China Medical & HealthCare Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 383)

2015 / 2016 Annual Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

Dr. Lim Cheok Peng *(Chairman)*
Mr. Liao Feng

Independent Non-Executive Directors

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

AUDIT COMMITTEE

Mr. Lau Siu Ki *(Chairman)*
Mr. Ma Wah Yan
Mr. Zhang Jian
Mr. Liao Feng

NOMINATION COMMITTEE

Ms. Chong Sok Un *(Chairman)*
Dato' Wong Peng Chong
Mr. Lau Siu Ki
Mr. Ma Wah Yan
Mr. Zhang Jian

REMUNERATION COMMITTEE

Mr. Ma Wah Yan *(Chairman)*
Dato' Wong Peng Chong
Mr. Kong Muk Yin
Mr. Lau Siu Ki
Mr. Zhang Jian
Mr. Liao Feng

COMPANY SECRETARY

Ms. Fung Ching Man, Ada

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

SOLICITORS

Robertsons
P.C. Woo & Co.

PRINCIPAL BANKERS

Agricultural Bank of China Limited
Bank of China (Hong Kong) Limited
Bank of Jiangsu Co., Ltd.
DBS Bank
Industrial and Commercial Bank of China (Asia) Limited
The Hongkong and Shanghai Banking
Corporation Limited
UBS, AG

AMERICAN DEPOSITARY RECEIPTS

BNY Mellon Shareowner Services
P.O. Box 30170
College Station, TX 77842-3170

REGISTERED OFFICE

Canon's Court, 22 Victoria Street
Hamilton HM 12, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

47/F., China Online Centre
333 Lockhart Road
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke, HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

383

WEBSITE

http://www.cmhg.com.hk
http://www.irasia.com/listco/hk/cmhg/

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of China Medical & HealthCare Group Limited (the "Company"), I have the pleasure to present the financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30 June 2016.

FINANCIAL RESULTS

For the year ended 30 June 2016, the Group recorded a total revenue of HK$2,985,927,000 (2015: HK$1,969,740,000) and a loss for the year attributable to shareholders of the Company of HK$783,160,000 (2015: profit of HK$228,443,000) respectively, mainly due to the losses in fair value of investments held for trading of HK$582,284,000 (2015: gain of HK$393,717,000) and derivative financial instruments of HK$72,398,000 (2015: HK$17,276,000) of the Group's securities trading and investments business.

Loss per share (basic and diluted) for the year ended 30 June 2016 was HK6.20 cents (2015: earnings per share of HK2.16 cents).

The Group's net asset value per share attributable to shareholders of the Company as at 30 June 2016 decreased to HK$0.14 from HK$0.16 in 2015.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend (2015: nil) for the year ended 30 June 2016.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "Annual General Meeting") is scheduled to be held on Thursday, 8 December 2016. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Tuesday, 6 December 2016 to Thursday, 8 December 2016, both dates inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of ordinary shares, duly accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration, no later than 4:30 p.m. on Monday, 5 December 2016.

CHANGE OF COMPANY NAME

To better reflect the Group's new direction and emphasis on healthcare and eldercare-related businesses, the Company changed its name from "COL Capital Limited" to "China Medical & HealthCare Group Limited" and adopted a 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 and became effective on 18 February 2016.

CHAIRMAN'S STATEMENT

REVIEW OF OPERATIONS

The Group's principal business has historically been investment holding and through its subsidiaries, it is engaged in investment in and management and operation of healthcare businesses, eldercare businesses, trading of medical equipment and related supplies, property investment and development, securities trading and investments, provision of financial services and strategic investment. As mentioned in the above section regarding the change of the company name, the Company has begun its efforts to transform into primarily an integrated healthcare and eldercare investor and operator.

Healthcare Division:

In October 2015, the Group entered into various agreements to acquire the remaining 39.48% equity interests in Lianyungang Jiatai Construction Company Limited (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 Company.

Jiatai Construction, through 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 People's Republic of China ("PRC''). Currently, Tongren Healthcare owns and operates two well-established integrated hospitals consisting of the Nanjing Tongren Hospital (南京同仁醫院) (Class III Integrated Hospital) and the Kunming Tongren Hospital (昆明同仁醫院) (Class III Integrated Hospital), offering a wide range of comprehensive hospital and healthcare services.

In December 2015, the Group entered into various agreements to acquire the remaining 18.36% equity interests in Yangpu Zhaohe Industrial Co., Ltd. (洋浦兆合實業有限公司) ("Yangpu Zhaohe") for a total consideration of RMB90,000,000 ("Yangpu Zhaohe Acquisitions"). Yangpu Zhaohe owns 72.5% of the equity interest in Tongren Healthcare with the remaining 27.5% equity interest owned by the Jiatai Group. Following the completion of the Yangpu Zhaohe Acquisitions on 12 May 2016, Yangpu Zhaohe and Tongren Healthcare became wholly-owned subsidiaries of the Company.

During the year under review, the Group's Healthcare Division recorded a revenue of HK$777,989,000 (2015: HK$672,481,000) and a loss of HK$16,356,000 (2015: HK$37,716,000) respectively, mainly attributed to high depreciation and amortization charges, and labour cost, especially medical and technical staff. Without interest, tax, depreciation and amortization the Healthcare Operations generated an EBITDA, being earnings before interest, tax, depreciation and amortization, of HK$101,198,000 (2015: HK$80,127,000) for the year ended 30 June 2016.

For the year ended 30 June 2016, Nanjing Tongren Hospital achieved a total of 633,099 out-patients visits, 22,671 in-patient admissions and 46,308 body-checks while Kunming Tongren Hospital achieved a total of 162,928 out-patients visits, 9,701 in-patient admissions and 37,477 body-checks. As of 30 June 2016, Nanjing Tongren Hospital had 338 doctors, 393 nurses, and 608 beds, while Kunming Tongren Hospital had 220 doctors, 313 nurses, and 433 beds. A new wing at Nanjing Tongren Hospital with approximately 400 additional beds is currently being developed and is expected to be operational by the second quarter of 2017.

CHAIRMAN'S STATEMENT

Following the appointment of new management in the beginning of 2016, the Healthcare Division has embarked on a series of restructuring exercises focusing on areas such as stabilization of work forces, diversification of revenue streams and integration of management functions.

For the stabilization of work forces, the Healthcare Division has launched a new "pay for performance" compensation system for its staff and employee which reduces the fixed-salary component while increasing the variable-salary component of staff pay, as well as initiating a new nursing service quality training program, to address a more competitive labor market.

With regard to the diversification of revenue streams, Healthcare Division has developed a new independently-operated Health Screening Centers ("HSC") within Nanjing Tongren Hospital and Kunming Tongren Hospital. Kunming Tongren Hospital's HSC is already operational in July 2016, while Nanjing Tongren Hospital's HSC is expected to commence operations by the end of 2016. There are other medical specialty diversification initiatives planned for the next 12 months.

As to the integration of management functions and resources-sharing with the Eldercare Division, human resources management, IT, and finance functions have begun to be integrated since June 2016. Integration efforts for these and for the other functions will continue in the next twelve months, with the goal of increasing operational synergies and management efficiencies between both Divisions.

Eldercare Division:

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, the Aveo China Group became 70% owned subsidiaries of the Company.

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 retirement village project, Tide Health Campus (天地健康城), located in Zhu Jia Jiao County, Shanghai in the PRC, a showcase development offering a range of eldercare and healthcare services, and retirement related services for the elderly. The campus includes an elderly nursing hospital, service apartments, independent living units ("ILU") and a retail shopping precinct and club hall facilities.

For the year ended 30 June 2016, the Group's Eldercare Operations, which include the Tide Health Campus property sales and leases, and the services provided there, recorded a revenue of HK$984,879,000 and a profit of HK$29,661,000. As at 30 June 2016, the Eldercare Division had sold 625 ILU out of a total inventory of 868 units, and more than 100 residents have moved into the retirement village, which had opened in the first quarter of 2016.

During the year under review, the Eldercare Division completed its restructuring and cost-cutting exercise and moved the Division's headquarter from Shenzhen to Shanghai, PRC, co-located with the Healthcare Division headquarter.

CHAIRMAN'S STATEMENT

Securities Trading and Investments:

Dragged down by worries over weak commodity prices, weaker-than-expected economic recovery in developed countries, the outlook of rising interest rates level, sharp slowdown in the PRC and global geopolitical tensions together with fears sparked by unexpected events such as the devaluation of Renminbi ("RMB") in August 2015 and the Brexit fallout in June 2016, the financial markets were extremely turbulent during the year under review. Under such volatile investment environment, the Group's business in securities trading and investments were adversely affected and a decreased turnover of HK$622,672,000 (2015: HK$1,268,782,000) and a loss of HK$655,310,000 (2015: profit of HK$370,199,000) for the year ended 30 June 2016 was recorded, mainly due to the losses in fair value of investments held for trading of HK$582,284,000 (2015: gain of HK$393,717,000) and derivative financial instruments of HK$72,398,000 (2015: HK$17,276,000) which was partially off-set by gain on disposal of available-for-sale investments of HK$9,116,000 (2015: HK$31,259,000), dividend income from listed investments of HK$36,481,000 (2015: HK$14,059,000) and interest income from available-for-sales investments of HK$530,000 (2015: HK$3,700,000).

As at 30 June 2016, the Group maintained a portfolio of available-for-sale investments of HK$10,936,000 (2015: HK$64,749,000) and a well-diversified portfolio of investments held for trading of HK$1,161,134,000 (2015: HK$1,830,232,000).

Investment held for trading:

As at 30 June 2016, the Group's investments held for trading consisted of securities listed in different geographic locations and their respective performance were as follows:

Geographic Location	Carrying value 2016	Carrying value 2015	Realized gain (loss) 2016	Fair value gain (loss) 2016	Dividend received 2016	% of carrying value to the Group's net assets 2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*%*
Hong Kong	938,730	1,400,702	(127,751)	(344,060)	35,290	45.2
Australia	121,609	204,064	(9,543)	(66,637)	–	5.9
Malaysia	57,126	44,887	(1,710)	(16,208)	–	2.7
U.S.A.	34,230	122,615	271	(876)	295	1.6
Philippine	981	1,092	–	(55)	–	–
PRC	3,840	4,025	630	(1,215)	13	0.2
England	103	3,581	(2,453)	2	–	–
Japan	4,515	27,130	(5,067)	(1,639)	–	0.2
Taiwan	–	22,136	(5,973)	–	883	–
Total	1,161,134	1,830,232	(151,596)	(430,688)	36,481	

CHAIRMAN'S STATEMENT

As at 30 June 2016, the Group's investments held for trading consisted of investments in different category of companies and their respective performance were as follows:

Principal business	Carrying value 2016 HK$'000	Carrying value 2015 HK$'000	Realized gain (loss) 2016 HK$'000	Fair value gain (loss) 2016 HK$'000	Dividend received 2016 HK$'000	% of carrying value to the Group's net assets 2016 %
Banking company	55,611	117,390	(3,331)	(13,894)	1,427	2.7
Consumer services company	75,775	167,518	(5,407)	(29,459)	3,897	3.6
Entertainment and media company	103,606	312,436	(92,238)	(36,894)	892	5.0
Financial services and investment company	393,590	518,514	(23,363)	(175,220)	15,778	18.9
Healthcare services company	–	40,504	(16,954)	–	783	–
Industrial materials company	23,479	7,757	2,842	(10,408)	13	1.1
Information technology company	–	4,454	(536)	–	–	–
Mining and resources company	129,818	134,645	(9,546)	(8,655)	1,082	6.2
Property company	379,255	527,014	(3,063)	(156,158)	12,609	18.2
Total	1,161,134	1,830,232	(151,596)	(430,688)	36,481	

At 30 June 2016, particulars of the Group's investments held for trading which are material to the Group (exceeded 5% the net assets of the Group) were as follows:

Company name	No. of shares held	% of shareholding	Carrying value 2016 HK$'000	Realized gain (loss) 2016 HK$'000	Fair value gain (loss) 2016 HK$'000	Dividend received 2016 HK$'000	% of carrying value to the Group's net assets 2016 %
AP *(Note a)*	170,650,000	2.50	247,443	–	(124,967)	10,347	11.9
TA *(Note b)*	47,586,875	3.16	194,154	(184)	(24,929)	7,081	9.3

CHAIRMAN'S STATEMENT

Notes:

a. Allied Properties (H.K.) Limited (stock code: 56) ("AP") – As at 30 June 2016, the Group owned approximately 2.50% of the total issued share capital of AP, a limited company incorporated in Hong Kong with its shares listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). AP is principally engaged in property investment and development, hospitality related activities, the provision of finance and investments in listed and unlisted securities. Based on the latest interim report of AP, the unaudited profit attributable to shareholders of AP for six-months ended 30 June 2016 was approximately HK$752.6 million and the unaudited net assets attributable to shareholders of AP as at 30 June 2016 was approximately HK$27,810.6 million. The fair value of the investment in AP's ordinary shares is based on quoted market price as at the year-end date.

b. Tian An China Investments Company Limited (stock code: 28) ("TA") – As at 30 June 2016, the Group owned approximately 3.16% of the total issued share capital of TA, a limited company incorporated in Hong Kong with its shares listed on the Stock Exchange. TA is principally engaged in development of apartments, villas, office buildings and commercial properties, property investment and property management in the PRC. Based on the latest interim report of TA, the unaudited profit attributable to shareholders of TA for six-months ended 30 June 2016 was approximately HK$513.2 million and the unaudited net assets attributable to shareholders of TA as at 30 June 2016 was approximately HK$17,036.3 million. The fair value of the investment in TA's ordinary shares is based on quoted market price as at the year-end date.

Derivative Financial Instruments:

As at 30 June 2016, the Group's investments in derivative financial instruments consisted of options and related forward contracts in different categories were as follows:

	No. of contracts as at 30.6.2016	**Fair value 2016** *HK$'000*
Assets		
Option contracts linked with equity securities listed in Hong Kong	2	271
Forwards contracts linked with exchange rate between Japanese Yen ("JPY") and United States Dollars ("USD")	9	4,004
		4,275
Liabilities		
Option contracts linked with equity securities listed in Hong Kong	2	(390)
Option contracts linked with exchange rate between JPY and USD	5	(51,202)
Forwards contracts linked with exchange rate between JPY and USD	6	(3,754)
		(55,346)
Net		(51,071)

CHAIRMAN'S STATEMENT

As at 30 June 2016, the respective performance of the Group's investments in derivative financial instruments were as follows:

	Fair value 2016 HK$'000	Realized gain (loss) 2016 HK$'000	Fair value gain (loss) 2016 HK$'000
Option contracts linked with equity securities, net	(119)	–	(119)
Option contracts linked with exchange rate between JPY and USD, net	(51,202)	(18,935)	(51,202)
Forwards contracts linked with exchange rate between JPY and USD, net	250	–	250
Option contracts linked with HSI	–	(2,392)	–
	(51,071)	(21,327)	(51,071)

The Group considers that the performance of the Group's investment portfolio in listed securities and derivative financial instruments is generally affected by economic, political and financial market environments, globally and regionally, and is susceptible to the volatility of the financial markets. As a value investor, the Group will continuously review and adjust its investment strategies and investment portfolio in light of the prevailing uncertainties in the investment environment.

Money Lending:

For the year ended 30 June 2016, under the prevailing tough credit environment, the Group's money lending business recorded an interest income of HK$12,200,000 (2015: HK$18,800,000) and a loss of HK$15,354,000 (2015: profit of HK$3,486,000) respectively due to impairment losses recognized for the loan principal and outstanding interest of a defaulted loan receivable of HK$19,247,000 (2015: nil) and HK$2,926,000 (2015: nil). Discussions with the borrower and the guarantor of the defaulted loan receivable on settlement have been taken place. The Group will monitor the progress of the settlement plan proposed by the borrower and will consider taking further actions as required and appropriate. As at 30 June 2016, the Group's loan portfolio, after provision of impairment losses, reduced to HK$40,000,000 (2015: HK$61,247,000).

Property Development:

For the year ended 30 June 2016, Jiatai Group's property development business following the issuance of the occupation permits for Kangya Garden (康雅苑) Phase III in the first quarter of 2016, it recorded a turnover of HK$584,042,000 (2015: HK$5,657,000) and a loss of HK$70,249,000 (2015: HK$15,718,000) respectively, mainly due to the additional construction cost on urban dugout structure as required by local authorities. As at 30 June 2016, 409 units of Kangya Garden Phase III, out of a total inventory of 419 units, were pre-sold and among which 396 units (2015: nil) were recorded as sales in the year under review.

As at 30 June 2016, Jiatai Group owns certain residential and commercial lands in Lianyungang, PRC.

CHAIRMAN'S STATEMENT

Property Investments:

The Group's investment properties located in Hong Kong and the PRC recorded a rental income of HK$4,145,000 (2015: HK$4,020,000) and a loss of HK$1,597,000 (2015: profit of HK$18,242,000) for the year under review mostly attributed to the loss from fair value change on investment properties of HK$3,179,000 (2015: gain of HK$15,610,000). As at 30 June 2016, the Group's investment properties portfolio amounted to HK$226,178,000 (2015: HK$229,270,000).

Others:

In December 2015, the Company and CM International Holding Pte. Ltd. ("CM International") entered into a non-binding memorandum of understanding for the establishment of a fund to invest in healthcare, eldercare and related businesses including healthcare companies such as clinics, check-up centres and hospitals. Broadly, the focus of the fund is expected to include investing in companies and/or projects in the healthcare and related industry; eldercare and related industry; hospitals and related projects; and the recapitalizing and improving the financial position and performance of the invested hospitals.

As announced in September 2013, the Group entered into an agreement to dispose of its entire equity interests in Dongying Tongren International Health Centre Investment Company Limited (東營同仁國際健康城投資有限公司) ("Dongying Tongren"). Due to some changes to the development project of Dongying Tongren, the original basis of project development cooperation has changed. As such, the buyer and the Group entered into an agreement on 17 June 2016 to terminate the agreement.

PRINCIPAL ASSOCIATED COMPANIES

For the year ended 30 June 2016, the loss from its share of results of associates, the reversal of impairment on interest in a former associate and the distribution in specie of shares of a former associate, gain on disposal of an associate and the gain on deemed disposal of an associate were HK$4,861,000 (2015: HK$338,512,000), nil (2015: gain of HK$261,266,000), nil (2015: HK$10,665,000) and HK$97,270,000 (2015: nil) respectively. As at 30 June 2016, following the completion of the Aveo Acquisition in December 2015, the Group's investment in associates decreased to nil (2015: HK$9,001,000).

Aveo China – previously 30% owned by the Group:

Following the completion of the 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.

CHAIRMAN'S STATEMENT

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

As at 30 June 2016, the Group's non-current assets of HK$2,244,172,000 (2015: HK$1,888,713,000) consisted of investment properties of HK$708,488,000 (2015: HK$229,297,000), property, plant and equipment of HK$1,377,117,000 (2015: HK$1,366,311,000), prepaid lease payments of HK$107,450,000 (2015: HK$118,298,000), interests in associates of nil (2015: HK$9,001,000), available-for-sale investments of HK$746,000 (2015: HK$11,353,000), intangible assets of HK$13,034,000 (2015: HK$14,844,000), goodwill of HK$32,867,000 (2015: nil), deposits for acquisition of property, plant and equipment of HK$4,470,000 (2015: nil) and pledged bank deposit of nil (2015: HK$139,636,000). These non-current assets are principally financed by the Group's shareholders' funds. As at 30 June 2016, the Group's net current assets decreased to HK$56,752,000 (2015: HK$470,450,000).

As at 30 June 2016, the total borrowings of the Group amounted to HK$2,634,031,000 (2015: HK$1,874,130,000) consisting of securities margin loans of HK$733,538,000 (2015: HK$415,359,000), unsecured term loans of HK$300,000,000 (2015: HK$302,383,000), secured bank borrowings of HK$672,834,000 (2015: HK$246,771,000), unsecured bank borrowings of HK$507,008,000 (2015: HK$465,615,000), secured other borrowing of nil (2015: HK$21,238,000), unsecured other borrowings of HK$184,419,000 (2015: HK$297,834,000), discounted bills of HK$160,770,000 (2015: HK$124,930,000) and borrowings from a related party of HK$75,462,000 (2015: nil). Among the total borrowings of the Group, an amount of HK$2,517,531,000 (2015: HK$1,641,721,000) was with maturity on demand or within one year and HK$116,500,000 (2015: HK$232,409,000) was with maturity of over one year but not exceeding two years.

As at 30 June 2016, the Group's gearing ratio, calculated on the basis of the Group's net borrowings (after pledged bank deposits, restricted bank deposits and bank balances and cash) over total equity, was 58.1% (2015: 67.9%). The Group's gearing ratio would be adjusted to 1.8% (2015: 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, a related party to Aveo China, 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 the Eldercare Division for its general working capital.

During the year under review, the Group's assets, liabilities and transactions were mainly denominated in Hong Kong Dollar, RMB, 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 30 June 2016, the Group had capital commitments contracted for but not provided relating to the acquisition of property, plant and equipment, and investment properties of HK$120,903,000 (2015: nil) and HK$38,930,000 (2015: nil) respectively.

