on acquisition

	HK\$'000
Consideration transferred	267,246
Plus: Non-controlling interests (30% share of net assets in Aveo China)	102,246
Less: Provisional fair value of identifiable net assets acquired	<u>(340,821)</u>
	<u>28,671</u>

28. ACQUISITION OF A BUSINESS (Continued)

Goodwill on acquisition (Continued)

The goodwill arising on the acquisition of Aveo China is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in Aveo China, over the net of the acquisition-date provisional amounts of the identifiable assets acquired and the liabilities assumed. The amount of goodwill would be adjusted retrospectively when those provisional amounts of the identifiable assets acquired and the liabilities assumed are adjusted after the measurement period.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash inflow arising on acquisition

	HK\$'000
Bank balances and cash acquired	<u>69,602</u>

Impact of acquisition on the results of the Group

Included in the Group's loss for the six months ended 31 December 2015 is HK\$9,025,000 attributable to the additional business generated by Aveo China. Revenue included in the Group's revenue for the six months ended 31 December 2015 amount to HK\$401,936,000.

29. NON-CONTROLLING INTERESTS

	Share of net assets of subsidiaries HK\$'000	Share options reserve of subsidiaries HK\$'000	Total HK\$'000
At 1 July 2014 (audited)	435,952	6,005	441,957
Share of loss for the period	(48,643)	–	(48,643)
Share of other comprehensive expense for the period	(1,189)	–	(1,189)
Share of total comprehensive expense for the period	(49,832)	–	(49,832)
Recognition of equity-settled share- based payments (<i>note 26</i>)	–	2,252	2,252
At 31 December 2014 (unaudited)	386,120	8,257	394,377
At 1 July 2015 (audited)	346,529	10,509	357,038
Share of loss for the period	(16,871)	–	(16,871)
Share of other comprehensive expense for the period	(5,883)	–	(5,883)
Share of total comprehensive expense for the period	(22,754)	–	(22,754)
Recognition of equity-settled share- based payments (<i>note 26</i>)	–	2,252	2,252
Acquisition of non-controlling interests of a subsidiary (<i>note 27</i>)	(279,035)	–	(279,035)
Acquisition of a business (<i>note 28</i>)	102,246	–	102,246
At 31 December 2015 (unaudited)	146,986	12,761	159,747

30. MAJOR NON-CASH TRANSACTIONS

- (i) The considerations of Jiatai Construction Acquisitions is satisfied by the allotment and issuance of ordinary shares of the Company with fair value of HK\$919,226,000 and the amounts due from a non-controlling interest of Jiatai Construction and its associate amounted to HK\$53,364,000.
- (ii) The consideration of Aveo China Acquisition is satisfied by the allotment and issuance of ordinary shares of the Company with fair value of HK\$165,000,000.

31. RESTATEMENT

The condensed consolidated statement of profit or loss for the six months ended 31 December 2014 has been restated due to the termination of the proposed disposal of Jiatai Construction and its subsidiaries (collectively the "Jiatai Group") in the Group's annual financial statements for the year ended 30 June 2015. As a result of the termination of the proposed disposal, the result of the Jiatai Group for the six months ended 31 December 2014 was reclassified from discontinuing operations to relevant profit or loss items.

The following table summarises the effect of the restatement on the condensed consolidated statement of profit or loss for the six months ended 31 December 2014. The restatement has no effect on the financial position of the Group as at 1 July 2015.

31. RESTATEMENT (*Continued*)

Condensed consolidated statement of profit or loss

For the six months ended 31 December 2014

	As originally stated HK\$'000 (unaudited)	Adjustment HK\$'000	As restated HK\$'000 (unaudited)
Continuing operations			
Revenue	18,312	333,950	352,262
Gross proceeds from sale of investments held for trading	412,469	–	412,469
Total	430,781	333,950	764,731
Revenue	18,312	333,950	352,262
Cost of sales and services	–	(318,206)	(318,206)
Gross profit	18,312	15,744	34,056
Other gains and losses	(120,127)	–	(120,127)
Other income	4,921	5,646	10,567
Selling and distribution expenses	–	(1,194)	(1,194)
Administrative expenses	(16,909)	(52,391)	(69,300)
Finance costs	(32,033)	(40,252)	(72,285)
Share of results of associates	(323,104)	(5,874)	(328,978)
Reversal of impairment/impairment on interest in an associate and result on distribution in specie of shares of an associate	261,266	–	261,266
Loss before taxation	(207,674)	(78,321)	(285,995)
Taxation expense	(147)	(12,241)	(12,388)
Loss for the period from continuing operations	(207,821)	(90,562)	(298,383)
Discontinuing operations			
Loss for the period from discontinuing operations	(90,562)	90,562	–
Loss for the period	(298,383)	–	(298,383)

INTERIM DIVIDEND

The Directors do not recommend the payment of interim dividend (2014: nil) for the six months ended 31 December 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the six months ended 31 December 2015, the Group recorded a total revenue of HK\$1,184,320,000 (2014: restated HK\$764,731,000) and a loss for the period attributable to shareholders of HK\$445,581,000 (2014: HK\$249,740,000), mainly due to the loss in fair value change of investments held for trading of HK\$477,748,000 (2014: HK\$120,196,000).

Loss per share (basic and diluted) for the six months ended 31 December 2015 was HK\$0.041 (2014: HK\$0.024).

The Group's net asset value per share as at 31 December 2015 increased to HK\$0.17 from HK\$0.11 in 2014 (adjusted to reflect the impact of the share subdivision effected on 15 June 2015).

CHANGE OF COMPANY NAME

In order to better reflect the Group's new direction and emphasis on hospital and healthcare, and aged care businesses, the Company changed its name from "COL Capital Limited" to "China Medical & HealthCare Group Limited" and adopted its new Chinese name "中國醫療網絡有限公司". These changes were approved at the Special General Meeting of the Company held on 15 December 2015. The certificate of incorporation on change of name certifying the registration of change of English name of the Company issued by the Registrar of Companies in Bermuda was issued on 4 January 2016, and the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company certifying the new names of the Company have been registered in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) was issued on 18 February 2016.

REVIEW OF OPERATIONS

Hospital and Healthcare Operations

In October 2015, the Group entered into various agreements to acquire the remaining 39.48% equity interests in Lianyungang Jiatai Construction Co., Ltd. (連雲港嘉泰建設工程有限公司) (“Jiatai Construction”, together with its subsidiaries as “Jiatai Group”) for a total consideration of HK\$721,891,800 which was settled by the allotment and issuance of 1,671,318,833 new shares of the Company at the issue price of HK\$0.40 per share and the setting-off of an amount of HK\$53,364,267, being amount due from a vendor to Jiatai Construction, from the consideration (“Jiatai Acquisitions”). Following the completion of the Jiatai Acquisitions on 16 December 2015, Jiatai Construction became a wholly-owned subsidiary of the Group.

Jiatai Construction, through its 86.67% owned indirect subsidiary Tongren Healthcare Industry Group Co., Ltd (同仁醫療產業集團有限公司) (“Tongren Healthcare”) engages in investment and management and operation of healthcare and hospital businesses, trading of medical equipment and related supplies, and property development in the PRC. Currently, Tongren Healthcare owns three well-established operating integrated hospitals consisting of the Nanjing Tongren Hospital (南京同仁醫院) (Class III Integrated Hospital), the Kunming Tongren Hospital (昆明同仁醫院) (Class III Integrated Hospital) and Yunnan Xinxinhua Hospital (雲南新新華醫院) (Class II Integrated Hospital), offering a wide range of comprehensive hospital and healthcare services.

For the six months ended 31 December 2015, Jiatai Group’s hospital and healthcare operations in the PRC contributed a turnover of HK\$386,719,000 (2014: HK\$331,262,000) and a loss of HK\$1,736,000 (2014: HK\$15,008,000). Without the finance costs, tax, depreciation and amortization, the Group’s hospital and healthcare operations in the PRC would have generated a profit of HK\$74,778,000 (2014: HK\$60,597,000).