CHAIRMAN'S STATEMENT

In July 2013, Tongren Healthcare 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 the Mutual Guarantee shall be approximately 18 months from 18 July 2013 to 31 December 2014 and further extended to 31 December 2015. Such agreement has been expired during the year and no extension of agreement has been made. A former director of Jiatai Construction and certain subsidiaries of the Jiatai Group has a beneficial interest in Huali. As at 30 June 2016, Tongren Healthcare provided guarantees of RMB50,000,000 (approximately HK$58,250,000) (2015: RMB50,000,000 (approximately HK$62,465,000)) to Huali under the Mutual Guarantee, while Huali and its subsidiary provided guarantees of RMB425,000,000 (approximately HK$495,125,000) (2015: RMB243,000,000 (approximately HK$303,581,000)) to Tongren Healthcare and its subsidiaries under the Mutual Guarantee. As at 30 June 2015, the fair value of the Mutual Guarantees was estimated to be insignificant.

During the year, Aveo China has given guarantees in respect of the settlement of mortgage bank loans provided by banks to the purchasers of Aveo China's developed properties in Shanghai, the PRC. At 30 June 2016, Aveo China had given guarantees in respect of such mortgage bank loans of HK$32,270,500. The Group considers that the fair values of these financial guarantee contracts are insignificant at initial recognition and that the possibility of default of the parties involved is remote, accordingly, no value has been recognised at the inception of the guarantee contracts and at the end of the reporting period.

In December 2015, the Company and 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. 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. The Subscription was completed on 22 December 2015.

As at 30 June 2016, details of use of net proceeds from the Subscription were as follows:

Intended use of proceeds	**Actual use of proceeds**
i. An amount of approximately HK$600,000,000 will be used for working capital and for expansion of the Group's hospital and healthcare, and eldercare businesses	i. Not yet used
ii. The remaining balance of approximately HK$299,250,000 will be used for reduction of the borrowings of the Group	ii. HK$299,250,000 was used for reduction of the borrowings of the Group

During the year under review, the Company repurchased a total of 14,180,000 shares (2015: 4,928,000 shares) in the capital of the Company for an aggregate consideration of HK$2,049,000 (2015: HK$17,902,000). These shares have been cancelled.

CHAIRMAN'S STATEMENT

CHARGE ON GROUP ASSETS

As at 30 June 2016, the Group's investments held for trading of HK$1,133,291,000 (2015: HK$1,757,635,000), building (included in property, plant and equipment) of HK$130,480,000 (2015: HK$586,093,000), available-for-sale investments of HK$9,387,000 (2015: HK$10,607,000), prepaid lease payment of nil (2015: HK$91,469,000), investment properties of HK$482,310,000 (2015: nil), properties under development for sale of HK$117,814,000 (2015: HK$618,719,000), properties held for sale of HK$474,640,000 (2015: HK$19,343,000) and pledged bank deposits of HK$586,545,000 (2015: HK$297,147,000) were pledged to banks and securities houses 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 30 June 2016, the carrying amount of the Group's medical equipment included an amount of HK$68,269,000 (2015: HK$201,575,000) in respect of assets held under finance leases.

EMPLOYEES

The Group had 2,307 employees as at 30 June 2016 (2015: 2,120). 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.

POST BALANCE SHEET EVENT

On 13 July 2016, the Group entered into a sale and purchase agreement with an independent third party pursuant to which the Group agreed to dispose the entire registered capital of a wholly-owned subsidiary, Yunnan Xinxinhua Hospital Co., Ltd. (雲南新新華醫院有限公司), at a consideration of RMB13,000,000. The disposal was completed on 19 July 2016.

PROSPECTS

The Group is optimistic about the prospects for private healthcare and eldercare in the PRC are very encouraging due to its favourable demographic (such as aging population) and macro factors (such as growing middle class, high saving rate), and the as yet relatively low penetration of private healthcare institutions in the region. There are very supportive central government policies in place.

Healthcare Division:

The year 2016 saw Nanjing Tongren Hospital poised for expansion with renovation, equipping and commissioning of a new 12-storey tower adjacent to the existing operating facility ("Block D"). These construction works are expected to be completed by early 2017, and when operational is expected to increase in-patient capacity in Nanjing Tongren Hospital by up to an additional 400 beds. Other new projects expected over the next 12 months include the establishment of Centers of Excellence in selected medical specialties together with private physician groups, and partnerships with international insurance organizations.

The Healthcare Division plans to complete a relocation of its senior leadership to a shared office space in Shanghai together with the Eldercare Division by the end of 2016. This will also facilitate the planned implementation of a new shared IT infrastructure including office automation systems for the procurement of medical supplies for our facilities.

CHAIRMAN'S STATEMENT

Eldercare Division:

For the Eldercare Division, it is expected that more residents will move into the Tide Health Campus when the retail shopping precinct and the elderly nursing hospital in the village are operational by 2017. It is further expected that in the near future more than 50% of residents will become members of our retirement community to enjoy the community services in the retirement village.

The operations of the first building of the elderly nursing hospital with 100 beds will start by 2017 while the second building, a 200 bed elderly nursing home, will be equipped in late 2017, ready for operations from early 2018. The leasing program of the service apartments ("SA") will start in the second half of 2016. There will be 270 SA products in the retirement village. The first building with 120 SAs will be completed in the second half of 2016 while the other two buildings with 80 and 70 SAs will be operational in 2017 and 2018.

The Group's Eldercare Division will continue its growth focus in China by building and developing more retirement villages and providing more services to elderly people on the Mainland.

Others:

With the Group's new direction on healthcare and eldercare businesses, the Group will continuously review and adjust its operation and investment strategies, and assets and investment portfolio in the prevailing uncertain economic and investment environment and the Group will continue to seek investment and growth opportunities in China, Hong Kong and the Asia Pacific region to enhance value for shareholders.

APPRECIATION

On behalf of the Board, I would like to extend my whole-hearted thanks to our shareholders for their continued support and to our staff for their contribution to the Group during the year.

Dr. Lim Cheok Peng
Chairman

Hong Kong, 26 September 2016

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

EXECUTIVE DIRECTORS

Ms. Chong Sok Un, M.H. aged 62, was appointed as executive director and chairman of the Company on 23 August 2002 and has been re-designated as deputy chairman of the Company since 16 December 2015. Ms. Chong was awarded the Medal of Honour (M.H.) by the Government of the Hong Kong Special Administrative Region on 1 July 2011. She is a member of the National Committee of the Chinese People's Political Consultative Conference, Guangdong Province, the Honorary Director of the Chinese Red Cross Foundation, Permanent Honorary Chairman of the Hong Kong Federation of Fujian Associations and Vice Chairman of the Hong Kong Federation of Fujian Associations Ladies' Committee. She is the namer and director of YOT Chong Sok Un Medical Fund (cancer aid) since 2007 and a member of Yan Oi Tong Advisory Board since 2011. Ms. Chong was the chairman of the 31st Term Board of Directors of Yan Oi Tong from 2010 to 2011 and a director of the 27th Term Board of Directors of Yan Oi Tong from 2006 to 2007. She was also a director of Po Leung Kuk from 2009 to 2010. She was an executive director and chairman of APAC Resources Limited from 6 July 2007 to 1 March 2016 and a non-executive director of Alibaba Pictures Group Limited from 25 June 2007 to 23 April 2009.

Dr. Jonathan Weiyan Seah, aged 46, was appointed as a non-executive director of the Company on 26 October 2015 and has been re-designated as an executive director and chief executive officer of the Company since 16 December 2015. Dr. Seah has over 20 years of experience in clinical medicine, investment banking, private equity, and general management in the USA, China, and Southeast Asia.

Dr. Seah was previously the founding chief executive officer of ParkwayHealth's China Division, an operator of international-quality medical centers in China from January 2004 to January 2009. He was also previously a director of First Steamship Co., Ltd. from 1 August 2012 to 5 February 2014 and its General Manager from 1 August 2012 to 5 February 2014, and a director of Grand Ocean Retail Group Ltd. from 30 August 2011 to 22 December 2015, both of which are listed on the Taiwan Stock Exchange. Prior to this, Dr. Seah was a corporate finance investment banker with Merrill Lynch Pierce Fenner & Smith, Inc. in California, USA. Before attending business school, Dr. Seah was a medical doctor at the National University Hospital, Tan Tock Seng Hospital, and the Raffles Medical Group in Singapore.

Dr. Seah is also the managing director of IXL Ventures L.P., IXL Partners, IXL Fund, IXL Capital, and Living Ventures Holdings Limited.

Dr. Seah was a director from 23 April 2010 to 12 June 2012 and the chairman from 8 May 2013 to 15 October 2013 of 連雲港嘉泰建設工程有限公司 (Lianyungang Jiatai Construction Co., Ltd.), a direct wholly-owned subsidiary of the Company. He was also a director from 7 May 2010 to 20 June 2012, and the chairman from 7 August 2012 to 15 October 2013 of 同仁醫療產業集團有限公司 (Tongren Healthcare Industry Group Company Limited), an indirect wholly-owned subsidiary of Jiatai Construction.

Dr. Seah holds an MBA from Harvard Business School and a bachelor's degree in medicine from the Royal College of Surgeons in Ireland.

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

Dato' Wong Peng Chong, aged 72, was appointed as executive director of the Company on 15 March 2002. Dato' Wong is a non-executive director of Manfield Chemical Holdings Limited. He is also a director of Mabuhay Holdings Corporation and IRC Properties, Inc., companies listed on The Philippine Stock Exchange, Inc., and Asia Development Capital Co., Ltd., a company listed on The Tokyo Stock Exchange, Inc..

Upon his graduation from the University of Malaya in 1967, Dato' Wong joined the Malaysian Foreign Service and served with several Malaysian diplomatic missions overseas in various capacities. He joined the private sector in 1985 and has served in various senior management positions, including executive directorships in public listed companies, in Hong Kong and Malaysia. He was the vice-president of Alibaba Pictures Group Limited from 4 July 2007 to 9 December 2009. He was also an executive director of Landing International Development Limited from 13 October 2009 to 21 January 2010.

Mr. Kong Muk Yin, aged 50, was appointed as executive director of the Company on 13 May 2002. He is a non-executive director and company secretary of Manfield Chemical Holdings Limited. From 4 July 2007 to 24 June 2014, he was also an executive director and non-executive director of Alibaba Pictures Group Limited. He was an executive director of Landing International Development Limited from 13 October 2009 to 21 January 2010 and an executive director of APAC Resources Limited from 4 November 2009 to 1 March 2016. During September 2010 to September 2015, he was also a director of Mabuhay Holdings Corporation and IRC Properties, Inc., companies listed on The Philippine Stock Exchange, Inc..

Mr. Kong was graduated from City University of Hong Kong with a bachelor's degree in business studies. He is a fellow member of The Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and a Chartered Financial Analyst and he has extensive experience in corporate finance, financial management, accounting and auditing.

NON-EXECUTIVE DIRECTORS

Dr. Lim Cheok Peng, aged 69, was appointed as a non-executive director of the Company on 26 October 2015 and has been re-designated as the chairman of the Company since 16 December 2015. Dr. Lim has over 25 years of international experience in the healthcare sector. He has extensive experience both as a medical practitioner and in managing hospital businesses. He is a chairman of Ophir Ventures Sdn Bhd and previous to this was a senior advisor to the board of directors at IHH Healthcare Berhad ("IHH"), a company which is listed on the Kuala Lumpur Stock Exchange and has a secondary listing on the Singapore Exchange and a managing director/executive director of IHH during the periods of 5 April 2012 to 31 December 2013 and 1 May 2011 to 4 April 2012 respectively. Prior to that, Dr. Lim was a vice chairman/executive vice chairman/managing director of Parkway Holdings Limited, a company which was listed on the Singapore Exchange, during the periods of 1 April 2011 to 26 May 2011, 24 April 2009 to 31 March 2011 and 7 June 2000 to 23 April 2009 respectively. Dr. Lim is also the president of IXL Partners since October 2015.

Dr. Lim graduated from the University of Singapore in 1972 with a bachelor of medicine and bachelor of surgery. In 1976, he obtained a master in medicine (internal medicine) from the University of Singapore. Dr. Lim was presented with the Singapore Medical Association Merit Award in 2013 for his significant contributions to the medical profession and the social service to the community in Singapore.

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

Mr. Liao Feng, age 45, was appointed as a non-executive director of the Company on 14 June 2016. He holds a Master of Applied Finance degree from Macquarie University in Australia. Mr. Liao is currently a director and the Chief Executive Officer of CM International Holding Pte. Ltd.. From February 2004 to September 2014, Mr. Liao worked at China Minsheng Bank in China, and he was the deputy general manager of the corporate banking at the head office of the bank in Beijing at the time of departure from the bank. He is also a director of New Universe Environmental Group Limited (a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited)(Stock Code: 436).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lau Siu Ki, aged 58, was appointed as independent non-executive director of the Company on 3 June 2004. He has over 30 years of experience in corporate finance, financial advisory and management, accounting and auditing. He is currently working as a consultant in the financial advisory field. Prior to that, Mr. Lau had worked in an international accounting firm for over 15 years. He is a fellow member of both the Association of Chartered Certified Accountants ("ACCA") as well as the Hong Kong Institute of Certified Public Accountants. Mr. Lau was a member of the Council of ACCA and a member of the Committee of the Hong Kong branch of ACCA. He was also the Chairman of ACCA Hong Kong for the year 2000/2001. Mr. Lau is the independent non-executive director of Binhai Investment Company Limited, Comba Telecom Systems Holdings Limited, TCL Communication Technology Holdings Limited, FIH Mobile Limited, Samson Holding Ltd. and Embry Holdings Limited. He was an independent non-executive director of UKF (Holdings) Limited from 16 March 2015 to 15 March 2016. He is also the company secretary of Yeebo (International Holdings) Limited, Hung Fook Tong Group Holdings Limited and Expert Systems Holdings Limited and the independent supervisor of Beijing Capital International Airport Co., Ltd..

Mr. Ma Wah Yan, aged 68, was appointed as independent non-executive director of the Company on 8 March 2011. Mr. Ma is the Senior Partner of Messrs. Hobson & Ma, Solicitors & Notaries and Council Member of the Law Society of Hong Kong. He is also a Notary Public, a solicitor of the High Court of Hong Kong Special Administrative Region, the Supreme Court of England and Wales, the Supreme Court of the Republic of Singapore, the Supreme Court of the Australian Capital Territory and China-Appointed Attesting Officer.

Mr. Zhang Jian, aged 74, was appointed as independent non-executive director of the Company on 16 October 2006. Mr. Zhang is an independent non-executive director of Go Higher Environment Co., Ltd.. He is also a professional senior engineer in PRC and the Chairman of Xian University of Architecture & Technology Peking Alumni Association. He has been awarded National Outstanding Intellect in 1997 and National Top 10 Honest Persons of Outstanding Ability in 2004. Mr. Zhang has been awarded as Influential Person to China Nonferrous Metal Industry in 2005. From 1982 to 1998, he held various senior positions in China Nonferrous Metal Industry Company. From 1998 to 2003, he acted as Chairman and General Manager of China Nonferrous Metal Construction Group Company Ltd.. From 2003 to 2005, he acted as General Manager of China Nonferrous Metal Mining & Construction (Group) Co., Ltd..

DIRECTORS' REPORT

The directors of the Company (the "Director(s)") present their annual report and the audited consolidated financial statements for the year ended 30 June 2016.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 50 to the consolidated financial statements. Details and respective analysis of the main business segments of the Group during the year are set out in note 8 to the consolidated financial statements.

Further discussion and analysis on the business activities of the Group as required by Schedule 5 to the Companies Ordinance (Cap.622) of Hong Kong are contained in the section of "Chairman's Statement" of this Annual Report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2016 are set out in the consolidated statement of profit or loss on page 39.

The Directors do not recommend the payment of a final dividend (2015: Nil) for the year ended 30 June 2016.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 37 to the consolidated financial statements.

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

The Group's investment properties were revalued at 30 June 2016 and the resulting revaluation decrease of HK$426,000 has been debited directly to the consolidated statement of profit or loss.

The Group's buildings were revalued at 30 June 2016 and a revaluation surplus on leasehold land and building in Hong Kong of approximately HK$27,000 has been credited to the property revaluation reserve and revaluation deficit on building in the PRC of approximately HK$65,351,000 has been debited to profit or loss.

Details of these and other movements in the investment properties, and property, plant and equipment of the Group during the year are set out in notes 18 and 19 to the consolidated financial statement, respectively.

DIRECTORS' REPORT

DIRECTORS AND SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:

Executive Directors:

Ms. Chong Sok Un *(Deputy Chairman)*
Dr. Jonathan Weiyan Seah *(Chief Executive Officer) (appointed on 26 October 2015)*
Dato' Wong Peng Chong
Mr. Kong Muk Yin

Non-Executive Directors

Dr. Lim Cheok Peng *(Chairman) (appointed on 26 October 2015)*
Mr. Liao Feng *(appointed on 14 June 2016)*

Independent Non-Executive Directors:

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

Pursuant to Clause 99 of the Bye-Laws of the Company ("Bye-Laws"), Ms. Chong Sok Un, Mr. Lau Siu Ki and Mr. Ma Wah Yan shall retire from the office by rotation at the forthcoming Annual General Meeting of the Company (the "Annual General Meeting"). Ms. Chong Sok Un and Mr. Lau Siu Ki, being eligible, will offer themselves for re-election at the Annual General Meeting. The Board has been informed by Mr. Ma Wah Yan that he will not offer for re-election as an independent non-executive director at the Annual General Meeting.

Pursuant to Clause 102 of the Bye-Laws, Mr. Liao Feng will retire and being eligible, offer himself for re-election at the Annual General Meeting.

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 30 June 2016, the interests and short positions of the Directors and the chief executive of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, 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:

DIRECTORS' REPORT

Long positions and short positions in the shares of the Company

Name of Director	Personal interests	Family interests	Corporate interests	Other interests	Total	Percentage of issued ordinary shares
	Number of ordinary shares of HK$0.0005 each					
Ms. Chong Sok Un ("Ms. Chong")	–	–	6,962,514,140 (L) *(Note 1)* 3,640,000,000 (S)	–	6,962,514,140 (L) 3,640,000,000 (S)	48.08% (L) 25.14% (S)
Dr. Lim Cheok Peng ("Dr. Lim")	300,000,000 (L) *(Note 2)*	–	–	–	300,000,000 (L)	2.07% (L)
Dr. Jonathan Weiyan Seah ("Dr. Seah")	–	–	2,000,000,000 (L) *(Note 3)* 300,000,000 (S)	–	2,000,000,000 (L) 300,000,000 (S)	13.81% (L) 2.07% (S)

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

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 30 June 2016.

1. Vigor Online Offshore Limited ("Vigor"), a wholly-owned subsidiary of China Spirit Limited ("China Spirit"), has corporate interest (a) in long position of 6,962,514,140 ordinary shares; and (b) in short position of 3,640,000,000 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 6,962,514,140 ordinary shares and in short position of 3,640,000,000 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 a 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. IXL is solely controlled by Montclair Trustees (Hong Kong) Limited as the trustee of a discretionary trust (the "Trust"), of which Dr. Seah is the founder and a beneficiary of the Trust. 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 30 June 2016, 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' REPORT

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 30 June 2016, 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	*(Note 1)*	6,962,514,140 (L) 3,640,000,000 (S)	48.08% (L) 25.14% (S)
China Spirit Limited ("China Spirit")	Held by controlled corporation	*(Note 1)*	6,962,514,140 (L) 3,640,000,000 (S)	48.08% (L) 25.14% (S)
Vigor Online Offshore Limited ("Vigor")	Beneficial owner	*(Note 1)*	6,962,514,140 (L) 3,640,000,000 (S)	48.08% (L) 25.14% (S)
China Minsheng Investment Corp. Ltd. 中國民生投資股份有限公司 ("CMI")	Held by controlled corporation	*(Note 2)*	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	*(Note 2)*	2,000,000,000 (L)	13.81% (L)
CM International Capital Limited ("CMIC")	Held by controlled corporation	*(Note 2)*	2,000,000,000 (L)	13.81% (L)
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) 300,000,000 (S)	13.81% (L) 2.07% (S)

DIRECTORS' REPORT

Name	Capacity		Number of ordinary shares held	Percentage of issued ordinary shares
Montclair Trustees (Hong Kong) Limited ("Montclair")	Trustee	*(Note 3)*	2,000,000,000 (L) 300,000,000 (S)	13.81% (L) 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) 300,000,000 (S)	13.81% (L) 2.07% (S)
Luo Qiongying ("Ms. Luo")	Held by controlled corporation	*(Note 4)*	1,149,739,208 (L)	7.94% (L)
Excellent Top Holdings Limited ("Excellent Top")	Held by controlled corporation	*(Note 4)*	1,149,739,208 (L)	7.94% (L)
Greatime Management Corp. ("Greatime")	Beneficial owner	*(Note 4)*	1,149,739,208 (L)	7.94% (L)
Allied Group Limited ("Allied Group")	Held by controlled corporation	*(Note 5)*	1,711,151,708 (L)	11.82% (L)
Allied Properties (H.K.) Limited ("Allied Properties")	Held by controlled corporation	*(Note 5)*	1,711,151,708 (L)	11.82% (L)
Mr. Lee Seng Hui	Held by controlled corporation	*(Note 5)*	1,711,151,708 (L)	11.82% (L)
Ms. Lee Su Hwei	Held by controlled corporation	*(Note 5)*	1,711,151,708 (L)	11.82% (L)
Mr. Lee Seng Huang	Held by controlled corporation	*(Note 5)*	1,711,151,708 (L)	11.82% (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

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 30 June 2016.