In December 2015, the Group entered into various agreements to acquire the remaining 18.36% equity interests in Yangpu Zhaohé Industrial Co., Ltd (洋浦兆合實業有限公司) (“Yangpu Zhaohé”) for a total consideration of RMB90,000,000 (“Yangpu Zhaohé Acquisitions”). Yangpu Zhaohé owns as to 72.5% of the equity interest in Tongren Healthcare. The Yangpu Zhaohé Acquisitions have not been completed as at 31 December 2015. When the Yangpu Zhaohé Acquisitions are completed, both of Yangpu Zhaohé and Tongren Healthcare will become wholly-owned subsidiaries of the Group.

REVIEW OF OPERATIONS *(Continued)*

Property Development

During the period under review, the Jiatai Group's property development recorded a turnover of HK\$202,000 (2014: HK\$1,912,000) and a loss of HK\$15,214,000 (2014: HK\$17,337,000) as the construction of Kangya Garden Phase III is still in progress and no contribution has been made by this development to the results of the Group.

Aged Care Operation

In October 2015, the Group entered into an agreement to acquire a further 40% equity interest in Aveo China (Holdings) Limited ("Aveo China", together with its subsidiaries as "Aveo China Group") for a consideration of HK\$120,000,000 which was settled by the allotment and issuance of 300,000,000 new shares of the Company at the issue price of HK\$0.40 per share ("Aveo Acquisition"). Following the completion of the Aveo Acquisition on 16 December 2015, Aveo China became a 70% owned subsidiary of the Group.

Aveo China Group is principally engaged in property development and project management businesses in the PRC with a focus on elderly care and the retirement community. Currently, Aveo China Group is developing the Tide Health Campus ("Tide Health Campus") (天地健康城) project located in Zhu Jia Jiao County, Shanghai in the PRC, a showcase development comprising a health industry headquarter and base, offering a range of elderly care and health services, and retirement related services packages to the elderly. The Tide Health Campus consists of an elderly nursing home, service apartments, independent living units ("ILU") and a commercial area comprising a shopping mall, retail shops and club hall facilities.

During the period under review, after the completion of Aveo Acquisition, the issuance of occupation permits and the handover of units to the buyers, the Aveo China Group's aged care operation in the PRC recorded a sale of 238 units of ILU contributing a turnover of HK\$401,936,000 (2014: nil) and a profit of HK\$13,498,000 (2014: nil).

REVIEW OF OPERATIONS *(Continued)*

Securities Trading and Investments

During the period under review, the overhang of the economic slowdown in the PRC and the Euro Zone area, the policy of interest rate increases by the Federal Reserve of the United States ("US"), and the global geopolitical tension continued to adversely weigh on market sentiments, leading to dramatic fluctuations in the financial and commodity markets. Under these volatile market conditions, the Group's business in securities trading and investments were affected and a decreased turnover of HK\$386,291,000 (2014: HK\$420,211,000) and a loss of HK\$468,624,000 (2014: HK\$127,512,000) for the six months ended 31 December 2015 was recorded, mainly due to the losses in fair value of investments held for trading of HK\$477,748,000 (2014: HK\$120,196,000) which was partially set-off by the gain in fair value of derivative financial instruments of HK\$7,113,000 (2014: loss of HK\$28,810,000) and gain on disposal of available-for-sale investment of HK\$9,116,000 (2014: HK\$31,259,000).

As at 31 December 2015, the Group maintained a portfolio of available-for-sale investments of HK\$8,470,000 (2014: HK\$67,816,000) comprising of equity securities listed in Hong Kong and unlisted investment and a trading portfolio of HK\$1,253,525,000 (2014: HK\$1,265,376,000) comprising of equity securities listed in Australia, Hong Kong, Malaysia, USA and elsewhere.

Money Lending

During the interim period under review, the Group's money lending business achieved an interest income of HK\$7,049,000 (2014: HK\$8,658,000) and a profit of HK\$4,841,000 (2014: loss of HK\$5,496,000). As at 31 December 2015, the Group's loan portfolio amounted to HK\$61,247,000 (2014: HK\$70,008,000).

Property Investments

The Group's investment properties located in Hong Kong and the PRC recorded a rental income of HK\$2,123,000 (2014: HK\$1,912,000) and a profit of HK\$1,249,000 (2014: HK\$1,014,000) for the interim period under review. As at 31 December 2015, following the completion of Aveo Acquisition, the Group's investment properties portfolio has increased to HK\$605,187,000 from HK\$213,660,000 in 2014.

REVIEW OF OPERATIONS *(Continued)*

Others

In December 2015, the Company and CM International Holding Pte. Ltd. (“CM International”) entered into a subscription agreement in which CM International agreed to subscribe for 2,000,000,000 new shares of the Company at the subscription price of HK\$0.45 per share raising gross proceeds of HK\$900,000,000 (“Subscription”) for the Company. On the same day, the Company and CM International entered into a non-binding memorandum of understanding for the establishment of a fund to invest in healthcare, aged care and related businesses including healthcare companies such as clinics, check-up centres and hospitals in the Greater China Region. Broadly, the focus of the fund is expected to include investing in companies and/or projects in the healthcare and related industry; aged care and related industry; hospitals and related projects; and the recapitalizing and improving the financial position and performance of the invested hospitals.

PRINCIPAL ASSOCIATED COMPANIES

For the six months ended 31 December 2015, the loss from its share of results of associates, the reversal of impairment recognised on interest in a former associate and the result on distribution in specie of shares of a former associate, and the gain on deemed disposal of an associate were HK\$4,861,000 (2014: HK\$328,978,000), nil (2014: gain of HK\$261,266,000) and HK\$97,270,000 (2014: nil) respectively. As at 31 December 2015, following the completion of Aveo Acquisition in December 2015, the Group’s investment in associates decreased to nil (2014: HK\$54,692,000).

Aveo China – previously 30% owned by the Group

Following the completion of Aveo Acquisition in December 2015, Aveo China became a 70% owned subsidiary of the Group and its financial performance, assets and liabilities have been accounted for in the consolidated financial statements of the Group.

FINANCIAL RESOURCES, BORROWINGS, CAPITAL STRUCTURE AND EXPOSURES TO FLUCTUATIONS IN EXCHANGE RATES

As at 31 December 2015, the Group's non-current assets of HK\$2,275,465,000 (2014: HK\$293,238,000) consisted of investment properties of HK\$605,187,000 (2014: HK\$213,660,000), property, plant and equipment of HK\$1,375,692,000 (2014: HK\$17,512,000), prepaid lease payments of HK\$111,070,000 (2014: nil), no interests in associates (2014: HK\$54,692,000), available-for-sale investments of HK\$7,667,000 (2014: HK\$7,374,000), intangible assets of HK\$14,434,000 (2014: nil), goodwill of HK\$28,671,000 (2014: nil) and pledged bank deposit of HK\$132,744,000 (2014: nil). These non-current assets are principally financed by the Group's shareholders' funds. As at 31 December 2015, the Group's net current assets decreased to HK\$1,001,091,000 (2014: HK\$1,288,727,000).

As at 31 December 2015, the total borrowings of the Group amounted to HK\$2,484,517,000 (2014: HK\$850,263,000) consisting of securities margin loans of HK\$436,614,000 (2014: HK\$550,263,000), secured term loan of HK\$75,462,000 (2014: nil), unsecured term loans of HK\$300,000,000 (2014: HK\$300,000,000), secured bank borrowings of HK\$650,396,000 (2014: nil), unsecured bank borrowings of HK\$622,506,000 (2014: nil), unsecured other borrowings of HK\$233,163,000 (2014: nil) and discounted bills of HK\$166,376,000 (2014: nil). Among the total borrowings of the Group, an amount of HK\$2,026,983,000 (2014: HK\$850,263,000) was with maturity on demand or within one year and HK\$457,534,000 (2014: nil) was with maturity of over one year but not exceeding two years.

As at 31 December 2015, the Group's gearing ratio, calculated on the basis of the Group's net borrowings (after pledged bank deposits and bank balances and cash) over total equity, was 42.6% (2014: 45.9%). The Group's gearing ratio would be adjusted to zero (2014: zero) with marketable securities inclusive of available-for-sale investments (current) and investments held for trading deducted from the net borrowings.