1. Vigor, a wholly-owned subsidiary of China Spirit, has corporate interest (a) in long position of 6,962,514,140 ordinary shares; and (b) in short position of 3,640,000,000 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 6,962,514,140 ordinary shares and in short position of 3,640,000,000 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.

DIRECTORS' REPORT

3. IXL has a 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. IXL is solely controlled by Montclair as the trustee of a discretionary trust (the "Trust"), of which Dr. Seah is the founder and a beneficiary of the Trust. 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.

4. 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.

5. Fareast Global Limited, a wholly-owned subsidiary of Tian An China Investments Company Limited ("Tian An"), owned 411,412,500 ordinary shares of the Company and Tian An was owned as to approximately 48.66% by China Elite Holdings Limited which was in turn wholly-owned by Allied Properties.

   Itso Limited, a wholly-owned subsidiary of Shipshape Investments Limited ("Shipshape"), held 1,149,739,208 ordinary shares of the Company as holder of securities and Sun Hung Kai Structured Finance Limited, a wholly-owned subsidiary of Shipshape, held 150,000,000 ordinary shares of the Company as holder of securities. Shipshape was a wholly-owned subsidiary of Sun Hung Kai & Co. Limited ("SHK"). SHK was owned as to approximately 55.90% by Allied Properties which was in turn owned as to approximately 74.99% by Allied Group.

   Mr. Lee Seng Hui together with Ms. Lee Su Hwei and Mr. Lee Seng Huang are the trustees of Lee and Lee Trust, being a discretionary trust. They together owned approximately 73.91% of the total number of issued shares of Allied Group (inclusive of Mr. Lee Seng Hui's personal interests) and were therefore deemed to have an interest in the shares in which Allied Group was interested.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group had no major customers and suppliers due to the nature of principal activities of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, the Company repurchased a total of 14,180,000 ordinary shares in the capital of the Company on the Stock Exchange in the range from HK$0.110 to HK$0.175 per ordinary share for a total consideration of HK$2,049,000. 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 affected by the Directors pursuant to the mandate from shareholders, with a view to benefit Shareholders as a whole in enhancing the net asset value and 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 year.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the Independent Non-Executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange. The Company considers all of the Independent Non-Executive Directors are independent.

DIRECTORS' REPORT

EMOLUMENT POLICY

The emolument policy of the general staff of the Group is set up by the management of the Group on the basis of their merit, qualifications and competence.

The emoluments of the Directors and senior management of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 30 June 2016.

DONATIONS

During the year, the Group made donations amounting to HK$102,000.

AUDITOR

A resolution will be submitted to the forthcoming Annual General Meeting to re-appoint Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Dr. Lim Cheok Peng
Chairman

Hong Kong, 26 September 2016

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the "Board") believes that corporate governance is essential to the success of the Company and the enhancement of shareholders' value. Accordingly, the Company has adopted various measures to ensure that a high standard of corporate governance is maintained.

Throughout the year ended 30 June 2016, the Company has applied the principles and complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code"). As listed out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). The current practices will be reviewed and continuously updated.

BOARD OF DIRECTORS

The Board currently comprises nine directors (the "Directors") in total, with four Executive Directors, two Non-Executive Directors and three Independent Non-Executive Directors.

The composition of the Board during the year under review and up to the date of this report is set out as follows:

Executive Directors:

Ms. Chong Sok Un *(Deputy Chairman)*
Dr. Jonathan Weiyan Seah *(Chief Executive Officer) (appointed on 26.10.2015)*
Dato' Wong Peng Chong
Mr. Kong Muk Yin

Non-Executive Directors

Dr. Lim Cheok Peng *(Chairman) (appointed on 26.10.2015)*
Mr. Liao Feng *(appointed on 14.06.2016)*

Independent Non-Executive Directors:

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

The Board members have no financial, business, family or other material/relevant relationships with one another. Such balanced Board composition is formed to ensure strong independence exists across the Board.

Throughout the year, the Board has at least one-third in number of its members comprising Independent Non-Executive Directors under Rule 3.10A of the Listing Rules and at least one of the Independent Non-Executive Directors possesses appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10 of the Listing Rules.

The Board has received from each Independent Non-Executive Director an annual confirmation of his independence and considers that all the Independent Non-Executive Directors are independent under the guidelines set out in Rule 3.13 of the Listing Rules. The biographical details of the Directors are set out in pages 15 to 17 of this Annual Report.

CORPORATE GOVERNANCE REPORT

During the year, 6 Board meetings were held and the attendance of each Director at the Board meetings is set out as follows:

Name of Directors	Number of Board meetings attended/held	Attendance rate
Ms. Chong Sok Un *(Deputy Chairman)*	5/6	83%
Dr. Jonathan Weiyan Seah *(Chief Executive Officer)* (appointed on 26.10.2015)	3/3	100%
Dato' Wong Peng Chong	6/6	100%
Mr. Kong Muk Yin	6/6	100%
Dr. Lim Cheok Peng *(Chairman)* (appointed on 26.10.2015)	3/3	100%
Dr. Liao Feng (appointed on 14.06.2016)	1/1	100%
Mr. Lau Siu Ki	6/6	100%
Mr. Ma Wah Yan	5/6	83%
Mr. Zhang Jian	5/6	83%

The schedule of Board meetings for a year is planned in the preceding year. At least 14 days notice of all Board meetings is given to all Directors and they can include matters for discussion in the agenda if the need arises. The company secretary of the Company (the "Company Secretary") assists the Chairman in preparing the agenda for meetings and ensures that all applicable rules and regulations are complied with. The agenda and the accompanying Board papers are sent to all Directors at least 3 days before the date of every Board meeting so that the Directors have the time to review the documents.

Every Board member is entitled to have access to Board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required. The Company Secretary continuously updates all Directors on the latest development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices.

The Board is responsible for formulating overall strategy, monitoring and controlling the performance of the Group. In addition to its overall supervisory role, the Board also retains specific responsibilities such as approving specific senior appointments, approving financial accounts, recommending dividend payments, approving policies relating to the Board's compliance, etc. whilst managing the Group's business is the responsibility of the management of the Group (the "Management").

When the Board delegates aspects of its management and administration functions to the Management, it has given clear directions, to the powers of the Management, in particular, with respect to the circumstances where the Management shall report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

The chairman met with the Non-Executive Directors (Including the Independent Non-Executive Directors) without the Executive Directors being present during the year.

Training

Each newly appointed Director has received comprehensive, formal and tailored induction on appointment so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities under the Listing Rules, legal and other regulatory requirements.

CORPORATE GOVERNANCE REPORT

During the year, the Company has arranged training for Directors to provide regular updates relating to the roles, functions and duties, corporate governance and change in regulatory requirements so as to enable the Directors to properly discharge their duties under the code provision A.6.5 of the CG Code. The Company has received confirmation from all Directors of their respective training records for the year ended 30 June 2016.

Directors' and Officers' Liabilities Insurance

The Company has arranged appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against the Directors and officers of the Company and its subsidiaries arising out of corporate activities of the Group under the code provision A.1.8 of the CG Code.

Roles of Chairman and Chief Executive Officer

The code provision A.2.1 of the CG Code requires that the roles of the Chairman and the chief executive officer are segregated and performed by separate individuals who have no relationship with each other, except as fellow Directors, to strike a balance of power and authority so that the job responsibilities are not concentrated on any one individual.

Dr. Lim Cheok Peng, being the Chairman of the Board, Ms. Chong Sok Un, being the Deputy Chairman of the Board, both of them are responsible for the leadership and effective running of the Board. Dr. Jonathan Weiyan Seah, being the Chief Executive Officer and Executive Director of the Company, is in charge of the day-to-day operation of hospital and aged care business in PRC. Dato' Wong Peng Chong, Executive Director of the Company, is in charge of day-to-day business operations in Hong Kong. Mr. Kong Muk Yin, Executive Director of the Company, is in charge of finance and accounts aspect. The functions and responsibilities between the Chairman, the Deputy Chairman and the chief executive officer are clearly segregated.

The list of Directors and their roles and functions are available on the websites of each of Stock Exchange and the Company at http://www.irasia.com/listco/hk/cmhg/.

Appointment and Re-election of Directors

Each of the Non-Executive Directors (including Independent Non-Executive Directors) has entered into a letter of appointment with the Company and appointed for a specific term, subject to retirement by rotation and re-election at least once every three years at the annual general meeting (the "AGM") of the Company in accordance with the Company's Bye-Laws. Any new Director appointed by the Board to fill a causal vacancy shall be subject to re-election by shareholders at the next following AGM after appointment.

Board Diversity Policy

The Board has adopted a board diversity policy on 30 August 2013 which sets out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company under A.5.6 of the CG Code.

The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

CORPORATE GOVERNANCE REPORT

Corporate Governance Function

The Board has adopted the written terms of reference on corporate governance function on 27 February 2012 so as to assist the Board in supervising the management of its business and office of the Group. During the year, the Board has performed the corporate governance duties in accordance with its terms of reference.

The duties of the Board in respect of corporate governance function are summarized as follows:

i) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

ii) to review and monitor the training and continuous professional development of Directors and senior management;

iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

v) to review the Company's compliance with the code provisions as set out in the CG Code and its disclosure requirements in the Corporate Governance Report.

BOARD COMMITTEES

The Board has established various committees to assist it in carrying out its responsibilities. The Board has appointed 5 Board committees, viz, the Executive Committee, Investment Committee, Remuneration Committee, Nomination Committee and Audit Committee to oversee particular aspects of the Group's affairs. Each of the committees has defined terms of reference setting out its duties, powers and functions. The committees report regularly to the Board and, where appropriate, make recommendations on matters discussed.

Executive Committee

The Executive Committee was established on 23 May 1998 with its written terms of reference adopted on 21 July 2005. The Committee is composed of three Executive Directors of the Board. The Executive Committee is responsible for approving and monitoring the daily operations of the Group. The Executive Committee held 6 meetings during the year.

Investment Committee

The Investment Committee was established on 2 February 2000 with its written terms of reference adopted on 19 December 2005. The Committee is composed of three Executive Directors and one Non-Executive Director of the Board. The Investment Committee is responsible for approving and monitoring the Group's investment related activities. No investment committee meeting was held during the year.

CORPORATE GOVERNANCE REPORT

Remuneration Committee

The Remuneration Committee was established on 15 April 2005 with its written terms of reference. The terms of reference of the Remuneration Committee are available on the website of each of Stock Exchange and the Company at http://www.irasia.com/listco/hk/cmhg/.

The Committee comprises two Executive Directors, one Non-Executive Director and three Independent Non-Executive Directors. The composition of the Remuneration Committee has complied with the requirements as set out in Rule 3.25 of the Listing Rules that a majority of the members of the Remuneration Committee should be Independent Non-Executive Directors and chaired by an Independent Non-Executive Director.

The meeting of the Remuneration Committee shall be held at least once a year. 3 meetings were held during the year and the attendance of each member is set out as follows:

Name of members	Number of meeting attended/held	Attendance rate
Mr. Ma Wah Yan *(Chairman)*	3/3	100%
Dato' Wong Peng Chong	3/3	100%
Mr. Kong Muk Yin	3/3	100%
Mr. Liao Feng (appointed on 14.06.2016)	N/A	N/A
Mr. Lau Siu Ki	3/3	100%
Mr. Zhang Jian	3/3	100%

The remuneration policy of the Group is to ensure all its employees are remunerated in line with market terms and individual performance.

At the meeting held during the year, the overall pay trend in Hong Kong of 2015/2016 was reviewed and noted.

The major roles and functions of the Remuneration Committee are as follows:

i) to review annually and recommend to the Board the overall remuneration policy and structure for the Directors and senior management;

ii) to review annually the performance of the Executive Directors and senior management and recommend to the Board specific adjustments in remuneration and/or reward payments;

iii) to review and recommend the compensation payable to Executive Directors relating to any loss or termination of their office or appointment;

iv) to review and recommend compensation arrangements relating to dismissal or removal of Directors for misconduct; and

v) to responsible for establishing formal and transparent procedures for developing remuneration policy and structure to ensure no Director or any of his/her associates is involved in deciding his/her own remuneration.

CORPORATE GOVERNANCE REPORT

The Remuneration Committee has adopted the model that it will review the proposals made by the management on the remuneration of Executive Directors and senior management, and make recommendations to the Board. The Board will have final authority to approve the recommendations made by the Remuneration Committee.

Nomination Committee

The Nomination Committee was established on 27 February 2012 with its written terms of reference. The terms of reference of the Nomination Committee are available on the website of each of Stock Exchange and the Company at http://www.irasia.com/listco/hk/cmhg/.

The Nomination Committee of the Company comprises five members including two Executive Directors and three Independent Non-Executive Directors.

The meeting of the Nomination Committee shall be held at least once a year. 1 meeting was held during the year and the attendance of each member is set out as follows:

Name of members	Number of meeting attended/held	Attendance rate
Ms. Chong Sok Un *(Chairman)*	1/1	100%
Dato' Wong Peng Chong	1/1	100%
Mr. Lau Siu Ki	1/1	100%
Mr. Ma Wah Yan	1/1	100%
Mr. Zhang Jian	1/1	100%

The Nomination Committee is responsible for formulating nomination policy for the Board's consideration and implement the Board's approved nomination policy.

The major roles and functions of the Nomination Committee are as follows: –

i) to review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

ii) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

iii) to assess the independence of Independent Non-Executive Directors;

iv) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the chief executive; and

v) to review and monitor policy concerning diversity of Board members and make recommendations on any proposed changes to the Board.

CORPORATE GOVERNANCE REPORT

Audit Committee

The Audit Committee was established on 29 January 1999 with its written terms of reference. The terms of reference of the Audit Committee are available on the website of each of Stock Exchange and the Company at http://www.irasia.com/listco/hk/cmhg/.

The Audit Committee comprises one Non-Executive Director and three Independent Non-Executive Directors. The composition of the Audit Committee has complied with the requirements as set out in Rule 3.21 of the Listing Rules that majority of the members of the Audit Committee should be Independent Non-Executive Director.

The Audit Committee shall meet at least twice a year. 5 meetings were held during the year, the minutes of the Audit Committee meetings were tabled to the Board for noting and for action by the Board where appropriate, the attendance of each member is set out as follows:

Name of members	Number of meetings attended/held	Attendance rate
Mr. Lau Siu Ki *(Chairman)*	5/5	100%
Mr. Ma Wah Yan	5/5	100%
Mr. Zhang Jian	5/5	100%
Mr. Liao Feng (appointed on 14.06.2016)	N/A	N/A

During the year and up to the date of this report, the Audit Committee had performed the following work:

i) reviewed the financial reports for the six months period ended 31 December 2015 and for the year ended 30 June 2016;

ii) reviewed the effectiveness of internal control system;

iii) reviewed the external auditor's statutory audit plan and engagement letter;

iv) reviewed the management letter from the external auditor in relation to the audit of the Group for the year ended 30 June 2016; and

v) reviewed and recommended for approval by the Board the audit scope and fees for the year ended 30 June 2016.

CORPORATE GOVERNANCE REPORT

The major roles and functions of the Audit Committee are as follows:

i) to consider the appointment, re-appointment and removal of the external auditor, the audit fees, and any questions of resignation or dismissal of the external auditor of the Group;

ii) to discuss with the external auditor the nature and scope of the audit;

iii) to review the interim and annual financial statements before submission to the Board;

iv) to discuss problems and reservations arising from the interim review and final audit, and any matters the external auditor may wish to discuss;

v) to review the external auditor's management letters and management's response; and to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

vi) to review the Group's financial controls, internal controls and risk management systems to ensure that they are appropriate and functioning properly; and

vii) to consider any findings of major investigations of internal control and risk management matters and management's response.

AUDITOR'S REMUNERATION

During the year ended 30 June 2016 under review, the remuneration paid or payable to the Group's external auditor, Messrs Deloitte Touche Tohmatsu, is set out as follows:

Services rendered	Fees paid/payable HK$'000
Audit services	1,933
Non-audit services	420
	2,353

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL

The Board and senior management are responsible for establishing, maintaining and operating an effective system of internal control. The internal control system of the Company comprises a well-established organizational structure and comprehensive polices and standards. The Board has clearly defined the authorities and key responsibilities of each business and operational unit to ensure adequate checks and balances. The Board is of the view that the system of internal controls in place for the year ended 30 June 2016 under review and up to the date of issuance of the annual report and financial statements is sound and is sufficient to safeguard the interests of shareholders, employees, and the Group's assets.

The Management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and involving in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls include the following:

a) The Executive Committee was established to ensure the effectiveness of the Group's daily operations and that the Group's operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved.

b) The Audit Committee reviews internal control issues identified by external auditor, regulatory authorities and management, and evaluates the adequacy and effectiveness of the Group's risk management and internal control systems. To further enhance control awareness, the Group has also approved launching a whistleblowing policy for employees to raise any concerns about possible improprieties in any matter related to the Group.

c) The Investment Committee was established to monitor the Group's investment related activities and respective operating and financial policies.

d) The Remuneration Committee was established to ensure all the Directors and the senior management of the Group are remunerated in line with market terms and individual performance.

e) The corporate reporting functions are delegated to the accounting department in terms of proper and regular reviews on the deployment of resources and financial reporting systems. The corporate governance practices and compliance with the Listing Rules, Securities and Futures Ordinance, (Chapter 571 of the Laws of Hong Kong) and other applicable regulations are delegated to the company secretarial department. The Management reviews the system of internal controls and briefs the reporting systems with the Executive Directors regularly and the Audit Committee annually.

f) Every newly appointed director was provided with a comprehensive handout detailing the responsibilities and duties of being a director of the Company. In particular highlighting the respective applicable rules and regulation, including the Listing Rules, which a director should aware and be informed on the first occasion of his/her appointment with the Company.

CORPORATE GOVERNANCE REPORT

g) The Company has adopted the code of conduct regarding Directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules (the "Model Code"). A copy of the Model Code was sent to each Director and the relevant employees of the Group who are required to be provided under the Model Code. Enquiries have been made with Directors and all the Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 30 June 2016.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the accounts for the year ended 30 June 2016, the Directors have selected suitable accounting policies and have applied them consistently, adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards which are pertinent to its operations and relevant to the financial statements, made judgments and estimates that are prudent and reasonable, and have prepared the accounts on the going concern basis.

SHAREHOLDERS' COMMUNICATION

A shareholder's communication policy was established on 27 February 2012. The Company has maintained different communication channels with its shareholders through the publication of annual and interim reports, circulars and announcements.

During the year ended 30 June 2016, an AGM and 2 special general meetings (the "SGM") were held and the attendance of each Director at the AGM and SGM are set out as follows:

Name of Directors	Number of AGM attended/held	Number of SGM attended/held
Dr. Lim Cheok Peng *(Chairman)* (appointed on 26.10.2015)	1/1	1/1
Ms. Chong Sok Un *(Deputy Chairman)*	1/1	0/2
Dr. Jonathan Weiyan Seah *(Chief Executive Officer)* (appointed on 26.10.2015)	1/1	1/1
Dato' Wong Peng Chong	1/1	2/2
Mr. Kong Muk Yin	1/1	2/2
Mr. Liao Feng (appointed on 14.06.2016)	N/A	N/A
Mr. Lau Siu Ki	1/1	2/2
Mr. Ma Wah Yan	1/1	2/2
Mr. Zhang Jian	0/1	0/2

The AGM of the Company provides a useful forum for shareholders to exchange views with the Board. At the Company's last AGM, Chairman of the Board as well as Chairman of the Audit Committee, Remuneration Committee and Nomination Committee were present to answer shareholders' questions.

CORPORATE GOVERNANCE REPORT

Separate resolutions are proposed at the general meetings for each substantial issue, including the re-election of the retiring Directors.

The Company's last AGM was held on 7 December 2015 and the Securities Repurchase Circular was sent to shareholders at least 20 clear business days prior to the meeting, setting out details of each proposed resolution, voting procedures (including the procedures for conducting a poll) and other relevant information. The Chairman explained the procedures for conducting a poll again at the beginning of the meeting and revealed the level of proxies voted in respect of each resolution. All shareholders are encouraged to attend the general meetings or to appoint proxies to attend and vote at the meetings on their behalf if they are unable to attend the meetings.

The next AGM will be held on 8 December 2016, the notice of which will be sent to shareholders at least 20 clear business days before the meeting. An explanation of the detailed procedures for conducting a poll will be provided to the shareholders at the commencement of the meeting. The Chairman will answer any questions from shareholders regarding voting by way of a poll. The poll results will be published in accordance with the requirements of the Listing Rules.

SHAREHOLDERS' RIGHTS

Right to put enquiries to the Board

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Other shareholders' enquiries can be directed to the head office and principal place of business of the Company in Hong Kong as set out in the Corporation Information section of this Annual Report for the attention of the Company Secretary.

Right to convene special general meeting

Pursuant to Section 74(1) of the Bermuda Companies Act and Clause 62 of the Bye-Laws of the Company, the shareholder(s) of the Company holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company may request the Board to convene a special general meeting.

The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda for the attention of the Company Secretary and may consist of several documents in like form each signed by one or more requisitionists.