In December 2015, the Group entered into an agreement with a financial institution to obtain a loan of HK\$75,462,000 for a term of one year at an interest rate of 12% per annum. The loan has been used by Aveo China for its general working capital.

FINANCIAL RESOURCES, BORROWINGS, CAPITAL STRUCTURE AND EXPOSURES TO FLUCTUATIONS IN EXCHANGE RATES *(Continued)*

During the interim period under review, the Group's assets, liabilities and transactions were mainly denominated in Hong Kong Dollar, Renminbi, Australian Dollar, US Dollar, Malaysian Ringgit and Japanese Yen. Because of the short term nature, the Group did not actively hedge risks arising from its Australian Dollar, US Dollar, Malaysian Ringgit and Japanese Yen denominated assets and transactions. In view of the weakened economic growth in the PRC and the abrupt devaluation of the RMB in August 2015, the Group anticipates that there will be an extended period of volatility in RMB. As a substantial portion of the Group's 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.

As at 31 December 2015, the Group had capital commitment contracted for but not provided relating to the acquisition of property, plant and equipment of HK\$10,355,000 (2014: HK\$1,295,000) and the acquisition of non-controlling interests of a subsidiary (being Yangpu Zhaohé) of HK\$106,650,000 (2014: nil).

In July 2013, the Jiatai Group entered into a mutual guarantee agreement with China Huali Holdings Group Company Limited ("Huali") (中國華力控股集團有限公司) pursuant to which both parties agreed that should any party (inclusive of their subsidiaries) apply for loans from banking or financial institutions, and if the lender so requires, then the other party shall provide a corporate guarantee for the obligations of the borrower under the loan ("Mutual Guarantee"). The total loan amounts guaranteed by each party shall not exceed RMB300 million. A corporate guarantee from PRC corporations is commonly required as a security or additional security for financial transactions in the PRC to secure the obligations of the borrower and the mutual guarantee agreement would enable and facilitate the Jiatai Group to obtain loans from third party lenders in order to support its ordinary and normal course of business in the PRC. As at 31 December 2015, the Group provided guarantees of RMB50 million (2014: RMB90 million) to Huali while Huali and its subsidiaries provided guarantees of RMB272 million (2014: RMB240 million) to the Group.

FINANCIAL RESOURCES, BORROWINGS, CAPITAL STRUCTURE AND EXPOSURES TO FLUCTUATIONS IN EXCHANGE RATES (Continued)

The Subscription as set out in the paragraph headed “Review of Operations – Others” was completed on 22 December 2015 and an amount of approximately HK\$600 million will be used for working capital and expansion of the Group’s hospital and healthcare, and aged care businesses. The balance of approximately HK\$300 million has already been utilized to reduce the borrowings of the Group. The Company believes that the Subscription was an opportunity to enhance its shareholders’ base by bringing in CM International as a strategic investor. Also, this would strengthen the Company’s capital base by raising additional funds for the Group.

During the interim period under review, the Company repurchased a total of 14,180,000 shares (2014: 760,000 shares) in the capital of the Company for an aggregate consideration of HK\$2,049,000 (2014: HK\$2,057,000). These shares have been cancelled.

CHARGE ON GROUP ASSETS

As at 31 December 2015, the Group’s investments held for trading of HK\$1,212,296,000, available-for-sale investments of HK\$6,921,000, building (included in property, plant and equipment) of HK\$651,083,000, prepaid lease payment of HK\$85,895,000, properties under development for sale of HK\$1,107,829,000, properties held for sale of HK\$293,089,000, investment properties of HK\$375,917,000 and pledged bank deposits of HK\$445,985,000 were pledged to securities houses and banks to secure credit facilities granted to the Group.

The Group’s obligations under finance leases are secured by the Group’s charge over the leased assets. At 31 December 2015, the carrying amount of the Group’s medical equipment included an amount of HK\$182,161,000 in respect of assets held under finance leases.