If the Directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

CORPORATE GOVERNANCE REPORT

Right to put forward proposals at general meetings

On the requisition in writing of either (i) any number of shareholder of the Company representing not less than one-twentieth of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or (ii) not less than 100 shareholders, the Company shall, at the expense of the requisitionists:

a) to give to shareholders of the Company entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and

b) to circulate to shareholders entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition must be signed by the requisitionists and deposited at the registered office of the Company at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda for the attention of the Company Secretary.

INVESTOR RELATIONS

The Company maintains a website at http://www.irasia.com/listco/hk/cmhg/ where information and updates on the list of Directors and their roles and functions, constitutional documents, terms of reference of the Board committees, procedures for nomination of Directors for election, announcements, circulars and reports released to the Stock Exchange and other information are posted. Information on the Company's website will be updated from time to time.

There was no significant change in the Company's constitutional documents during the year ended 30 June 2016.

On behalf of the Board
China Medical & HealthCare Group Limited

Dr. Lim Cheok Peng
Chairman

Hong Kong, 26 September 2016

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS OF CHINA MEDICAL & HEALTHCARE GROUP LIMITED
中國醫療網絡有限公司
(FORMERLY KNOWN AS COL CAPITAL LIMITED
中國網絡資本有限公司)
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Medical & HealthCare Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 39 to 139, which comprise the consolidated statement of financial position as at 30 June 2016, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 30 June 2016, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 September 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2016

	NOTES	2016 HK$'000	2015 HK$'000
Revenue	7	**2,399,736**	715,017
Gross proceeds from sale of investments held for trading		**586,191**	1,254,723
Total		**2,985,927**	1,969,740
Revenue	7	**2,399,736**	715,017
Cost of goods and services		**(2,263,009)**	(644,645)
Gross profit		**136,727**	70,372
Other gains and losses	9	**(583,450)**	429,397
Other income	10	**38,315**	17,844
Selling and distribution expenses		**(8,535)**	(2,489)
Administrative expenses		**(216,350)**	(138,196)
Finance costs	11	**(136,495)**	(144,137)
Share of results of associates	21	**(4,861)**	(338,512)
Reversal of impairment on interest in an associate and result on distribution in specie of shares of an associate	21	**–**	261,266
(Loss) profit before taxation		**(774,649)**	155,545
Taxation expense	14	**(115,651)**	(15,335)
(Loss) profit for the year	15	**(890,300)**	140,210
(Loss) profit for the year attributable to:			
– Owners of the Company		**(783,160)**	228,443
– Non-controlling interests		**(107,140)**	(88,233)
		(890,300)	140,210
(Loss) earnings per share	17		
– Basic		**HK(6.20)cents**	HK2.16 cents
– Diluted		**HK(6.20)cents**	HK2.16 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2016

	2016 HK$'000	2015 HK$'000
(Loss) profit for the year	**(890,300)**	140,210
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	**5,303**	(10,572)
Reclassification adjustments 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	**–**	15,447
	(3,813)	(26,384)
Exchange difference arising on translation:		
Exchange (loss) gain arising from translation of foreign operation	**(54,115)**	801
Share of changes in other comprehensive income (expense) of associates	**1,982**	(99,851)
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)**	–
	(53,279)	(47,447)
Items that will not be reclassified to profit or loss:		
Gain on revaluation of leasehold land and buildings	**27**	1,100
Other comprehensive expense for the year	**(57,065)**	(72,731)
Total comprehensive (expense) income for the year	**(947,365)**	67,479
Total comprehensive (expense) income attributable to:		
Owners of the Company	**(834,751)**	156,902
Non-controlling interests	**(112,614)**	(89,423)
	(947,365)	67,479

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	NOTES	2016 HK$'000	2015 HK$'000
Non-current assets			
Investment properties	18	**708,488**	229,270
Property, plant and equipment	19	**1,377,117**	1,366,311
Prepaid lease payments	20	**107,450**	118,298
Interests in associates	21	**–**	9,001
Available-for-sale investments	22	**746**	11,353
Intangible assets	23	**13,034**	14,844
Goodwill	30	**32,867**	–
Deposits for acquisition of property, plant and equipment		**4,470**	–
Pledged bank deposit	29	**–**	139,636
		2,244,172	1,888,713
Current assets			
Inventories	24	**27,983**	20,649
Properties under development for sale	25	**331,822**	974,554
Properties held for sale	25	**558,742**	27,544
Prepaid lease payments	20	**2,865**	3,073
Available-for-sale investments	22	**10,190**	53,396
Investments held for trading	26	**1,161,134**	1,830,232
Debtors, deposits and prepayments	27	**140,120**	197,729
Loans receivable	28	**40,000**	61,247
Derivative financial instruments	36	**4,275**	470
Pledged bank deposits	29	**586,545**	157,511
Restricted bank deposits	29	**3,386**	53,698
Bank balances and cash	29	**836,015**	157,622
		3,703,077	3,537,725
Current liabilities			
Creditors and accrued charges	31	**633,016**	657,126
Deposits received on sales of properties		**46,226**	519,623
Customers' deposits and receipts in advance		**42,628**	24,861
Consideration payable	32	**104,850**	68,712
Amount due to an associate	33	**7,573**	8,120
Borrowings – due within one year	34	**2,517,531**	1,641,721
Obligations under finance leases – due within one year	35	**10,766**	51,819
Derivative financial instruments	36	**55,346**	17,816
Taxation payable		**228,389**	77,477
		3,646,325	3,067,275

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	NOTES	2016 HK$'000	2015 HK$'000
Net current assets		**56,752**	470,450
Total assets less current liabilities		**2,300,924**	2,359,163
Non-current liabilities			
Deferred tax liabilities	40	**76,466**	77,445
Borrowings – due after one year	34	**116,500**	232,409
Obligations under financial leases – due after one year	35	**29,647**	37,884
		222,613	347,738
		2,078,311	2,011,425
Capital and reserves			
Share capital	37	**7,240**	5,262
Reserves	38	**1,985,967**	1,649,125
Equity attributable to owners of the Company		**1,993,207**	1,654,387
Non-controlling interests	39	**85,104**	357,038
Total equity		**2,078,311**	2,011,425

The financial statements on pages 39 to 139 were approved and authorised for issue by the Board of Directors on 26 September 2016 and are signed on its behalf by:

Ms. Chong Sok Un	**Dato' Wong Peng Chong**
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Properties revaluation reserve HK$'000 (note 38)	Investment revaluation reserve HK$'000 (note 38)	Capital redemption reserve HK$'000	Other reserve HK$'000 (Note)	Translation reserve HK$'000 (note 38)	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 July 2014	5,311	659,028	16,000	30,203	2,440	46,696	81,909	981,383	1,822,970	441,957	2,264,927
Profit for the year	–	–	–	–	–	–	–	228,443	228,443	(88,233)	140,210
Other comprehensive income (expenses) for the year	–	–	1,100	(26,384)	–	–	(46,257)	–	(71,541)	(1,190)	(72,731)
Total comprehensive income (expenses) for the year	–	–	1,100	(26,384)	–	–	(46,257)	228,443	156,902	(89,423)	67,479
Recognition of equity-settled share-based payments (note 47)	–	–	–	–	–	–	–	–	–	4,504	4,504
Dividends recognised as distribution (note 16)	–	–	–	–	–	–	–	(53,032)	(53,032)	–	(53,032)
Dividend by way of distribution of shares of an associate (note 16)	–	–	–	–	–	–	–	(254,551)	(254,551)	–	(254,551)
Repurchase of shares	(49)	(17,853)	–	–	49	–	–	(49)	(17,902)	–	(17,902)
At 30 June 2015	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 year	–	–	–	–	–	–	–	(783,160)	(783,160)	(107,140)	(890,300)
Other comprehensive income (expenses) for the year	–	–	27	(3,813)	–	–	(47,805)	–	(51,591)	(5,474)	(57,065)
Total comprehensive income (expenses) for the year	–	–	27	(3,813)	–	–	(47,805)	(783,160)	(834,751)	(112,614)	(947,365)
Recognition of equity-settled share-based payments (note 47)	–	–	–	–	–	–	–	–	–	4,872	4,872
Issue of new ordinary shares for the acquisition of non-controlling interest of a subsidiary (note 46(a))	835	918,391	–	–	–	(693,555)	–	–	225,671	(279,035)	(53,364)
Acquisition of non-controlling interest of a subsidiary (note 46(b))	–	–	–	–	–	(115,051)	–	–	(115,051)	8,401	(106,650)
Issue of new ordinary shares for the acquisition of a business through purchase of additional interest in an associate (note 45)	150	164,850	–	–	–	–	–	–	165,000	–	165,000
Acquisition of a business through purchase of additional interest in an associate (note 45)	–	–	–	–	–	–	–	–	–	106,442	106,442
Issue of new ordinary shares	1,000	899,000	–	–	–	–	–	–	900,000	–	900,000
Repurchase of shares	(7)	(2,042)	–	–	7	–	–	(7)	(2,049)	–	(2,049)
At 30 June 2016	**7,240**	**2,621,374**	**17,127**	**6**	**2,496**	**(761,910)**	**(12,153)**	**119,027**	**1,993,207**	**85,104**	**2,078,311**

Note: Movement in other reserve arisen from the effect of changes in the Group's ownership interests in existing subsidiaries without losing control.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	2016 HK$'000	2015 HK$'000
OPERATING ACTIVITIES		
(Loss) profit before taxation	**(774,649)**	155,545
Adjustments for:		
Interest income	**(7,489)**	(10,724)
Depreciation of property, plant and equipment	**102,588**	91,256
Loss (gain) on disposal of property, plant and equipment	**4,200**	(42)
Interest expense	**136,495**	144,137
Cumulative gain reclassified from equity on disposal of available-for-sale investments	**(9,116)**	(31,259)
Change in fair value of investments held for trading	**416,594**	(59,079)
Fair value changes on investment properties	**426**	(15,610)
Share of results of associates, net of impairment on interest in an associate and result on distribution in specie of shares of an associate	**4,861**	77,246
Gain on disposal of an associate	**–**	(10,665)
Gain on deemed disposal of an associate	**(97,270)**	–
Change in derivative financial instruments	**51,071**	17,346
Release of prepaid lease payments	**2,963**	3,080
Amortisation of intangible assets	**834**	835
Impairment loss recognised on loan receivable	**19,247**	–
Impairment loss recognised on other debtor	**2,926**	–
Share-based payment expense	**4,872**	4,504
Operating cash flow before movements in working capital	**(141,447)**	366,570
Increase in inventories	**(9,002)**	(2,120)
Decrease (increase) in properties under development for sale and properties held for sale	**1,144,518**	(139,666)
Decrease (increase) in investments held for trading	**252,504**	(234,757)
(Decrease) increase in derivative financial instruments	**(17,346)**	7,574
Decrease in debtors, deposits and prepayments	**58,890**	7,120
Decrease in loans receivable	**2,000**	140,856
(Decrease) increase in creditors and accrued charges	**(142,604)**	298,818
(Decrease) increase in deposits received on sale of properties	**(1,217,923)**	333,535
Increase (decrease) in customers' deposits and receipts in advance	**20,057**	(4,606)
Cash (used in) from operating activities	**(50,353)**	773,324
Interest paid	**(136,495)**	(144,137)
Tax paid	**(45,105)**	(16,191)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(231,953)**	612,996

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	NOTES	2016 HK$'000	2015 HK$'000
INVESTING ACTIVITIES			
Proceeds from disposal of available-for-sale investments		**59,116**	104,084
Placement of pledged bank deposits/restricted bank deposits		**(580,825)**	(971,993)
Withdrawal of pledged bank deposits/restricted bank deposits		**341,739**	933,714
Interest received		**7,489**	10,724
Settlement of consideration payable	32	**(67,002)**	(18,740)
Additions of investment properties		**(97,379)**	–
Additions of property, plant and equipment		**(102,407)**	(41,157)
Proceeds from disposal of property, plant and equipment		**1,029**	743
Acquisition of additional interests in an associate		**–**	(1,822)
Proceeds from disposal of an associate		**–**	47,222
Refund of deposits received for sales of a subsidiary		**–**	(37,488)
Net cash flow from acquisition of a business through purchase of additional interest in an associate	45	**69,602**	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(368,638)**	25,287
FINANCING ACTIVITIES			
New borrowing from a related party		**75,462**	–
New borrowings raised		**2,426,461**	1,690,692
New obligations under finance leases		**–**	62,465
Repayments of borrowings		**(1,986,393)**	(2,504,603)
Repayment of borrowing from a related party		**(75,462)**	–
Proceeds from issue of ordinary shares		**900,000**	–
Dividends paid		**–**	(53,032)
Repurchase of shares		**(2,049)**	(17,902)
Repayments of obligations under finance leases		**(44,598)**	(45,409)
Repayments of bonds		**–**	(247,000)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**1,293,421**	(1,114,789)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**692,830**	(476,506)
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES		**(14,437)**	1,359
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**157,622**	632,769
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**836,015**	157,622

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate and ultimate holding company is Vigor Online Offshore Limited and China Spirit Limited (both incorporated in the British Virgin Islands ("BVI")), and the ultimate controlling shareholder is Ms. Chong Sok Un. The addresses of the registered office and principal place of business of the Company are disclosed on page 2 of the annual report.

Pursuant to a special resolution passed on 15 December 2015, the Company changed the name from COL Capital Limited (中國網絡資本有限公司) to China Medical & HealthCare Group Limited (中國醫療網絡有限公司).

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 50.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, there are no new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") effective and affecting the Group.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRS 9	Financial instruments[3]
HKFRS 15	Revenue from contracts with customers[3]
HKFRS 16	Leases[4]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[3]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[1]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from contracts with customers[3]
Amendments to HKAS 1	Disclosure initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[1]

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

Amendments to HKAS 27	Equity method in separate financial statements[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[1]
Amendments to HKAS 7	Disclosure initiative[2]
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses[2]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2017
3 Effective for annual periods beginning on or after 1 January 2018
4 Effective for annual periods beginning on or after 1 January 2019
5 Effective for annual periods beginning on or after a date to be determined

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

HKFRS 9 Financial instruments *(continued)*

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future will affect the classification and measurement in respect of the Group's available-for-sale investments. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from contracts with customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related interpretations when it becomes effective.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

HKFRS 15 Revenue from contracts with customers *(continued)*

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In the opinion of the directors of the Company, it is not practicable to provide a reasonable estimate of the effect for the application of HKFRS 15 until a detailed review has been completed.

HKFRS 16 Leases

HKFRS 16, which upon the effective date will supersede Hong Kong Accounting Standard ("HKAS") 17 "Leases", introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the consolidated statement of cash flow. Also, the right-of- use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. The accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

HKFRS 16 Leases *(continued)*

As set out in note 42, total operating lease arrangements and commitments of the Group in respect of certain properties as at 30 June 2016 amounted to HK$69,916,000, the directors of the Company do not expect the adoption of HKFRS 16 would result in significant impact on the Group's result but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statements of financial position as right-of-use assets and lease liabilities.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance ("CO").

The disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO (Cap. 622) and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 30 June 2016 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 30 June 2015 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of preparation *(continued)*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- has exposure, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income taxes" and HKAS 19 "Employee benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based payment" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations *(continued)*

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRSs.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") (or groups of CGUs) that is expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Distribution in specie

Where the Company distributes non-cash assets to its equity holders, the dividend is recognised when the dividend declared and is measured at the fair value of such non-cash assets. The carrying amount of the dividend payable is adjusted up to the settlement date, with any changes in the carrying amount of the dividend payable recognised in equity as adjustments to the amount of the distribution. When the Group settles the dividend payable, the difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable, if any, is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when goods are delivered and titles have passed.

Revenue from sale of properties is recognised when all of the following criteria are satisfied:

- the significant risks and rewards of ownership of the properties are transferred to purchasers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The above criteria are met when the construction of relevant properties has been completed, and the properties have been delivered to the purchasers pursuant to the sales agreement and the collectability of related receivables is reasonably assumed. Deposits and instalments received from purchasers on properties sold prior to meeting the above criteria on revenue recognition are included in the consolidated statement of financial position under current liabilities.

Hospital fees and charges and property management service income are recognised when services are provided.

Rental income is recognised, on a straight-line basis, over the terms of the respective leases.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government subsidies

Government subsidies are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government subsidies that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Property, plant and equipment

Property, plant and equipment (other than construction in progress) are stated in the consolidated statement of financial position at cost or fair value less subsequent accumulated depreciation and accumulated impairment losses, if any.

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Any revaluation increase arising on the revaluation of land and buildings is recognised in other comprehensive income and accumulated in properties revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on revaluation of an asset is recognised in profit or loss to the extent that it exceeds the balance, if any, on the properties revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost or valuation of items of property, plant and equipment (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Cost also include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policies. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including investments held for trading, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and point paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Investments held for trading

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as held for trading are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned in the financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables including debtors, loans receivable, pledged bank deposits, restricted bank deposits and bank balances are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or are not classified as loans and receivables, held-to-maturity instruments or financial assets at fair value through profit or loss. The Group designated investments in equity securities other than held for trading purpose, debt securities, unit trusts investments and club debentures as available-for-sale financial assets. Available-for-sale financial assets are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period.

Impairment of financial assets

Financial assets, other than investments held for trading, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (continued)

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as debtors and loans receivable, assets that are assessed not to be impaired individually are in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of debtors and loan receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When debtors are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date of impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (continued)

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve. In respect of available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities, other than derivative financial instruments, including creditors and accrued charges, consideration payable, obligations under finance leases, amount due to an associate and borrowings are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 "Provisions, contingent liabilities and contingent assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary difference. Deferred tax assets are generally recognised to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing *(continued)*

Leasehold land and building (continued)

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position.

When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Prepaid lease payments

Prepaid lease payments represent the prepaid lease payments of leasehold interests in land under operating lease arrangements and are released on a straight-line basis over the lease terms.

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below), on the same basis as intangible assets that are acquired separately.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) *(continued)*

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Retirement benefits scheme

Payments to defined contribution retirement benefits schemes, state-managed retirement benefit schemes and Mandatory Provident Fund Scheme ("MPF Scheme") are charged as an expense when employees have rendered service entitling them to the contributions.

Inventories

Inventories, which comprise drugs, other medical and general consumable for hospital operations, are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all costs necessary to make the sale.

Properties under development for sale

Properties under development for sale are stated at lower of cost and net realisable value. Cost comprises both the acquisition cost of land use rights and development cost of the property. Net realisable value takes into account the price ultimately expected to be realised, less the anticipated costs to completion.

Development cost of property comprises construction costs, borrowing costs capitalised according to the Group's accounting policy and directly attributable cost incurred during the development period. On completion, the properties are transferred to properties held for sale.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Equity-settled share-based payment transactions

Share options granted to employees of the Group for their services to the Group

The fair value of services rendered determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve). Vesting conditions, other than market conditions, shall not be taken into account when estimating the fair value of the share options at the grant date.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Equity-settled share-based payment transactions ***(continued)***

Share options granted to employees of the Group for their services to the Group (continued)

At the end of the reporting period, for share options, which are conditional upon satisfying non-market performance condition and service condition, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

In case of share options granted by a subsidiary, the share option reserve of the subsidiary is classified as and grouped under non-controlling interests by the Group on consolidation. At the time when share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium of that subsidiary. The Group will account for the dilution as an equity transaction in accordance with HKAS 27 "Consolidated and separate financial statements" if the exercise of share options does not constitute a loss of the Group's control over the subsidiary. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve (included in non-controlling interests) will be transferred to retained profits of the Group and non-controlling interests' share of net assets of that subsidiary according to the proportion of interests held by the Group and non-controlling shareholders on consolidation.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimates, that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred taxation arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time and that the presumption set out in amendment to HKAS 12 is not rebutted. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the carrying amounts of investment properties measured using the fair value model are presumed to be recovered entirely through sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Income taxes

As at 30 June 2016, no deferred tax asset has been recognised in the Group's consolidated statement of financial position in relation to the estimated unused tax losses of approximately HK$2,375 million (2015: HK$2,142 million). The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, further recognition of deferred tax asset in relation to unutilised tax losses may arise, which would be recognised in profit or loss for the period in which such a recognition or reversal takes place.

Land appreciation tax

The Group is subject to land appreciation tax on investment properties, properties under development for sale and properties for sale in the People's Republic of China ("PRC"). However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain projects of the Group have not yet finalised their land appreciation tax calculations and payments with any local tax authorities in the PRC. Accordingly, significant judgment is required in determining the amount of land appreciation and its related income tax provisions. The Group recognised the land appreciation tax based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the periods in which such tax is finalised with local tax authorities.

Impairment of intangible assets, prepaid lease payments and property, plant and equipment in respect of the healthcare segment

During the year ended 30 June 2016, the healthcare segment incurred a segment loss and caused an impairment indication on the assets allocating to the healthcare segment. An impairment assessment was performed by management to estimate the recoverable amount of the individual asset or the CGU to which the asset belongs.

Determining whether an impairment requires an estimation of recoverable amounts of relevant intangible assets, prepaid lease payments and property, plant and equipment or the respective CGU in which the intangible assets, prepaid lease payments and property, plant and equipment belong, which is the higher of value in use and fair value less costs to sell. If there is any indication that an asset may be impaired, recoverable amount is estimated for relevant asset individually. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the CGU to which the asset belongs.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty *(continued)*

Impairment of intangible assets, prepaid lease payments and property, plant and equipment in respect of the healthcare segment (continued)

The value in use calculation requires the Group to estimate the future cash flows expected to arise from the assets or CGU and a suitable discount rate in order to calculate the present value. The discount rate represents rate that reflects current market assessments of time value of money and the risks specific to the asset or CGU for which the future cash flow estimates have not been adjusted. Where the actual future cash flows are less than expected or there is a downward revision of future estimated cash flows due to unfavourable changes in facts and circumstances, a material impairment loss may arise.

Based on the assessment of recoverable amounts determined by value in use and/or fair value less costs of disposal, no impairment on the assets allocating to the hospital segment as at 30 June 2016. Management believed that any reasonably possible change in any of the assumptions would not cause the aggregate carrying amount of the assets allocating the healthcare segment to exceed the aggregate recoverable amount.

Estimated impairment of goodwill and property, plant and equipment in respect of the eldercare segment

Determining whether an impairment loss is required requires an estimate of the future cash flows of the relevant cash generating unit to which the assets belong expected to arise. The recoverable amount is determined based on the value in use calculation which requires the Group to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value. Where the future cash flows are less than expected or due to changes in estimates, a material impairment loss may arise. Details of the recoverable amount calculation for the cash generating units in respect of the eldercare segment are set out in note 30.

5. FINANCIAL INSTRUMENTS

Capital risk management

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

The capital structure of the Group consists of net debt, which includes borrowings, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The directors review the capital structure by considering the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

5. FINANCIAL INSTRUMENTS *(continued)*

Categories of financial instruments

	2016 **HK$'000**	2015 HK$'000
Financial assets		
Investments held for trading	**1,161,134**	1,830,232
Loans and receivables (including cash and cash equivalents)	**1,600,132**	707,181
Available-for-sale financial assets	**10,936**	64,749
Derivative financial instruments	**4,275**	470
Financial liabilities		
Amortised cost	**3,379,470**	2,608,088
Obligations under finance leases	**40,413**	89,703
Derivative financial instruments	**55,346**	17,816

Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, amount due to an associate, loans receivable, debtors, creditors and accrued charges, borrowings, obligations under finance leases, derivative financial instruments, consideration payable, pledged bank deposits, restricted bank deposits, and bank balances and cash. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Foreign exchange risk is the risk of loss due to adverse movement in foreign exchange rate relating to foreign currency denominated loans receivable, bank balances, other debtors, other borrowings from financial institution, foreign currency denominated available-for-sale debt investments and bonds for both years. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

	Assets		**Liabilities**	
	2016 **HK$'000**	2015 HK$'000	**2016** **HK$'000**	2015 HK$'000
United States Dollars ("USD")	**65,969**	18,110	**75,462**	2,383
Renminbi ("RMB")	**595,921**	536,698	**2,357,755**	1,156,389
Australian Dollars ("AUD")	**30**	10,151	**–**	–
New Taiwan Dollars ("TWD")	**6,380**	6,562	**–**	–

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risk (continued)

Currency risk (continued)

Sensitivity analysis

As HK$ is pegged to USD, the Group does not expect any significant movements in the USD/HK$ exchange rates and thus USD is not included in sensitivity analysis.

The following table details the Group's sensitivity to a 10% (2015: 10%) increase and decrease in HK$ against relevant foreign currencies and all other variables were held constant. 10% (2015: 10%) is the sensitivity rate used by management in the assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items and adjusts its translation at the period end for a 10% (2015: 10%) change in foreign currencies rates. A positive number below indicates a decrease in post-tax loss (2015: an increase in post-tax profit) for the year where foreign currencies strengthen 10% (2015: 10%) against HK$. For a 10% (2015: 10%) weakening of foreign currencies against HK$ there would be an equal and opposite impact on the result for the year.

	RMB Impact		**AUD Impact**		**TWD Impact**	
	2016	2015	**2016**	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Profit or loss	**(147,113)**	(51,744)	**3**	848	**533**	548

Other price risk

(i) Equity price risk

The Group is exposed to equity price risk through its available-for-sale investments, investments held for trading and derivative financial instruments. The Group's available-for-sale investments, investments held for trading and derivative financial instruments have significant concentration of price risk in Hong Kong, Taiwan, the United States of America, Malaysia, Japan and Australia stock markets. Management manages the exposure by maintaining a portfolio of equity investments of the Group with different risk profiles.

The Group is also exposed to equity price risk relating to equity securities classified as available-for-sale investments. Management monitors the exposure by reviewing monthly statements provided from the associate.

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risk (continued)

Other price risk (continued)

(i) Equity price risk *(continued)*

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting period. For sensitivity analysis purpose, the sensitivity rate remains at 30% in the current year.

If the prices of the respective equity instruments had been 30% (2015: 30%) higher/lower and all other variables were held constant, the Group's:

- post-tax loss (2015: post-tax profit) for the year ended 30 June 2016 would decrease/increase (2015: increase/decrease) approximately by HK$290,864,000 (2015: HK$458,473,000) as a result of the changes in fair value of held for trading investments;

- investment revaluation reserve would increase/decrease approximately by HK$3,057,000/HK$3,057,000 (2015: HK$19,201,000/HK$19,201,000) as a result of the changes in fair value of certain available-for-sale investments

- post-tax loss (2015: post-tax profit) for the year ended 30 June 2016 would decrease/increase (2015: increase/decrease) approximately by HK$12,793,000/HK$15,321,000 (2015: HK$4,345,000/HK$5,204,000) as a result of changes in fair value of derivative instruments on gross-settled option contracts linked with equity securities listed in Hong Kong as well as the foreign exchange option contracts linked with USD and Japanese Yen ("JPY") (2015: equity securities listed in Hong Kong and the United State of America as well as the foreign exchange option contracts linked with USD, AUD and JPY).

(ii) Foreign currencies risk on non-monetary items

The Group is engaged in securities trading and investments which are denominated in foreign currencies and is therefore exposed to foreign currency price risk. Approximately 19% (2015: 25%) of the Group's equity investments are denominated in currencies other than the functional currency of the group entities.

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risk (continued)

Other price risk (continued)

(ii) Foreign currencies risk on non-monetary items *(continued)*

The carrying amounts of the Group's foreign currency denominated debt instruments, equity investments held for trading and available-for-sale investments at the reporting date are as follows:

	Assets	
	2016	2015
	HK$'000	HK$'000
USD	**35,032**	177,504
AUD	**121,609**	204,064
Malaysian Ringgit	**57,126**	44,887
Pound Sterling ("GBP")	**103**	3,581
TWD	**–**	22,136
JPY	**4,515**	27,130
Philippine Peso ("PHP")	**1,359**	1,092
RMB	**3,462**	4,025

The Group also exposed to foreign currencies price risk through gross-settled option contracts linked with exchange rates between JPY and USD (2015: between AUD and USD and between JPY and USD).

Sensitivity analysis

The following table details the Group's sensitivity to a 10% (2015: 10%) increase and decrease in HK$ against foreign currencies and all other variables were held constant. USD is not included in sensitivity analysis, as HK$ is pegged to USD, the Group does not expect any significant movements in the USD/HK$ exchange rate. 10% (2015: 10%) is the sensitivity rate used by management in the assessment of the reasonably possible change in foreign exchange rates. A positive number below indicates a decrease in post-tax loss (2015: an increase in post-tax profit) for the period where foreign currencies strengthen 10% (2015: 10%) against HK$. For a 10% (2015: 10%) weakening of foreign currencies against HK$ there would be an equal and opposite impact on the result for the year.

	2016	2015
	HK$'000	HK$'000
Decrease in post-tax loss (2015: increase in post-tax profit) for the year	**18,817**	30,289

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risk (continued)

Other price risk (continued)

(iii) Price risk on debt instruments

The Group is exposed to other price risk regarding debt instruments. Management manages the exposure by maintaining a portfolio of debt investments of the Group with different interest risk profiles.

If the market interest rate on the available-for-sale debt instruments had been 100 basis points higher/lower and all other variables were held constant, the Group's investment revaluation reserve for the year would decrease/increase approximately by nil (2015: HK$522,000).

Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed rate obligations under finance lease, fixed rate pledged bank deposits, fixed-rate restricted bank deposits, fixed-rate loans receivable and fixed rate borrowings. The Group's cash flow interest rate risk relates to its variable-rate loans receivable, bank balances and securities margin loans.

The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of prime rate arising from the Group's variable interest rate instruments.

Management considers that the Group's exposure to future cash flow risk on variable-rate bank balances as a result of the change of market interest rate is insignificant and thus variable-rate bank balances are not included in the sensitivity analysis.

A 100 basis point change is used which represents management's assessment of the reasonably possible change in interest rates. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year.

If the interest rate of variable-rate loans receivable and securities margin loans had been 100 basis point higher/lower and all other variables were held constant, the Group's post-tax loss (2015: post-tax profit) for the year would increase/decrease (2015: decrease/increase) approximately by HK$6,125,000 (2015: HK$3,452,000).

In management's opinion, the sensitivity analyses prepared on currency risk, other price risk and interest rate risk are unrepresentative of respective inherent risk as the year end exposure does not reflect the exposure during the year.

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Credit risk

The Group's credit risk is primarily attributable to debtors, loans receivable, pledged bank deposits, restricted bank deposits and bank balances for both years.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group in the event of the counterparties' failure to perform their obligations as at 30 June 2016 and 30 June 2015 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

Trade receivables arising from hospital operation consist of a large number of customers, thus the Group does not have significant concentration on credit risk. In order to minimise the credit risk on trade receivables arising from hospital operation, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, management reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

Bank balances, restricted bank deposits and pledged bank deposits are placed in various banks and the Group has limited exposure to any single financial institution. The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

The Group has significant concentration of credit risk on loans receivable.

In order to minimise credit risk on loans receivable, management has delegated a team to be responsible for the determination of loan limits, approvals and other monitoring procedure, such as creditworthiness, type and amount of collateral pledged, and risk concentration of the counterparties. After the grant of the loans, management closely monitors the subsequent settlement of the customers and does not grant long credit period to the counterparties. Also, management may request for collaterals in order to minimise the exposure of credit risk due to discharge an obligation by the counterparties. In addition, management reviews the recoverable amount of each individual debt and loans receivable at the end of the reporting period to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, management considers that the Group's credit risk is significantly reduced.

Impairment losses of HK$19,247,000 and HK$2,926,000 in respect of the loan receivable and other debtor respectively are recognised by the Group for the year ended 30 June 2016 (2015: nil). Details are set out in note 28.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Liquidity risk (continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

For derivative financial instruments, the Group has approximately HK$10,381,000 (2015: HK$94,605,000) and HK$225,174,000 (2015: HK$309,335,000) contractual cash outflow in return with listed securities and foreign currencies within 1 year respectively. The nature of the derivative financial instruments is disclosed in note 36.

	Weighted average interest rate %	Repayable on demand HK$'000	Less than 3 months HK$'000	3 months to 1 year HK$'000	1 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at the end of the reporting period HK$'000
As at 30 June 2016							
Non-derivative financial liabilities							
Creditors and accrued charges	–	–	633,016	–	–	633,016	633,016
Consideration payable	–	104,850	–	–	–	104,850	104,850
Amount due to an associate	–	7,573	–	–	–	7,573	7,573
Borrowings							
– variable rates	3.75% – 7.38%	733,538	29,664	–	–	763,202	762,663
– fixed rates	1.95% – 12%	43,454	355,008	1,399,626	131,583	1,929,671	1,871,368
		889,415	1,017,688	1,399,626	131,583	3,438,312	3,379,470
As at 30 June 2015							
Non-derivative financial liabilities							
Creditors and accrued charges	–	–	657,126	–	–	657,126	657,126
Consideration payable	–	68,712	–	–	–	68,712	68,712
Amount due to an associate	–	8,120	–	–	–	8,120	8,120
Borrowings							
– variable rates	2.65% – 7.38%	415,359	–	74,384	33,962	523,705	516,802
– fixed rates	1.2% – 18%	–	55,999	1,156,535	206,401	1,418,935	1,357,328
		492,191	713,125	1,230,919	240,363	2,676,598	2,608,088

Borrowings with a repayment on demand clause are included in the "repayable on demand" time band in the above maturity analysis. As at 30 June 2016 and 30 June 2015, the aggregate undiscounted principal amounts of these bank loans amounted to HK$776,992,000 and HK$415,359,000 respectively. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

5. FINANCIAL INSTRUMENTS *(continued)*

Fair values measurements 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).

Financial assets/financial liabilities in the consolidation statement of financial position	Fair value as at 30 June 2016	Fair value as at 30 June 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$938,730,000 – Overseas HK$222,404,000	Listed equity securities: – Hong Kong HK$1,399,209,000 – Overseas HK$431,023,000	Level 1	Quoted bid prices in active markets
2) Investments in listed equity securities classified as available-for-sale investments	Listed equity securities: – Hong Kong HK$9,387,000	Listed equity securities: – Hong Kong HK$10,607,000	Level 1	Quoted bid prices in active markets
3) Investments in unlisted unit trusts classified as available-for-sale investments	Assets – HK$803,000	Assets – HK$1,230,000	Level 2	Quoted prices from financial institutions
4) Investments in listed fixed rate bonds classified as available-for-sale investments	Assets – nil	Assets – HK$52,166,000	Level 2	Quoted prices from financial institutions
5) Gross-settled option contracts linked with listed equity securities and option contracts linked with foreign exchange rates	Assets – HK$4,275,000 Liabilities – HK$55,346,000	Assets – HK$470,000 Liabilities – HK$17,816,000	Level 3 Level 3	Quoted prices from financial institutions

There are no transfers between level 1 and level 2 for both years.

Fair value hierarchy as at 30 June 2016

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets				
Derivative financial assets	–	–	**4,275**	**4,275**
Held for trading-listed equity securities	**1,161,134**	–	–	**1,161,134**
Available-for-sale investments				
Listed equity securities	**9,387**	–	–	**9,387**
Unlisted unit trust	–	**803**	–	**803**
Total	**1,170,521**	**803**	**4,275**	**1,175,599**
Financial liabilities				
Derivative financial liabilities	–	–	**55,346**	**55,346**

5. FINANCIAL INSTRUMENTS *(continued)*

Fair values measurements 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)

Fair value hierarchy as at 30 June 2015

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets				
Derivative financial assets	–	–	470	470
Held for trading-listed equity securities	1,830,232	–	–	1,830,232
Available-for-sale investments				
Listed equity securities	10,607	–	–	10,607
Listed debt securities	–	52,166	–	52,166
Unlisted unit trust	–	1,230	–	1,230
Total	1,840,839	53,396	470	1,894,705
Financial liabilities				
Derivative financial liabilities	–	–	17,816	17,816

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

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

	Derivative financial instruments	
	2016 HK$'000	2015 HK$'000
At 1 July	**(17,346)**	2,663
Realised (loss) gain in profit or loss	**(21,327)**	70
Unrealised loss in profit or loss	**(51,071)**	(17,346)
Settlement	**38,673**	(2,733)
At 30 June	**(51,071)**	(17,346)

Of the total gains or losses for the period included in profit or loss, HK$51,071,000 (2015: HK$17,346,000) relates to derivative financial instruments held at the end of the reporting period. Fair value gains or losses on derivative financial instruments are included in 'Other gains and losses' in the consolidated statement of profit or loss.

6. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group has financial assets and financial liabilities that:

- are offset in the Group's consolidated statement of financial position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the consolidated statements of financial position.

The Group has entered certain derivative transactions that are covered by the netting agreements signed with various financial institutions. These derivative instruments are not offset in the consolidated statement of financial position as the netting agreements are in place with a right of set off only in the event of default, insolvency or bankruptcy so that the Group currently has no legally enforceable right to set off the recognised amounts.

	Gross amounts of recognised financial assets and liabilities	Amounts offset	Net amounts presented in consolidated statement of financial position	Related amounts not offset in consolidated statement of financial position: Recognised assets and liabilities	Related amounts not offset in consolidated statement of financial position: Facilities received/ collateral pledged	Net amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 30 June 2016						
Financial assets						
– Receivables from financial institutions	**38,262**	**–**	**38,262**	**(390)**	**–**	**37,872**
– Pledged bank deposits	**61,753**	**–**	**61,753**	**(54,956)**	**–**	**6,797**
– Derivative financial instruments	**4,275**	**–**	**4,275**	**–**	**–**	**4,275**
	104,290	**–**	**104,290**	**(55,346)**	**–**	**48,944**
Financial liabilities						
– Derivative financial instruments	**55,346**	**–**	**55,346**	**(55,346)**	**–**	**–**
At 30 June 2015						
Financial assets						
– Receivables from financial institutions	18,672	–	18,672	(8,144)	–	10,528
– Pledged bank deposits	6,084	–	6,084	(9,672)	–	(3,588)
– Derivative financial instruments	470	–	470	–	–	470
	25,226	–	25,226	(17,816)	–	7,410
Financial liabilities						
– Derivative financial instruments	17,816	–	17,816	(17,816)	–	–

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7. REVENUE

	2016 HK$'000	2015 HK$'000
Dividend income from listed investments	**36,481**	14,059
Interest income from loans receivable	**12,200**	18,800
Rental income	**4,145**	4,020
Hospital fees and charges	**777,989**	672,481
Revenue from sale of properties related to property development segment	**584,042**	5,657
Revenue from sale of properties related to eldercare segment	**984,879**	–
	2,399,736	715,017

8. 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 the 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.

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

Healthcare – operations of hospitals in the PRC.

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

During the year ended 30 June 2016, the Group acquired additional 40% equity interest in Aveo China (Holdings) Limited ("Aveo China") as detailed in note 45, 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 eldercare business of Aveo China has been regarded as an operating and a reportable segment of the Group during the year.

8. 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 year ended 30 June 2016

	Securities trading and investments HK$'000	Financial services HK$'000	Property investment HK$'000	Property development HK$'000	Healthcare HK$'000	Eldercare HK$'000	Consolidated HK$'000
Gross proceeds from sale of investments held for trading	586,191	–	–	–	–	–	586,191
Revenue	36,481	12,200	4,145	584,042	777,989	984,879	2,399,736
Segment (loss) profit	(655,310)	(15,354)	(1,597)	(70,249)	(16,356)	29,661	(729,205)
Other income and other gains and losses							9,014
Net foreign exchange loss							(11,509)
Gain on deemed disposal of an associate (note 45)							97,270
Central corporate expenses							(67,941)
Share of results of associates							(4,861)
Finance costs							(67,417)
Loss before taxation							(774,649)

8. SEGMENT INFORMATION *(continued)*

Segment revenues and results *(continued)*

For the year ended 30 June 2015

	Securities trading and investments HK$'000	Financial services HK$'000	Property investment HK$'000	Property development HK$'000	Healthcare HK$'000	Consolidated HK$'000
Gross proceeds from sale of investments held for trading	1,254,723	–	–	–	–	1,254,723
Revenue	14,059	18,800	4,020	5,657	672,481	715,017
Segment profit (loss)	370,199	3,486	18,242	(15,718)	(37,716)	338,493
Other income and other gains and losses						10,689
Net foreign exchange loss						(79)
Gain on disposal of an associate						10,665
Central corporate expenses						(64,992)
Share of results of associates						(338,512)
Reversal of impairment on interest in an associate and result on distribution in specie of shares of an associate						261,266
Finance costs						(61,985)
Profit before taxation						155,545

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

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. Segment (loss) profit represents the losses incurred/profit earned by each segment without allocation of certain other income and other gains and losses, certain net foreign exchange gain/loss, central corporate expenses, gain on deemed disposal of an associate, share of results of associates and certain finance costs. (2015: without allocation of certain other income and other gains and losses, certain net foreign exchange gain/loss, certain corporate expenses, gain on disposal of an associate, 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). This is the measure reported to the Company's executive directors for the purpose of resource allocation and assessment.

8. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities

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

At 30 June 2016

	Securities trading and investments HK$'000	Financial services HK$'000	Property investment HK$'000	Property development HK$'000	Healthcare HK$'000	Eldercare HK$'000	Consolidated HK$'000
Segment assets	**1,229,572**	**40,508**	**226,178**	**424,133**	**1,444,615**	**1,132,525**	**4,497,531**
Corporate assets							**1,449,718**
Consolidated assets							**5,947,249**
Segment liabilities	**1,023,207**	**70,264**	**1,526**	**288,186**	**768,418**	**551,965**	**2,703,566**
Corporate liabilities							**1,165,372**
Consolidated liabilities							**3,868,938**

At 30 June 2015

	Securities trading and investments HK$'000	Financial services HK$'000	Property investment HK$'000	Property development HK$'000	Healthcare HK$'000	Consolidated HK$'000
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						508,489
Consolidated assets						5,426,438
Segment liabilities	981,504	70,265	1,095	827,197	671,644	2,551,705
Corporate liabilities						863,308
Consolidated liabilities						3,415,013

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating and reportable segments other than certain property, plant and equipment, interests in associates, deposits and prepayments, pledged bank deposits and bank balances and cash.

- all liabilities are allocated to operating and reportable segments other than certain creditors and accrued charges, consideration payable, certain borrowings, deferred tax liabilities, taxation payable and amount due to an associate.