EMPLOYEES

The Group had 2,345 employees as at 31 December 2015 (2014: 2,102). 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.

PROSPECTS

The Group considers that the outlook for the private healthcare and aged care sectors in the PRC is positive due to its favourable demographic (such as aging population) and macro factors (such growing middle class), low penetration of private healthcare institutions, and supportive government policies (such as the “Opinions on Promoting Further Reform of the Healthcare System (中共中央國務院關於深化醫藥衛生體制改革的意見)” which were promulgated by the State Council on March 17, 2009, the “Notice on the Implementation Measures for the Reform of the Healthcare System (2009 to 2011) (國務院關於印發醫藥衛生體制改革近期重點實施方案(2009-2011年)的通知)”, which was promulgated by the State Council on March 18, 2009 and the “Notice of the State Council on Forwarding the Opinions of the NDRC, the NHFPC and other Departments on Further Encouraging and Guiding Private Capital to Invest in Medical Institutions – Order No. 58 (關於進一步鼓勵和引導社會資本舉辦醫療機構意見的通知58號)”, which was promulgated by the General Office of the State Council on November 26, 2010)). Such supportive government policies were further reinforced by the plan “To accelerate construction of Healthy China, deepen the reform of medical and health system, rationalize the price of medicines, carry out the linkage among medical treatment, health care and medicine, set up the basic medical and health care and modern hospital management systems and implement food safety strategy” under the latest communique of the Fifth Plenary Session of the 18th Communist Party of China Central Committee in 2015. Moreover, there is an increase in the awareness of health and safety in the PRC by the public. As such, private sector investments in medical institutions, a key part of the ongoing healthcare reform in the PRC, is expected to continue to provide the Group’s businesses in hospital and healthcare, and aged care with significant growth opportunities. That said, the Group will commence the expansion program of the Nanjing Tongren Hospital being the renovation of the Block D with the addition of new beds and new medical specialty centres.

The extreme downturn in the global financial and commodity markets seen since the beginning of 2016 will continue to adversely impact sentiments. The renewed worries on the weakening of the economic growth of China, the negative consequence of the withdrawal of Federal Reserve of US’s stimulus program and the subsequent increase in the cost of financing will continue to affect the performance of the Group’s businesses in securities trading and investment.

With the Group’s new direction on hospital and healthcare, and aged care businesses, the Group will continuously review and adjust its investment strategies and investment portfolio in the uncertain economic and investment environment and seek grossly undervalued investment and business opportunities in China, Hong Kong and the Asia Pacific region to enhance value for shareholders.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at 31 December 2015, the interests and short positions of the directors and chief executives 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, 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:–

Long positions and short positions in the shares of the Company

Name of Director	Number of ordinary shares of HK\$0.0005 each				Total	Percentage of issued ordinary shares
	Personal interests	Family interests	Corporate interests	Other interests		
Ms. Chong Sok Un ("Ms. Chong")	-	- 7,762,514,140 (L)	3,940,000,000 (S)	- 7,762,514,140 (L)	3,940,000,000 (S)	53.61% (L) 27.21% (S)
			(Note 1)			
Dr. Lim Cheok Peng ("Dr. Lim")	300,000,000 (L)	--	--	--	300,000,000	2.07%
	(Note 2)					
Dr. Jonathan Weiyan Seah ("Dr. Seah")	--	-- 2,000,000,000 (L)	300,000,000 (S)	-- 2,000,000,000 (L)	300,000,000 (S)	13.81% 2.07%
			(Note 3)			

L – represents the entity's/individual's long positions in the shares of the Company

S – represents the entity's/individual's short positions in the shares of the Company

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES *(Continued)*

Notes:

The percentage of shareholding is calculated on the basis of the Company's issued share capital of 14,480,072,773 shares as at 31 December 2015.