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For the year ended 30 June 2016

8. SEGMENT INFORMATION *(continued)*

Other segment information

For the year ended 30 June 2016

	Securities trading and investments HK$'000	Financial services HK$'000	Property investment HK$'000	Property development HK$'000	Healthcare HK$'000	Eldercare HK$'000	Unallocated HK$'000	Total HK$'000
Amounts charged (credited) included in the measure of segment results or segment assets								
Interest income (include interest income from loans receivable)	(530)	(12,200)	–	–	–	–	(6,959)	(19,689)
Finance costs	47,788	4,218	–	–	17,072	–	67,417	136,495
Depreciation of property, plant and equipment	–	–	19	–	100,482	1,224	863	102,588
Additions to property, plant and equipment	–	–	–	–	67,894	28,208	1,835	97,937
Additions to investment properties	–	–	–	–	–	97,379	–	97,379
Fair value changes on investment properties	–	–	3,092	–	–	(2,666)	–	426
Loss in fair value change of investments held for trading	582,284	–	–	–	–	–	–	582,284
Net foreign exchange (gain) loss	(3,154)	–	–	–	–	–	11,509	8,355
Loss in fair value change of derivative financial instruments	72,398	–	–	–	–	–	–	72,398
Net gain on disposal of available-for-sale investments	(9,116)	–	–	–	–	–	–	(9,116)
Release of prepaid lease payments	–	–	–	–	1,518	–	1,445	2,963
Net loss on disposal of property, plant and equipment	–	–	–	–	4,200	–	–	4,200
Amortisation of intangible assets	–	–	–	–	834	–	–	834
Impairment loss recognised on loan receivable	–	19,247	–	–	–	–	–	19,247
Impairment loss recognised on other debtor	–	2,926	–	–	–	–	–	2,926

8. SEGMENT INFORMATION *(continued)*

Other segment information *(continued)*

For the year ended 30 June 2015

	Securities trading and investments HK$'000	Financial services HK$'000	Property investment HK$'000	Property development HK$'000	Healthcare HK$'000	Unallocated HK$'000	Total HK$'000
Amounts charged (credited) included in the measure of segment results or segment assets							
Interest income (include interest income from loans receivable)	(3,700)	(18,800)	–	–	–	(6,678)	(29,178)
Finance costs	45,360	8,858	–	–	27,934	61,985	144,137
Depreciation of property, plant and equipment	–	–	49	–	89,909	1,298	91,256
Additions to property, plant and equipment	–	–	–	–	60,175	3,695	63,870
Fair value changes on investment properties	–	–	(15,610)	–	–	–	(15,610)
Gain in fair value change of investments held for trading	(393,717)	–	–	–	–	–	(393,717)
Net foreign exchange loss	2,351	2,184	6	–	–	79	4,620
Loss in fair value change of derivative financial instruments	12,365	4,911	–	–	–	–	17,276
Net gain on disposal of available-for-sale investments	(31,259)	–	–	–	–	–	(31,259)
Net gain on disposal of property, plant and equipment	–	–	–	–	–	(42)	(42)
Release of prepaid lease payments	–	–	–	–	1,259	1,821	3,080
Amortisation of intangible assets	–	–	–	–	835	–	835

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

8. SEGMENT INFORMATION *(continued)*

Geographical information

The Group's securities trading and investments and financial services are mainly carried out in Hong Kong. Rental income from property investment is derived from Hong Kong and the PRC. The Group's operations in property development, healthcare and eldercare are located in the PRC.

None of the customers contributed over 10% of total revenue of the Group.

The Group's revenue from external customers and information about non-current assets by geographical location of the customers and assets (where the investment properties, property, plant and equipment, prepaid lease payments, intangible assets, goodwill and deposits for acquisition for property, plant and equipment are located and where the associates are incorporated/listed) respectively are detailed below:

	Revenue from external customers		Non-current assets	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**47,568**	19,081	**236,801**	201,576
The PRC	**2,352,168**	685,437	**2,006,625**	1,536,148
The Philippines	**–**	10,499	**–**	–
	2,399,736	715,017	**2,243,426**	1,737,724

Note: Non-current assets excluded financial instruments.

Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	2016	2015
	HK$'000	HK$'000
Revenue from medical and consultation services (note)	**726,480**	614,263
Revenue from health screening services	**51,509**	58,218
Revenue from rendering financial services	**12,200**	18,800
Revenue from rental services	**4,145**	4,020
Sales of properties related to property development segment	**584,042**	5,657
Sales of properties related to eldercare segment	**984,879**	–
	2,363,255	700,958

Note: Revenue from medical and consultation services includes sales of medicine and in-patient, outpatient and consultation services income from hospital operation. In the opinion of the directors of the Company, it is time consuming and excessive costs to provide further analysis in respect of sales of medicines and different kind of service income of the hospital operation. Accordingly, no such information is included in the segment information.

9. OTHER GAINS AND LOSSES

	2016 HK$'000	2015 HK$'000
(Loss) gain in fair value of investments held for trading (Note a)	**(582,284)**	393,717
Loss in fair value of derivative financial instruments (Note b)	**(72,398)**	(17,276)
Net gain on disposal of available-for-sale investments	**9,116**	31,259
Fair value changes on investment properties	**(426)**	15,610
Net foreign exchange loss	**(8,355)**	(4,620)
Gain on disposal of an associate	**–**	10,665
Gain on deemed disposal of an associate (note 45)	**97,270**	–
Net (loss) gain on disposal of property, plant and equipment	**(4,200)**	42
Impairment loss recognised on loan receivable (note 28)	**(19,247)**	–
Impairment loss recognised on other debtor (note 28)	**(2,926)**	–
	(583,450)	429,397

Notes:

(a) Net realised loss of approximately HK$151,596,000 (2015: net realised gain of approximately HK$334,638,000) on disposal of investments held for trading is included in change in fair value of investments held for trading.

(b) Net realised loss of approximately HK$21,327,000 (2015: approximately HK$55,666,000) on derivative financial instruments is included in change in fair value of derivative financial instruments.

10. OTHER INCOME

	2016 HK$'000	2015 HK$'000
Interest income from:		
– Available-for-sale debt instruments	**530**	3,700
– Bank deposits	**6,959**	7,024
	7,489	10,724
Government grants	**918**	442
Compensation income	**2,069**	1,494
Others	**27,839**	5,184
	38,315	17,844

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

11. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Interest on:		
Bank and other borrowings (including discounted bills)	**128,155**	135,617
Bonds	**–**	1,807
Obligations under finance leases	**8,340**	6,713
	136,495	144,137

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' emoluments

The directors' and the chief executive's emoluments are analysed as follows:

	For the year ended 30 June 2016				
	Directors' fees HK$'000	Salaries and other benefits HK$'000	Performance related incentive payments HK$'000 (Note a)	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Executive directors (Note b)					
Ms. Chong Sok Un	–	455	–	18	473
Dr. Jonathan Weiyan Seah (Notes e & f)	–	1,980	–	–	1,980
Dato' Wong Peng Chong	–	1,560	240	18	1,818
Mr. Kong Muk Yin	–	1,560	240	18	1,818
Non-executive directors (Note c)					
Dr. Lim Cheok Peng (Note e)	123	–	–	–	123
Mr. Liao Feng (Note g)	8	–	–	–	8
Independent non-executive directors (Note d)					
Mr. Lau Siu Ki	203	–	–	–	203
Mr. Ma Wah Yan	203	–	–	–	203
Mr. Zhang Jian	91	–	–	–	91
	628	5,555	480	54	6,717

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

Directors' emoluments *(continued)*

	For the year ended 30 June 2015				
	Directors' fees HK$'000	Salaries and other benefits HK$'000	Performance related incentive payments HK$'000 (Note a)	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Executive directors (Note b)					
Ms. Chong Sok Un	–	455	5,000	18	5,473
Dato' Wong Peng Chong	–	1,560	390	18	1,968
Mr. Kong Muk Yin	–	1,560	390	18	1,968
Independent non-executive directors (Note d)					
Mr. Lau Siu Ki	180	–	–	–	180
Mr. Ma Wah Yan	180	–	–	–	180
Mr. Zhang Jian	80	–	–	–	80
	440	3,575	5,780	54	9,849

Notes:

(a) The performance related incentive payments are determined by reference to the individual performance of the directors and approved by the Remuneration Committee.

(b) The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

(c) The non-executive director's emolument shown above was mainly for the service as directors of the Company or its subsidiaries.

(d) The independent non-executive directors' emoluments shown above were mainly for their service as directors of the Company.

(e) Dr. Jonathan Weiyan Seah and Dr. Lim Cheok Peng has been appointed as non-executive director on 26 October 2015.

(f) Dr. Jonathan Weiyan Seah has been re-designated from a non-executive director of the Company to an executive director of the Company on 16 December 2015.

(g) Mr. Liao Feng has been appointed as non-executive director on 14 June 2016.

On 6 December 2015, Ms. Chong Sok Un, an executive director of the Company, has stepped down as the chairman of the Company and has been re-designated as the deputy chairman of the Company. Dr. Lim Cheok Peng, a non-executive director of the Company, has been designated as the Chairman of the Company. His emoluments disclosed above include those for services rendered by him as the Chairman.

During the year, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any remuneration during the year.

13. FIVE HIGHEST PAID INDIVIDUALS

During the year, the five highest paid individuals included three directors (2015: three), details of their emoluments are set out in note 12. The emoluments for the remaining two (2015: two) highest paid individuals of the Group are as follows:

	2016 HK$'000	2015 HK$'000
Salaries and other benefits	**3,862**	4,004
Retirement benefits scheme contributions	**220**	146
	4,082	4,150

The emoluments are within the following bands:

	2016 Number of employees	2015 Number of employees
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**1**	1

14. TAXATION EXPENSE

	2016 HK$'000	2015 HK$'000
Current tax (charge) credit:		
Enterprise Income Tax ("EIT") in the PRC	**(67,320)**	(533)
Land appreciation tax ("LAT") in the PRC	**(135,647)**	(14,998)
Deferred tax credit (note 40)	**87,316**	196
	(115,651)	(15,335)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years. No tax is payable arising in Hong Kong as the assessable profits for both years ended 30 June 2016 and 30 June 2015 are wholly absorbed by tax losses brought forward.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

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

14. TAXATION EXPENSE *(continued)*

The taxation for the year can be reconciled to the (loss) profit before taxation per the consolidated profit or loss as follows:

	2016	2015
	HK$'000	HK$'000
(Loss) profit before taxation	**(774,649)**	155,545
Taxation at the domestic income tax rate of 16.5%	**127,817**	(25,665)
Tax effect of share of results of associates	**(802)**	(55,854)
Tax effect of expenses that are not deductible	**(88,667)**	(62,426)
Tax effect of income that is not taxable	**24,531**	108,116
Tax effect of utilisation of tax losses previously not recognised	**25,044**	58,465
Tax effect of tax losses not recognised	**(63,500)**	(20,343)
LAT	**(135,647)**	(14,998)
Income tax effect of LAT	**22,382**	2,475
Deferred tax provided on withholding tax for income derived from PRC	**(4,765)**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(22,044)**	(5,105)
Taxation for the year	**(115,651)**	(15,335)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

15. (LOSS) PROFIT FOR THE YEAR

	2016 HK$'000	2015 HK$'000
(Loss) profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**1,933**	1,693
Depreciation of property, plant and equipment	**102,588**	91,256
Staff costs, inclusive of directors' emoluments	**280,596**	224,114
Gross rental income from properties	**(4,145)**	(4,020)
Less: Direct operating expenses that generated rental income	**722**	745
Direct operating expenses that did not generate rental income	**369**	356
Net rental income	**(3,054)**	(2,919)
Release of prepaid lease payments	**2,963**	3,080
Share-based payment expense (included in staff costs)	**4,872**	4,504
Amortisation of intangible assets (included in cost of goods and services)	**834**	835
Cost of inventories recognised as an expense (included in cost of goods and services)	**377,937**	302,262
Cost of properties held for sale recognised as an expense (included in cost of goods and services)	**1,397,196**	3,785

16. DIVIDENDS

Dividends recognised as distribution during the year ended:

	2016 HK$'000	2015 HK$'000
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 interim dividend by way of distribution of shares of an associate (Note)	–	254,551
	–	307,583

16. DIVIDENDS *(continued)*

Note:

On 20 November 2014, the Company announced that a special interim 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.

No final dividend was proposed during the year ended 30 June 2016, nor has any dividend been proposed since the end of the reporting period.

17. (LOSS) EARNINGS PER SHARE

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

(Loss) earnings

	2016 **HK$'000**	2015 HK$'000
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share for the year attributable to owners of the Company	**(783,160)**	228,443

	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic and diluted (loss) earnings per share	**12,624,627,716**	10,594,170,182

The computations of diluted (loss) earnings per share for the year ended 30 June 2016 and 2015 do not assume the exercise of share options granted by the subsidiaries since such assumed exercise would be anti-dilutive.

The weighted average number of ordinary shares adopted in the calculation of basic and diluted earnings per share for the year ended 30 June 2015 have been adjusted to reflect the impact of the share subdivision effected during the year ended 30 June 2015 as disclosed in note 37(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

18. INVESTMENT PROPERTIES

	Completed investment properties HK$'000	Investment properties under construction HK$'000	Total HK$'000
FAIR VALUE			
At 1 July 2014	213,660	–	213,660
Net increase in fair value recognised in profit or loss	15,610	–	15,610
At 30 June 2015	229,270	–	229,270
Additions	–	97,379	97,379
Addition through acquisition of a business through purchase of additional interest in an associate (note 45)	–	382,265	382,265
Net (decrease) increase in fair value recognised in profit or loss	(3,092)	2,666	(426)
At 30 June 2016	226,178	482,310	708,488

	2016 **HK$'000**	2015 HK$'000
Unrealised (loss) gain on property valuation included in profit or loss (included in other gains and losses)	**(426)**	15,610

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair values of the Group's investment properties at 30 June 2016 and 30 June 2015 were arrived at on the basis of valuations carried out on that date by DTZ Cushman & Wakefield Limited ("DTZ") and Asset Appraisal Limited ("AAL"), independent qualified professional valuers not connected with the Group. DTZ and AAL have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

For the investment properties leased out, the valuations were determined based on income approach where the market rentals are assessed by considering the income derived from existing tenancies with due provision for any reversionary income potential of the properties (the "Investment Method") and discounted at the market yield. For the vacant investment properties, the valuations were arrived at by direct comparison approach assuming sale of each of these properties in existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market and adjusted for differences in the nature and location (the "Comparison Approach"). For the investment properties under construction, Investment Method was adopted.

18. INVESTMENT PROPERTIES *(continued)*

There has been no change from the valuation technique used in the prior year for those existing investment properties.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

At the end of the reporting period, management of the Group works closely with the independent qualified professional valuers to establish and determine the appropriate valuation techniques and inputs. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to management of the Group.

There were no transfers into or out of Level 3 during both years.

Information about fair value measurements using significant unobservable inputs

The following table shows the valuation techniques used in the determination of fair values for investment properties and key unobservable inputs used in the valuation models.

	Fair value HK$'000	Fair value hierarchy	Valuation techniques	Unobservable inputs	Range of significant inputs	Relationship of inputs to fair value
As at 30 June 2016						
Industrial property units located in Hong Kong	**69,100**	Level 3	Investment Method	(i) Capitalisation rate	3.75%	The higher the capitalisation rate, the lower the fair value.
				(ii) Monthly market rent per square feet	HK$16 – HK$18 per square feet	The higher the market rent, the higher the fair value.
Industrial property units located in Hong Kong	**109,000**	Level 3	Comparison Approach	Market unit rate	HK$6,000 per square feet	A significant increase in the market unit rate would result in a significant increase in fair value, and vice versa.
Land in Hong Kong	**5,800**	Level 3	Comparison Approach	Market unit rate	HK$105 per square feet	A significant increase in the market unit rate would result in a significant increase in fair value, and vice versa.
Commercial property units located in the PRC	**37,400**	Level 3	Investment Method	(i) Capitalisation rate	6%	The higher the capitalisation rate, the lower the fair value.
				(ii) Monthly market rent Per square metre	RMB169 per square meter	The higher the capitalisation rate, the lower the fair value.
Residential property units located in the PRC	**4,878**	Level 3	Comparison Approach	Market unit rate	RMB4,205 to RMB6,792 per square meter	A significant increase in the market unit rate would result in a significant increase in fair value, and vice versa.
Commercial and residential properties under development located in the PRC	**482,310**	Level 3	Comparison Approach	Market unit rate	RMB11,000 to RMB18,910 per square meter	A significant increase in the market unit rate would result in a significant increase in fair value, and vice versa.
	708,488					

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For the year ended 30 June 2016

18. INVESTMENT PROPERTIES *(continued)*

	Fair value HK$'000	Fair value hierarchy	Valuation techniques	Unobservable inputs	Range of significant inputs	Relationship of inputs to fair value
As at 30 June 2015						
Industrial property units located in Hong Kong	**69,100**	Level 3	Investment Method	(i) Capitalisation rate	3.75%	The higher the capitalisation rate, the lower the fair value.
				(ii) Monthly market rent per square feet	HK$16 – HK$18 per square feet	The higher the market rent, the higher the fair value.
Industrial property units located in Hong Kong	**109,000**	Level 3	Comparison Approach	Market unit rate	HK$6,000 per square feet	A significant increase in the market unit rate would result in a significant increase in fair value, and vice versa.
Land in Hong Kong	**5,400**	Level 3	Comparison Approach	Market unit rate	HK$97 per square feet	A significant increase in the market unit rate would result in a significant increase in fair value, and vice versa.
Commercial property units located in the PRC	**40,500**	Level 3	Investment Method	(i) Capitalisation rate	6%	The higher the capitalisation rate, the lower the fair value.
				(ii) Monthly market rent per square meter	RMB163 per square meter	The higher the capitalisation rate, the lower the fair value.
Residential property units located in the PRC	**5,270**	Level 3	Comparison Approach	Market unit rate	RMB4,205 to RMB6,757 per square meter	A significant increase in the market unit rate would result in a significant increase in fair value, and vice versa.
	229,270					

19. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings in Hong Kong HK$'000	Leasehold improvement HK$'000	Hospital buildings in the PRC HK$'000	Other buildings in the PRC HK$'000	Construction in progress HK$'000	Computer, medical and electronic equipment HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST OR VALUATION										
At 1 July 2014	16,900	–	947,303	72,563	151,402	229,884	5,036	11,673	5,835	1,440,596
Additions	–	–	34,632	3,133	–	24,605	150	819	531	63,870
Transfer	–	–	4,645	–	(4,645)	–	–	–	–	–
Disposals	–	–	–	–	–	(1,773)	(4)	(107)	(678)	(2,562)
Revaluation increase (decrease)	1,100	–	(51,316)	(8,750)	–	–	–	–	–	(58,966)
Exchange differences	–	–	(227)	(20)	(32)	(136)	(1)	(66)	(1)	(483)
At 30 June 2015	18,000	–	935,037	66,926	146,725	252,580	5,181	12,319	5,687	1,442,455
Additions	–	145	4,591	–	63,114	12,350	15,060	1,266	1,411	97,937
Transfer	–	–	15,336	–	(15,336)	–	–	–	–	–
Disposals	–	–	–	–	(4,560)	(5,335)	(843)	(340)	(986)	(12,064)
Acquisition of a business through purchase of additional interest in an associate (note 45)	–	564	–	–	105,033	495	1,389	–	–	107,481
Revaluation increase (decrease)	27	–	(61,078)	(4,273)	–	–	–	–	–	(65,324)
Exchange differences	–	(256)	(61,737)	(251)	(10,209)	(17,778)	(755)	(867)	(374)	(92,227)
At 30 June 2016	18,027	453	832,149	62,402	284,767	242,312	20,032	12,378	5,738	1,478,258
Comprising:										
At cost – 2016	–	453	–	–	284,767	242,312	20,032	12,378	5,738	565,680
At valuation – 2016	18,027	–	832,149	62,402	–	–	–	–	–	912,578
	18,027	453	832,149	62,402	284,767	242,312	20,032	12,378	5,738	1,478,258
Comprising:										
At cost – 2015	–	–	–	–	146,725	252,580	5,181	12,319	5,687	422,492
At valuation – 2015	18,000	–	935,037	66,926	–	–	–	–	–	1,019,963
	18,000	–	935,037	66,926	146,725	252,580	5,181	12,319	5,687	1,442,455

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19. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Leasehold land and buildings in Hong Kong HK$'000	Leasehold improvement HK$'000	Hospital buildings in the PRC HK$'000	Other buildings in the PRC HK$'000	Construction in progress HK$'000	Computer, medical and electronic equipment HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
DEPRECIATION										
At 1 July 2014	–	–	–	–	–	41,014	2,905	2,811	1,240	47,970
Provided for the year	467	–	51,316	8,750	–	27,783	788	1,209	943	91,256
Eliminated on revaluation	(467)	–	(51,316)	(8,750)	–	–	–	–	–	(60,533)
Eliminated on disposal	–	–	–	–	–	(1,116)	(4)	(63)	(678)	(1,861)
Exchange difference	–	–	–	–	–	(616)	(2)	(68)	(2)	(688)
At 30 June 2015	–	–	–	–	–	67,065	3,687	3,889	1,503	76,144
Provided for the year	506	453	61,078	4,273	–	30,907	3,439	970	962	102,588
Eliminated on revaluation	(506)	–	(61,078)	(4,273)	–	–	–	–	–	(65,857)
Eliminated on disposal	–	–	–	–	–	(5,014)	(663)	(317)	(841)	(6,835)
Exchange difference	–	–	–	–	–	(4,774)	(125)	–	–	(4,899)
At 30 June 2016	–	453	–	–	–	88,184	6,338	4,542	1,624	101,141
CARRYING VALUES										
At 30 June 2016	18,027	–	832,149	62,402	284,767	154,128	13,694	7,836	4,114	1,377,117
At 30 June 2015	18,000	–	935,037	66,926	146,725	185,515	1,494	8,430	4,184	1,366,311

19. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The above items of property, plant and equipment other than construction in progress are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	Over the shorter of the lease terms or 30-50 years
Computer, medical and electronic equipment	10% – 20%
Furniture and fixtures	20%
Office equipment	20%
Motor vehicles	20% – 50%

The construction in progress represents hospital buildings and elderly nursing home under construction which are situated in the PRC.

A revaluation surplus on leasehold land and buildings in Hong Kong of approximately HK$27,000 (2015: HK$1,100,000) has been credited to the properties revaluation reserve and revaluation deficit on buildings in the PRC of approximately HK$65,351,000 (2015: HK$60,066,000) has been debited to profit or loss.

If the leasehold land and buildings in Hong Kong and in the PRC had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation of HK$580,000 (2015: HK$598,000) and HK$885,755,000 (2015: HK$946,320,000) respectively at 30 June 2016.

The Group has not obtained the building certificates for the buildings in the PRC with carrying value of approximately HK$816,979,000 (2015: HK$922,485,000) as at 30 June 2016.

Details of pledged property, plant and equipment are set out in note 41.

Leasehold land and buildings in Hong Kong were valued on 30 June 2016 and 30 June 2015 by DTZ. Hospital buildings and other buildings in the PRC were valued on 30 June 2016 and 30 June 2015 by AAL. Leasehold land and buildings in Hong Kong were valued using the Comparison Approach. Hospital buildings and other buildings in PRC were valued using depreciated replacement cost method by reference to the construction costs required to rebuild the buildings and deducting for physical deterioration and all relevant forms of obsolescence and optimisations ("Depreciated Replacement Cost Approach").

In estimating the fair value of the buildings, the highest and best use of the buildings is their current use.

There were no transfers into or out of Level 3 during both years.

19. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Fair value measurements using significant unobservable inputs

The following table shows the valuation techniques used in the determination of fair values for buildings and unobservable inputs used in the valuation models.

	Fair value HK$'000	Fair value hierarchy	Valuation techniques	Unobservable inputs	Range of significant inputs	Relationship of inputs to fair value
As at 30 June 2016						
Industrial property units located in Hong Kong	**18,027**	Level 3	Comparison Approach	Market unit rate	HK$1,690 – HK$4,100 per square feet	A significant increase in the located in Hong Kong market unit rate would result in a significant increase in fair value, and vice versa.
Hospital buildings located in the PRC	**832,149**	Level 3	Depreciated Replacement Cost Approach	Depreciated replacement cost per square metre	RMB3,625 – RMB6,739 per square meter (Note)	The higher the depreciated replacement cost per square metre, the higher the fair value
Other buildings located in the PRC	**62,402**	Level 3	Depreciated Replacement Cost Approach	Depreciated replacement cost per square metre	RMB1,200 – RMB2,890 per square meter (Note)	The higher the depreciated replacement cost per square metre, the higher the fair value
	912,578					

	Fair value HK$'000	Fair value hierarchy	Valuation techniques	Unobservable inputs	Range of significant inputs	Relationship of inputs to fair value
As at 30 June 2015						
Industrial property units located in Hong Kong	18,000	Level 3	Comparison Approach	Market unit rate	HK$1,770 – HK$4,100 per square feet	A significant increase in the market unit rate would result in a significant increase in fair value, and vice versa.
Hospital buildings located in the PRC	935,037	Level 3	Depreciated Replacement Cost Approach	Depreciated replacement cost per square metre	RMB2,802 – RMB7,530 per square meter (Note)	The higher the depreciated replacement cost per square metre, the higher the fair value
Other buildings located in the PRC	66,926	Level 3	Depreciated Replacement Cost Approach	Depreciated replacement cost per square metre	RMB2,106 – RMB2,723 per square meter (Note)	The higher the depreciated replacement cost per square metre, the higher the fair value
	1,019,963					

Note: Depreciated replacement cost per square metre is determined by reference to market comparables of constriction works, taking into account of use, location and other individual factors such as total floor level and type of structure.

20. PREPAID LEASE PAYMENTS

	2016 HK$'000	2015 HK$'000
The Group's prepaid lease payments being analysed for reporting purpose as:		
Non-current assets	**107,450**	118,298
Current assets	**2,865**	3,073
	110,315	121,371

The prepaid lease payments are amortised over the terms of the lease from 40 to 45 years.

Details of pledged prepaid lease payments are set out in note 41.

21. INTERESTS IN ASSOCIATES

	2016 HK$'000	2015 HK$'000
Cost of investments in associates		
Unlisted	**199,197**	259,199
Share of post-acquisition losses and other comprehensive income, net of dividends received	**(126,180)**	(177,181)
Less: Impairment loss	**(73,017)**	(73,017)
	–	9,001

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:

	2016 HK$'000	2015 HK$'000
Share of loss of associates	**(4,861)**	(338,512)
Reversal of impairment recognised on interests in an associate (Note b)	**–**	328,316
Result on distribution in specie of shares of an associate (Note b)	**–**	(67,050)
	(4,861)	(77,246)

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21. INTERESTS IN ASSOCIATES *(continued)*

As at 30 June 2016 and 30 June 2015, the Group had interests in the following associates:

Name of entities	Form of business structure	Country/ place of incorporation/ registration	Principal place of operation	Class of share held	Number of shares/paid-up capital held by the Group as at 30 June 2016	Proportion of nominal value of issued capital held by the Group		Proportion of voting power held		Principal activity
						2016 %	2015 %	2016 %	2015 %	
Essence International Holdings Limited	Incorporated	Hong Kong	Hong Kong/ PRC	Ordinary	4,500,000 (2015: 4,500,000)	**30**	30	**30**	30	Japanese Ramen restaurant
Printronics Electronics Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	2 (2015: 2)	**40**	40	**40**	40	Inactive
Aveo China (Note a)	Incorporated	BVI	PRC	Ordinary	N/A (2015: 1,200)	**N/A**	30	**N/A**	30	Property development and project management business in the PRC
Jiaozuo Tongren Medical Industry Company Limited (焦作同仁醫療產業投資有限公司)	Incorporated	PRC	PRC	Registered	RMB13,000,000 (2015: RMB13,000,000)	**21.67%**	21.67%	**21.67%**	21.67%	Operation of a hospital in Jiaozuo

Notes:

(a) During the year ended 30 June 2016, the Group acquired additional 40% equity interest in Aveo China as detailed in note 45, since then, the Group is interested in 70% equity interest in Aveo China and Aveo China became a subsidiary of the Group.

(b) During the year ended 30 June 2015, part of the Group's interests in APAC Resources Limited ("APAC") 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. The Group's investment in equity interest of APAC was classified as interests in an associate in the condensed consolidated financial statements before the distribution.

At the date of distribution, the Group performed an impairment assessment of its interests in APAC. 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 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 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 year ended 30 June 2015.

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 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$10,607,000, which was classified as an available-for-sale investment in the consolidated financial statements.

21. INTERESTS IN ASSOCIATES *(continued)*

Summarised financial information of material associate

Summarised financial information of the Group's material associate is set out below.

The associate was accounted for using the equity method in these consolidated financial statements.

Aveo China

	2015 HK$'000
Current assets	1,082,975
Non-current assets	2,926
Current liabilities	(651,102)
Non-current liabilities	(400,032)
Net assets attributable to owners of Aveo China	34,767
Revenue	7,300
Loss for the year	(46,100)
Other comprehensive expense for the year	(6,617)
Total comprehensive expense for the year	(52,717)
The Group's share of loss of Aveo China for the year	(13,830)
The Group's share of other comprehensive expense of Aveo China for the year	(1,985)
	(15,815)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Aveo China recognised in the consolidated financial statements.

	2015 HK$'000
Net assets of Aveo China	34,767
Proportion of the Group's ownership interest in Aveo China	30%
Fair value adjustments at acquisition	(1,429)
Carrying amount of the Group's interest in Aveo China	9,001

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For the year ended 30 June 2016

21. INTERESTS IN ASSOCIATES *(continued)*

Aggregate information of associates that are not individually material

	2016 HK$'000	2015 HK$'000
The Group's share of loss and total comprehensive expense	–	(7,218)
Aggregate carrying amount of the Group's interest in these associates	–	–

Unrecognised share of losses of associates

	Year ended 30 June 2016 HK$'000	Year ended 30 June 2015 HK$'000
The unrecognised share of loss of the associates for the year	19,849	4,164
Cumulative share of loss of the associates	30,004	10,155

22. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2016 HK$'000	2015 HK$'000
Listed investments:		
– Equity securities listed in Hong Kong	9,387	10,607
– Fixed rate bonds	–	52,166
	9,387	62,773
Unlisted investments:		
– Unit trusts	803	1,230
– Club debentures	678	678
– Equity securities, at cost	68	68
	1,549	1,976
Total	10,936	64,749
Analysed for reporting purposes as:		
Current assets	10,190	53,396
Non-current assets	746	11,353
	10,936	64,749

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For the year ended 30 June 2016

22. AVAILABLE-FOR-SALE INVESTMENTS *(continued)*

As at 30 June 2016, the unlisted unit trusts (2015: listed fixed rate bonds and the unlisted unit trusts) are denominated in USD.

As at 30 June 2016, unlisted investments of HK$803,000 (2015: HK$1,230,000), listed fixed rate bonds of nil (2015: HK$52,166,000) and equity securities listed in Hong Kong of HK$9,387,000 (2015: nil) are classified as current assets as the directors determine that these investments are highly probable to be recovered within twelve months.

23. INTANGIBLE ASSETS

	HK$'000
COST	
At 1 July 2014	17,147
Exchange differences	(4)
At 30 June 2015	17,143
Exchange differences	(1,156)
At 30 June 2016	15,987
AMORTISATION	
At 1 July 2014	1,465
Charge for the year	835
Exchange differences	(1)
At 30 June 2015	2,299
Charge for the year	834
Exchange differences	(180)
At 30 June 2016	2,953
CARRYING AMOUNT	
At 30 June 2016	13,034
At 30 June 2015	14,844

The intangible assets represent the trademark of "Tongren" and are amortised on a straight-line basis over 20 years starting from the acquisition date.

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For the year ended 30 June 2016

24. INVENTORIES

	2016 HK$'000	2015 HK$'000
Medical consumables	**6,803**	6,822
Medicines	**21,180**	13,827
	27,983	20,649

25. PROPERTIES UNDER DEVELOPMENT FOR SALE AND PROPERTIES HELD FOR SALE

Properties under development for sale

	2016 HK$'000	2015 HK$'000
COST		
At the beginning of the year	**974,554**	830,972
Additions	**252,678**	144,182
Acquisition of a business through purchase of additional interest in an associate (note 45)	**1,082,932**	–
Exchange adjustments	**(45,573)**	(600)
Transfer to properties held for sale	**(1,932,769)**	–
At the end of the year	**331,822**	974,554
Properties under development for sales of which:		
– expected to be realised within 12 months	**–**	618,719
– expected to be realised over 12 months	**331,822**	355,835
	331,822	974,554

The properties under development for sale of the Group are situated in the PRC.

Properties held for sale

The Group's properties held for sale are situated in the PRC. All the properties held for sale are stated at cost. In the opinion of the directors, properties held for sales will be realised within twelve months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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26. INVESTMENTS HELD FOR TRADING

Investments held for trading include:

	2016 HK$'000	2015 HK$'000
Listed securities:		
– Equity securities listed in Australia	**121,609**	204,064
– Equity securities listed in Hong Kong	**938,731**	1,399,209
– Equity securities listed in Malaysia	**57,126**	44,887
– Equity securities listed in the United States of America	**34,229**	124,108
– Equity securities listed elsewhere (Note)	**9,439**	57,964
	1,161,134	1,830,232

Note: The equity securities listed elsewhere are mainly denominated in PHP of HK$1,359,000 (2015: HK$1,092,000), TWD of nil (2015: HK$22,136,000), GBP of HK$103,000 (2015: HK$3,581,000), JPY of HK$4,515,000 (2015: HK$27,130,000) and RMB of HK$3,462,000 (2015: HK$4,025,000).

27. DEBTORS, DEPOSITS AND PREPAYMENTS

	2016 HK$'000	2015 HK$'000
Debtors from securities trading	**38,262**	18,672
Trade receivables arising from hospital operation	**73,586**	58,481
Deposits with and receivables from the financial institutions	**14,965**	30,503
Prepayments	**2,285**	32,087
Prepaid business taxes and other PRC taxes	**3,647**	28,175
Other debtors and deposits	**7,375**	29,811
	140,120	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 30 June 2016 and 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 from the invoice date.

27. 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 30 June 2016 and 30 June 2015:

	2016	2015
	HK$'000	HK$'000
0 – 30 days	**24,909**	29,580
31 – 60 days	**17,524**	14,053
61 – 90 days	**12,459**	7,483
91 – 365 days	**11,147**	7,365
More than 365 days	**7,547**	–
	73,586	58,481

As at 30 June 2016 and 30 June 2015, trade receivables from hospital operation disclosed above were neither past due nor impaired for which the Group considered that the amounts were recoverable because the receivables were related to a number of independent customers that have good repayment records with the Group.

The Group has policy for recognition of impairment which is based on the evaluation of collectability and age analysis of accounts and on management's judgment including creditworthiness and the past collection history of each customer.

As at 30 June 2016, other debtors and deposits are netted off by an impairment of HK$17,919,000 (2015: HK$14,993,000).

28. LOANS RECEIVABLE

	2016	2015
	HK$'000	HK$'000
Fixed-rate loans	**40,000**	59,247
Variable-rate loans	**–**	2,000
	40,000	61,247

The loans receivable had contractual maturity dates within 1 year as at 30 June 2016 and 30 June 2015.

The Group has policy for allowance of bad and doubtful debts which is based on the evaluation of collectability and aging analysis of accounts and on management's judgment, including the current creditworthiness, collaterals and the past collection history of each client.

In determining the recoverability of the loans receivable, the Group considers any change in the credit quality of the loans receivable from the date credit was initially granted up to the reporting date, the value of collaterals obtained and the past collection history of each client. At 30 June 2016, aggregated loans receivable amounting to HK$19,247,000 was past due. The management of the Group takes active negotiation and follow-up action to recover the loan, however, due to continuing default in repayment, loan receivable and relevant interest receivable of HK$19,247,000 and HK$2,926,000 were considered impaired and impairment loss of the entire amounts were made during the year ended 30 June 2016.

As at 30 June 2016, the fixed-rate loans receivable are denominated in HK$ (2015: RMB and HK$). The average interest rate for the fixed-rate loans receivable was 24% (2015: 24%) per annum.

As at 30 June 2015, the variable-rate loans receivable were denominated in HK$. The contracted interest rate of the HK$ denominated loan receivable was The Hongkong and Shanghai Banking Corporation Limited prime rate with effective interest rate of 5% per annum and interest was normally repriced every six months.

29. PLEDGED BANK DEPOSITS, RESTRICTED BANK DEPOSITS AND BANK BALANCES AND CASH

Pledged bank deposits

Pledged bank deposits amounting to HK$586,545,000 (2015: HK$157,511,000) are used to secure the short-term general banking facilities granted to the Group. Accordingly, the pledged bank deposits are classified as current assets. In addition, as at 30 June 2015, the pledged bank deposit of HK$139,636,000 was used to secure a bank borrowing which was repayable after one year. Accordingly, the pledged bank deposit of HK$139,636,000 classified as non-current assets. During the year, the pledged bank deposits carried interest with a range from 0.35% – 1.40% per annum (2015: 0.35% to 3.03%).

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For the year ended 30 June 2016

29. PLEDGED BANK DEPOSITS, RESTRICTED BANK DEPOSITS AND BANK BALANCES AND CASH *(continued)*

Restricted bank deposits

As at 30 June 2016, in accordance with the applicable government regulations, HK$3,386,000 (2015: HK$53,698,000) were placed in bank deposits which could only be used in the designated property development projects. During the year, the deposits carried interest at average market rates of 0.35% (2015: 0.35%) per annum.

Bank balances and cash

Bank balances and cash comprise cash and bank balances held by the Group with original maturity of three months or less. During the year, they carried interest at a range from 0.001% to 5% per annum (2015: 0.001% to 5%).

30. GOODWILL

	2016
	HK$'000
COST	
At 1 July 2015	–
Acquisition of a business through purchase of additional interest in an associate (note 45)	32,867
At 30 June 2016	32,867
IMPAIRMENT	
At 1 July 2015 and 30 June 2016	–
CARRYING VALUES	
At 30 June 2016	32,867
At 30 June 2015	–

Goodwill of HK$32,867,000 as at 30 June 2016 has been allocated to the Group's elderly nursing home's business. The recoverable amount has been determined based on value in use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period and a discount rate of 10%. Cashflows for further five years are extrapolated at 3%. Another key assumption for the value in use calculation is the budgeted revenue and gross margin, which is determined based on management's expectation for the market development.

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31. CREDITORS AND ACCRUED CHARGES

	2016 HK$'000	2015 HK$'000
Trade payables to construction contractors and of hospital operation	**420,288**	123,741
Creditors from securities trading	**4,324**	315,946
Accrued compensation for late delivery of properties held for sale	**5,994**	6,626
Accrued construction cost for properties under development for sale	**118,049**	126,232
Construction cost payable for hospital buildings classified as property, plant and equipment	**13,238**	14,150
Other payables and accrued charges	**71,123**	70,431
	633,016	657,126

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 – 90 days.

The following is an aged analysis of trade payables to construction contractors and of hospital operations presented based on the invoice date as at 30 June 2016:

	2016 HK$'000	2015 HK$'000
0 – 30 days	**256,880**	77,905
31 – 60 days	**25,723**	1,690
61 – 90 days	**53,942**	404
91 – 365 days	**60,924**	9,882
Over 1 year but not exceeding 2 years	**2,147**	23,668
Over 2 years but not exceeding 5 years	**20,672**	10,192
	420,288	123,741

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32. CONSIDERATION PAYABLE

Acquisition of non-controlling interests of Lianyungang Jiatai Construction Co., Ltd. (連雲港嘉泰建設工程有限公司) ("Jiatai Construction")

Prior to the acquisition of Jiatai Construction in September 2012, Jiatai Construction acquired additional 27.5% equity interests in 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, from the non-controlling shareholders at a consideration of RMB110,000,000 (equivalent to HK$136,000,000), of which RMB40,000,000 (equivalent to HK$49,200,000) was settled by cash in April 2012. During the year ended 30 June 2015, RMB15,000,000 (equivalent to HK$18,740,000) was settled by cash. The remaining consideration amounting to RMB55,000,000 (equivalent to HK$68,712,000) as at 30 June 2015 was unsecured and interest-free.

All the outstanding consideration payable has been settled during the year ended 30 June 2016.

Acquisition of non-controlling interests of Yangpu Zhaohe Industrial Co. Ltd. (洋浦兆合實業有限公司) ("Yangpu Zhaohe")

During the year ended 30 June 2016, an acquisition has been made on the remaining registered capital in Yangpu Zhaohe for a consideration of RMB90,000,000 (equivalent to HK$104,850,000). Details of the acquisition are set out in the note 46(b). The entire consideration is still unsettled as at 30 June 2016 and the balance is unsecured and interest-free.

33. AMOUNT DUE TO AN ASSOCIATE

The amount is unsecured, interest-free and repayable on demand.

34. BORROWINGS

The following table provides an analysis of the bank and other borrowings:

	2016	2015
	HK$'000	HK$'000
Securities margin loans (Note a)	**733,538**	415,359
Unsecured term loans (Note b)	**300,000**	302,383
Secured bank borrowings (Note c)	**725,842**	246,771
Unsecured bank borrowings (Note c)	**454,000**	465,615
Secured other borrowing (Note d)	**–**	21,238
Unsecured other borrowings (Note e)	**184,419**	297,834
Discounted bills (Note f)	**160,770**	124,930
Borrowing from a related party (Note g)	**75,462**	–
	2,634,031	1,874,130

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

	2016	2015
	HK$'000	HK$'000
On demand or within one year	**2,517,531**	1,641,721
Over one year but not exceeding two years	**116,500**	232,409
	2,634,031	1,874,130
Less: Amount due within one year shown under current liabilities	**(2,517,531)**	(1,641,721)
Amount shown under non-current liabilities	**116,500**	232,409

Notes:

(a) Securities margin loans

These represent securities margin financing received from stock broking, futures and options broking houses and are secured by certain collateral of the Group as disclosed in note 41. Additional funds or collateral are required if the balance of the borrowings exceeds the eligible margin value of securities pledged to the broking houses. The collateral can be sold at the broking houses' discretion to settle any outstanding borrowings owed by the Group. The entire loans are repayable on demand and bear variable interest with a range from 3.75% to 5.25% (2015: 2.65% to 5.25%) per annum.