1. Vigor Online Offshore Limited ("Vigor"), a wholly-owned subsidiary of China Spirit Limited ("China Spirit"), has corporate interest (a) in long position of 7,762,514,140 ordinary shares; and (b) in short position of 3,940,000,000 ordinary shares of the Company under call option agreements entered into between Vigor and several grantees on 13 July 2015 and 15 October 2015. Ms. Chong maintains 100% beneficial interests in China Spirit. Accordingly, Ms. Chong is deemed to have corporate interest in long position of 7,762,514,140 ordinary shares and in short position of 3,940,000,000 ordinary shares of the Company.
2. Dr. Lim is beneficially interested in 300,000,000 ordinary shares of the Company under an option agreement dated 26 October 2015 entered into between Dr. Lim and IXL Ventures L.P. acting by its general partner, IXL Partners ("IXL").
3. IXL has corporate interest (a) in long position of 2,000,000,000 ordinary shares of the Company under an option agreement dated 15 October 2015 entered into between Vigor and IXL; and (b) in short position of 300,000,000 ordinary shares of the Company under an option agreement dated 26 October 2015 entered into between Dr. Lim and IXL. Dr. Seah maintains 100% beneficial interests in IXL. Accordingly, Dr. Seah is deemed to have corporate interest in long position of 2,000,000,000 ordinary shares and in short position of 300,000,000 ordinary shares of the Company.

Save as disclosed above, as at 31 December 2015, none of the directors, the chief executives 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 of the Company 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 PERSON'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2015, 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:—

Name	Capacity		Number of ordinary shares held	Percentage of issued ordinary shares
Ms. Chong Sok Un (Ms. Chong)	Held by controlled corporation	<i>(Note 1)</i>	7,762,514,140 (L)	53.61% (L)
			3,940,000,000 (S)	27.21% (S)
China Spirit Limited ("China Spirit")	Held by controlled corporation	<i>(Note 1)</i>	7,762,514,140 (L)	53.61% (L)
			3,940,000,000 (S)	27.21% (S)
Vigor Online Offshore Limited ("Vigor")	Beneficial owner	<i>(Note 1)</i>	7,762,514,140 (L)	53.61% (L)
			3,940,000,000 (S)	27.21% (S)
China Minsheng Investment Corp. Ltd. 中國民生投資 股份有限公司 ("CMI")	Held by controlled corporation	<i>(Note 2)</i>	2,000,000,000 (L)	13.81% (L)
CM International Capital Limited 中民國際資本 有限公司 ("CMIC 中民國際資本")	Held by controlled corporation	<i>(Note 2)</i>	2,000,000,000 (L)	13.81% (L)
CM International Capital Limited ("CMIC")	Held by controlled corporation	<i>(Note 2)</i>	2,000,000,000 (L)	13.81% (L)

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSON'S INTERESTS IN SHARES AND UNDERLYING SHARES (Continued)

Name	Capacity		Number of ordinary shares held		Percentage of issued ordinary shares
Victor Beauty Investments Limited ("Victor Beauty")	Beneficial owner	(Note 2)	2,000,000,000	(L)	13.81% (L)
Dr. Jonathan Weiyan Seah ("Dr. Seah")	Beneficial owner	(Note 3)	2,000,000,000	(L)	13.81% (L)
			300,000,000	(S)	2.07% (S)
IXL Ventures L.P. acting by its general partner, IXL Partners ("IXL")	Held by controlled corporation	(Note 3)	2,000,000,000	(L)	13.81% (L)
			300,000,000	(S)	2.07% (S)
Lin Wan Qaing ("Mr. Lin")	Beneficial owner	(Note 4)	891,970,000	(L)	6.16% (L)
Greatime Management Corp. ("Greatime")	Beneficial owner	(Note 5)	1,149,739,208	(L)	7.94% (L)
Excellent Top Holdings Limited ("Excellent Top")	Held by controlled corporation	(Note 5)	1,149,739,208	(L)	7.94% (L)
Luo Qiongying ("Ms. Luo")	Held by controlled corporation	(Note 5)	1,149,739,208	(L)	7.94% (L)

L – represents the entity's/individual's long positions in the shares of the Company

S – represents the entity's/individual's short positions in the shares of the Company

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSON'S INTERESTS IN SHARES AND UNDERLYING SHARES (Continued)

Notes:

The percentage of shareholding is calculated on the basis of the Company's issued share capital of 14,480,072,773 shares as at 31 December 2015.

1. Vigor Online Offshore Limited ("Vigor"), a wholly-owned subsidiary of China Spirit Limited ("China Spirit"), has corporate interest (a) in long position of 7,762,514,140 ordinary shares; and (b) in short position of 3,940,000,000 ordinary shares of the Company under call option agreements entered into between Vigor and several grantees on 13 July 2015 and 15 October 2015. Ms. Chong maintains 100% beneficial interests in China Spirit. Accordingly, Ms. Chong is deemed to have corporate interest in long position of 7,762,514,140 ordinary shares and in short position of 3,940,000,000 ordinary shares of the Company.
2. Victor Beauty, a wholly-owned subsidiary of CMIC, owns 2,000,000,000 ordinary shares of the Company. CMIC 中民國際資本 maintains 100% beneficial interests in CMIC and CMI maintains 100% beneficial interests in CMIC 中民國際資本. Accordingly, CMIC, CMIC 中民國際資本, and CMI are deemed to have corporate interests in 2,000,000,000 ordinary shares of the Company.
3. IXL has corporate interest (a) in long position of 2,000,000,000 ordinary shares of the Company under an option agreement dated 15 October 2015 entered into between Vigor and IXL; and (b) in short position of 300,000,000 ordinary shares of the Company under an option agreement dated 26 October 2015 entered into between Dr. Lim and IXL. Dr. Seah maintains 100% beneficial interests in IXL. Accordingly, Dr. Seah is deemed to have corporate interests in long position of 2,000,000,000 ordinary shares and in short position of 300,000,000 ordinary shares of the Company.
4. Mr. Lin is beneficially interested in 891,970,000 ordinary shares of the Company of which 840,000,000 ordinary shares of the Company were granted under a call option agreement dated 13 July 2015 entered into between Vigor and Mr. Lin.
5. Greatime, a wholly-owned subsidiary of Excellent Top, owns 1,149,739,208 ordinary shares of the Company. Ms. Luo maintains 100% beneficial interests in Excellent Top. Accordingly, Ms. Luo is deemed to have corporate interest in 1,149,739,208 ordinary shares of the Company.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSON'S INTERESTS IN SHARES AND UNDERLYING SHARES *(Continued)*

Save as disclosed above, as at 31 December 2015, 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.

CORPORATION 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 31 December 2015). In carrying out this review, the Audit Committee has relied on a review conducted by the Group's external auditor, Deloitte Touche Tohmatsu, 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 and Corporate Governance Report as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 31 December 2015.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the Company's code of conduct regarding Director's securities transactions. 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 31 December 2015.

CHANGES IN DIRECTORS' INFORMATION

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

- (i) Ms. Chong Sok Un has resigned as an executive director and Chairman of APAC Resources Limited (“APAC”) with effect from 1 March 2016.
- (ii) Mr. Kong Muk Yin has resigned as an executive director of APAC with effect from 1 March 2016.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the period, the Company repurchased a total of 14,180,000 ordinary shares in the capital of the Company on The Stock Exchange of Hong Kong Limited in the range from HK\$0.175 to HK\$0.11 for a total consideration of HK\$2,048,800. The said shares were subsequently cancelled.

The issued share capital of the Company was accordingly reduced by the par value of the repurchased ordinary shares so cancelled. The above repurchases were effected by the Directors pursuant to the mandate from shareholders, with a view to benefit Shareholders as a whole in enhancing the net assets value and/or earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

By Order of the Board
China Medical & HealthCare Group Limited
Dr. Lim Cheok Peng
Chairman

Hong Kong, 24 February 2016

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

Executive Directors

Ms. Chong Sok Un (*Deputy Chairman*), Dr. Jonathan Weiyen Seah (*Chief Executive Officer*), Dato' Wong Peng Chong and Mr. Kong Muk Yin

Non-Executive Director

Dr. Lim Cheok Peng (*Chairman*)

Independent Non-Executive Directors

Mr. Lau Siu Ki, Mr. Ma Wah Yan and Mr. Zhang Jian