(b) Unsecured term loans

As at 30 June 2016, the unsecured term loans bore fixed interest rate at 6% (2015: 1.2% to 6%) per annum.

34. BORROWINGS *(continued)*

Notes: *(continued)*

(c) Bank borrowings

Bank borrowings are denominated in RMB, which is the functional currency of respective entities of the Group. The interest rates (which are also equal to contracted interest rates) of the fixed-rate bank borrowings are ranged from 1.95% to 7.6% (2015: 1.95% to 7.8%) per annum.

(d) Secured other borrowing

Secured other borrowing as at 30 June 2015 was denominated in RMB, which was the functional currency of that entity of the Group. The interest rate per annum (which was also equal to contracted interest rates) of the fixed-rate secured other borrowing was at 6.4% per annum.

(e) Unsecured other borrowings

Unsecured other borrowings are denominated in RMB, which is the functional currency of respective entities of the Group. The interest rates per annum (which are also equal to contracted interest rates) of the fixed-rate unsecured other borrowings are ranged from 6.5% to 12% (2015: 10.3% to 18%) per annum. Included in unsecured other borrowings is an amount of HK$13,980,000 which is a borrowing from a spouse of a director of a subsidiary of the Group.

(f) Discounted bills

Discounted bills are denominated in RMB, which is the functional currency of respective entities of the Group, and are secured by pledged bank deposits. The effective interest of the discounted bills is averagely 4.0% (2015: 3.76%) per annum. Bills are issued through inter-group transactions and the relevant group entities discounted the bills to independent third parties. The bills receivable and payable issued between group entities were fully eliminated on consolidation.

(g) 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 Aveo China, 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.

The securities margin loans and secured bank borrowings are secured by the Group's assets as disclosed in note 41. The Group's bank borrowings of HK$303,581,000 at 30 June 2015 were guaranteed by the companies beneficially owned by a director of a non-wholly owned subsidiary.

35. OBLIGATIONS UNDER FINANCE LEASES

	2016 **HK$'000**	2015 HK$'000
Analysed for reporting purpose as:		
Current liabilities	**10,766**	51,819
Non-current liabilities	**29,647**	37,884
	40,413	89,703

	Minimum lease payments		**Present value of minimum lease payments**	
	2016 **HK$'000**	2015 HK$'000	**2016** **HK$'000**	2015 HK$'000
Amount payable under finance leases:				
Within one year	**11,575**	60,934	**10,766**	51,819
In more than one year but not more than two years	**11,692**	21,771	**9,025**	15,158
In more than two years but not more than five years	**23,781**	27,492	**20,622**	22,726
	47,048	110,197	**40,413**	89,703
Less: Future finance charges	**(6,635)**	(20,494)	**N/A**	N/A
Present value of lease obligations	**40,413**	89,703	**40,413**	89,703
Less: Amount due for settlement within one year (shown under current liabilities)			**(10,766)**	(51,819)
Amount due for settlement after one year			**29,647**	37,884

The Group leased certain of its medical equipment under finance leases. The lease term are ranged from three to six years. Interest rates underlying all obligations under finance leases were fixed at from 6.02% to 8.63% per annum. No arrangement was entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

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36. DERIVATIVE FINANCIAL INSTRUMENTS

As at 30 June 2016, derivative financial instruments comprise gross-settled option contracts linked with equity securities listed in Hong Kong, option contracts linked with exchange rate between JPY and USD and forward foreign exchange contracts.

As at 30 June 2015, derivative financial instruments comprise gross-settled option contracts linked with equity securities listed in Hong Kong and in the United States of America, option contracts linked with exchange rate between AUD and USD and between JPY and USD.

The fair value of derivative financial instruments is quoted by counterparties and determined based on valuation techniques that incorporated market observable date.

37. SHARE CAPITAL

		Number of shares		Carrying value	
		2016	2015	**2016**	2015
	Notes			**HK$'000**	HK$'000
Ordinary shares of HK$0.0005 (2015: HK$0.0005) each					
Authorised:					
At beginning of the year		**600,000,000,000**	30,000,000,000	**300,000**	300,000
Share subdivision	(b)	**–**	570,000,000,000	**–**	–
At end of the year		**600,000,000,000**	600,000,000,000	**300,000**	300,000
Issued and fully paid:					
At beginning of the year		**10,522,933,940**	531,074,697	**5,262**	5,311
Repurchase of shares	(a)	**(14,180,000)**	(4,928,000)	**(7)**	(49)
Share subdivision	(b)	**–**	9,996,787,243	**–**	–
Issue of new ordinary shares for the acquisition of non-controlling interests of a subsidiary (note 46(a))		**1,671,318,833**	–	**835**	–
Issue of new ordinary shares for the acquisition of a business (note 45)		**300,000,000**	–	**150**	–
Issue of new ordinary shares	(c)	**2,000,000,000**	–	**1,000**	–
At end of the year		**14,480,072,773**	10,522,933,940	**7,240**	5,262

37. SHARE CAPITAL *(continued)*

Notes:

(a) During the year ended 30 June 2016 and 30 June 2015, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares of HK$0.0005 each	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid HK$'000
Year ended 30 June 2016				
July 2015	**14,180,000**	**0.175**	**0.110**	**2,049**
Year ended 30 June 2015				
October 2014	252,000	2.50	2.43	627
November 2014	508,000	3.15	2.63	1,430
March 2015	180,000	3.52	3.39	619
April 2015	3,432,000	3.90	3.52	12,959
May 2015	556,000	4.20	3.98	2,267
	4,928,000			17,902

The repurchased shares were cancelled upon repurchase and the issued share capital of the Company was reduced by the nominal value of the repurchased shares. The premium payable on repurchase of the shares of HK$2,042,000 (2015: HK$17,853,000) was charged to the share premium account. An amount equivalent to the nominal value of the shares cancelled has been transferred from the retained profits of the Company to the capital redemption reserve.

The repurchases of the Company's shares during the year ended 30 June 2016 and 30 June 2015 were affected by the directors pursuant to the mandate from shareholders with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

(b) 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 subdivided shares of HK$0.0005 each of the Company. The share subdivision was completed on 15 June 2015.

(c) 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.

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38. RESERVES

Properties revaluation reserve

	2016 HK$'000	2015 HK$'000
Items that will not be reclassified to profit or loss:		
At 1 July	**17,100**	16,000
Gain on revaluation of leasehold land and buildings	**27**	1,100
At 30 June	**17,127**	17,100

At 30 June 2016, the balance of properties revaluation reserve included surplus of HK$5,456,000 (2015: HK$5,456,000), arising from revaluation of leasehold land and buildings on transfer of leasehold land and buildings to investment properties carried at fair value.

Investment revaluation reserve

	2016 HK$'000	2015 HK$'000
Items that will be reclassified subsequently to profit or loss:		
At 1 July	**3,819**	30,203
Gain (loss) on fair value changes of available-for-sale investments	**5,303**	(10,572)
Reclassification adjustments 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	**–**	15,447
At 30 June	**6**	3,819

38. RESERVES *(continued)*

Translation reserve

	2016 HK$'000	2015 HK$'000
Items that will be reclassified subsequently to profit or loss:		
At 1 July	**35,652**	81,909
Exchange (loss) gain arising from translation of foreign operations	**(48,641)**	1,991
Share of changes in other comprehensive income (expense) of associates	**1,982**	(99,851)
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)**	–
At 30 June	**(12,153)**	35,652

39. 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	435,952	6,005	441,957
Share of loss for the year	(88,233)	–	(88,233)
Share of other comprehensive expense for the year	(1,190)	–	(1,190)
Share of total comprehensive expense for the year	(89,423)	–	(89,423)
Recognition of equity-settled share-based payment (note 47)	–	4,504	4,504
At 30 June 2015	346,529	10,509	357,038
Share of loss for the year	(107,140)	–	(107,140)
Share of other comprehensive expense for the year	(5,474)	–	(5,474)
Share of total comprehensive expense for the year	(112,614)	–	(112,614)
Recognition of equity-settled share-based payment (note 47)	–	4,872	4,872
Issue of new ordinary shares for the acquisition of non-controlling interest of a subsidiary (note 46(a))	(279,035)	–	(279,035)
Acquisition of non-controlling interest of a subsidiary (note 46(b))	8,401	–	8,401
Non-controlling interests arising on acquisition of a business through purchase of additional interest in an associate (note 45)	102,246	4,196	106,442
At 30 June 2016	65,527	19,577	85,104

40. DEFERRED TAXATION

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

	Withholding tax in respect of undistributed earnings of PRC subsidiaries HK$'000	Fair value adjustment on business combination HK$'000	Total HK$'000
At 1 July 2014	–	77,654	77,654
Credit to profit or loss for the year	–	(196)	(196)
Exchange difference	–	(13)	(13)
At 30 June 2015	–	77,445	77,445
Charge (credit) to profit or loss for the year	4,823	(92,139)	(87,316)
Addition arising from acquisition of a business through purchase of additional interest in an associate (note 45)	–	90,228	90,228
Exchange difference	–	(3,891)	(3,891)
At 30 June 2016	4,823	71,643	76,466

At 30 June 2016, the Group had estimated unused tax losses of approximately HK$2,375 million (2015: HK$2,142 million) for offset against future profits. No deferred tax asset has been recognised in respect of estimated tax losses due to the unpredictability of future profit streams. The estimated tax losses of HK$1,959 million (2015: HK$1,710 million) may be carried forward indefinitely. Unused tax losses of HK$416 million (2015: HK$432 million) will expire between 2017 and 2021 (2015: between 2016 and 2020).

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$473 million (2015: HK$160 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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41. PLEDGE OF ASSETS

At the end of the reporting period, the following assets of the Group were pledged to banks and securities houses to secure credit facilities granted to the Group:

	2016	2015
	HK$'000	HK$'000
Investments held for trading	**1,133,291**	1,757,635
Buildings (included in property, plant and equipment)	**130,480**	586,093
Available-for-sale investments	**9,387**	10,607
Prepaid lease payments	**–**	91,469
Investment properties	**482,310**	–
Properties under development for sale	**117,814**	618,719
Properties held for sale	**474,640**	19,343
Pledged bank deposits	**586,545**	297,147
	2,934,467	3,381,013

The Group's obligations under finance leases are secured by the Group's charge over the leased assets. At 30 June 2016, the carrying amount of the Group's medical equipment included an amount of HK$68,269,000 (2015: HK$201,575,000) in respect of assets held under finance leases.

42. COMMITMENTS

Lease commitments

The Group as lessee

	2016	2015
	HK$'000	HK$'000
Minimum lease payments paid under operating leases in respect of premises	**2,273**	2,167

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2016	2015
	HK$'000	HK$'000
Within one year	**19,130**	2,627
In the second to fifth year inclusive	**50,786**	5,035
	69,916	7,662

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42. COMMITMENTS *(continued)*

Lease commitments *(continued)*

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated and rentals are fixed for a lease term of one to five (2015: three) years.

The Group as lessor

Property rental income earned during the year was approximately HK$4,145,000 (2015: HK$4,020,000). The properties held have committed tenants for a lease term ranging from one to five years (2015: two to three years).

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2016 **HK$'000**	2015 HK$'000
Within one year	**2,836**	4,055
In the second to fifth year inclusive	**2,786**	1,454
	5,622	5,509

Capital commitments

	2016 **HK$'000**	2015 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statement in respect of:		
– Property, plant and equipment	**120,903**	–
– Investment properties	**38,930**	–
	159,833	–

43. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Both the Group and the employees contribute a fixed percentage of the relevant payroll to the MPF Scheme. The cap of contribution amount is HK$1,500 per employee per month. The only obligation of the Group with respect of the MPF Scheme is to make the required contributions under the scheme.

The Group operates various benefits schemes for its full-time employees in the PRC in accordance with the relevant PRC regulations and rules, including provision of housing provident fund, medical insurance, retirement insurance, unemployment insurance, labour injury insurance and pregnancy insurance. Pursuant to the existing schemes, the Group contributes 7%, 5%, 17%, 2%, 0.5% and 0.5% of the basic salary of its employees to the housing provident fund, medical insurance, retirement insurance, unemployment insurance, labour injury and pregnancy insurance respectively. The only obligation of the Group with respect of the various benefits schemes is to make the required contributions under the scheme.

During the year ended 30 June 2016, the retirement benefits scheme contributions charged to consolidated statement of profit or loss were HK$16,614,000 (2015: HK$12,317,000).

44. RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties:

	2016 **HK$'000**	2015 HK$'000
Interest income from loans granted to associates of the Company	**–**	9,943
Interest expense to borrowing from a related party of the Company	**4,565**	–

The Group has the following balance outstanding at the end of the year:

	2016 **HK$'000**	2015 HK$'000
Borrowing from a related party	**75,462**	–
Unsecured other borrowing from a related party	**13,980**	–

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44. RELATED PARTY TRANSACTIONS *(continued)*

Compensation of key management personnel

The remuneration of directors, who are the key management of the Group during the year was as follows:

	2016	2015
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**6,663**	9,795
Retirement benefits costs	**54**	54
	6,717	9,849

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

45. ACQUISITION OF A BUSINESS THROUGH PURCHASE OF ADDITIONAL INTEREST IN AN ASSOCIATE

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 on elderly care and retirement community.

Consideration transferred

	HK$'000
Issue of new ordinary shares of the Company (Note 1)	165,000
Fair value of previously held interest (Note 2)	102,246
	267,246

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 consolidated statement of profit or loss for year ended 30 June 2016.

45. ACQUISITION OF A BUSINESS THROUGH PURCHASE OF ADDITIONAL INTEREST IN AN ASSOCIATE *(continued)*

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)
	340,821
Non-controlling interests	(106,442)
Goodwill	32,867
	267,246

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. All contractual cash flows are expected to be collected 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. The remaining amount of HK$4,196,000 represents fair value of share options granted to a director of the Group as details in note 47.

Goodwill on acquisition

	HK$'000
Consideration transferred	267,246
Plus: Non-controlling interests	106,442
Less: Fair value of identifiable net assets acquired	(340,821)
	32,867

45. ACQUISITION OF A BUSINESS THROUGH PURCHASE OF ADDITIONAL INTEREST IN AN ASSOCIATE *(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 amounts of the identifiable assets acquired and the liabilities assumed and attributed to the anticipated profitability of its provision of elderly care and health services on the retirement community developed by Aveo China and its subsidiaries.

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	69,602

Impact of acquisition on the results of the Group

Included in the Group's loss for the year ended 30 June 2016, loss of HK$70,814,000 is attributable to the additional business generated by Aveo China. Revenue included in the Group's revenue for the year ended 30 June 2016 amount to HK$984,879,000.

Had the acquisition been completed on 1 July 2015, total group revenue for the year would have been HK$2,400 million, and loss for the year would have been HK$906 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 July 2015, nor is it intended to be a projection of future results.

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

(a) Acquisition of non-controlling interests of Jiatai Construction

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 (the "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.

(b) Acquisition of non-controlling interests of Yangpu Zhaohe

On 28 December 2015, Hainan Hengrun Industrial Investment Company Limited (the "Vendor I") and Shenzhen Sanxiang Investment Company Limited (the "Vendor II"), who held 10.2% and 8.16% of the registered capital in Yangpu Zhaohe respectively, entered into agreements with Jiatai Construction, pursuant to which Jiatai Construction has conditionally agreed to acquire and Vendor I and Vendor II has conditionally agreed to sell 10.2% and 8.16% of the registered capital held by them in Yangpu Zhaohe for a consideration of RMB50,000,000 (approximately HK$59,250,000) and RMB40,000,000 (approximately HK$47,400,000) respectively ("Yangpu Zhaohe Acquisitions"). After completion of the Yangpu Zhaohe Acquisitions on 12 May 2016, Yangpu Zhaohe became a direct wholly-owned subsidiary of Jiatai Construction. Details of the Yangpu Zhaohe Acquisitions are set out in the Company's announcements dated 28 December 2015 and 13 May 2016.

The fair value of the aggregated considerations for the Yangpu Zhaohe Acquisitions is the total considerations payable at the completion date of RMB90,000,000 (approximately HK$106,650,000). The difference of HK$115,051,000 between the 18.36% non-controlling interests of HK$8,401,000 and the fair value of the aggregate considerations of HK$106,650,000 has been debited to other reserves.

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47. SHARE-BASED PAYMENT TRANSACTIONS

Share option scheme – Aveo China

On 11 February 2015, Aveo China signed a call option agreement ("Call Option Agreement") with a director of the Company (the "Grantee"). Aveo China granted to the Grantee the right to require Aveo China to allot and issue 10% of the total issued number of shares of Aveo China at the time of exercise of the option. The option may be exercised in whole or in part by the Grantee at any time from the date hereof up to the second anniversary of the date of this Call Option Agreement. Under the share option scheme, a total of 400 call options were granted without any option premium of HK$1. Upon exercising the options, each option confers to the holder the right to acquire 1 ordinary share of Aveo China at a fixed price of HK$75,000 per share. The option itself does not confer rights on the holders to dividends or vote at shareholders' meeting prior to exercise.

Based on the current registered paid up capital of Aveo China, and assuming no increase in the registered paid up capital of Aveo China until the exercise of the call option, the director will be interested in 10% of the registered capital of Aveo China upon full exercise of the call option.

Fair value of these options was calculated using the Binomial Model. The inputs into the model are as follows:

	At the date of completion of the acquisition of Aveo China
Grant date share price	HK$15,057
Exercise price	HK$75,000
Expected life	2 years
Expected volatility	35.05%
Expected dividend yield	N/A
Risk-free interest rate	3.16%

The estimated fair value of the share options at the acquisition date is HK$4,196,000.

Upon the completion of the acquisition of Aveo China, the fair value of share options granted amounting HK$4,196,000 was recognised in share options reserve of subsidiary.

47. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

Share option scheme – Jiatai Construction

In March 2013, Jiatai Construction signed a cooperative agreement ("Cooperative Agreement") with a doctor so as to employ the doctor to be the hospital in-charge in 南京同仁醫院 ("Nanjing Tongren Hospital") for ten years. At the same time, Jiatai Construction 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 6 months upon the completion of five years employment and the satisfaction of the 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 the 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 year ended 30 June 2016, share-based payment expense of HK$4,872,000 was recognised (2015: HK$4,504,000) in the consolidated statement of profit or loss.

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48. CONTINGENT LIABILITIES

Mutual Guarantee

On 18 July 2013, Tongren Healthcare 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 the Mutual Guarantee shall be approximately 18 months from 18 July 2013 to 31 December 2014 and further extended to 31 December 2015. Such agreement has been expired during the year and no extension of agreement has been made. A former director of Jiatai Construction and certain subsidiaries of Jiatai Construction has a beneficial interest in Huali. As at 30 June 2016, Tongren Healthcare provided guarantees of RMB50,000,000 (approximately HK$58,250,000) (2015: RMB50,000,000 (approximately HK$62,465,000) to Huali under the Mutual Guarantee, while Huali and its subsidiary provided guarantees of RMB425,000,000 (approximately HK$495,125,000) (2015: RMB243,000,000 (approximately HK$303,581,000)) to Tongren Healthcare and its subsidiaries under the Mutual Guarantee. As at 30 June 2015, the fair value of the Mutual Guarantees was estimated to be insignificant.

Guarantee on mortgage bank loans

During the year, Aveo China has given guarantees in respect of the settlement of mortgage bank loans provided by banks to the purchasers of Aveo China's developed properties in Shanghai, the PRC. At 30 June 2016, Aveo China had given guarantees in respect of such mortgage bank loans of HK$32,270,500.

In the opinion of the directors, the fair values of these financial guarantee contracts of the Group are insignificant at initial recognition and the directors consider that the possibility of default of the parties involved is remote, accordingly, no value has been recognised at the inception of the guarantee contracts and at the end of the reporting period.

49. EVENTS AFTER THE REPORTING PERIOD

On 13 July 2016, the Group entered into a sale and purchase agreement with an independent third party pursuant to which the Group agreed to dispose of the entire registered capital of a wholly-owned subsidiary, Yunnan Xinxinhua Hospital Co. Ltd. (雲南新新華醫院有限公司) ("Xinxinhua Hospital Company"), at a consideration of RMB13,000,000. The disposal was completed on 19 July 2016. The directors of the Company are in the progress of assessing the financial impact of this transaction to the Group.

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 30 June 2016 and 30 June 2015 are as follows:

Name of subsidiary	Country/ place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Proportion of capital/registered capital held by the Group 2016	2015	Principal activities
Directly held by the Company					
Jiatai Construction*	PRC	Registered US$116,790,000	**100%**	60.52%	Investment holding
Indirectly held by the Company					
Forepower Limited	BVI	Ordinary US$1	**100%**	100%	Property investment in Hong Kong
Focus Clear Limited	BVI	Ordinary US$1	**100%**	100%	Securities trading and investment in Hong Kong
Fortune Team Investment Limited	Hong Kong	Ordinary HK$1	**100%**	100%	Money lending
Future Rise Investments Limited	BVI	Ordinary US$1	**100%**	100%	Trading of securities listed in oversea exchange
Genwo Limited	Hong Kong	Ordinary HK$200,000	**100%**	100%	Property investment
Honest Opportunity Limited	BVI	Ordinary US$1	**100%**	100%	Securities trading and investment in Hong Kong and overseas
Join Capital Limited	Hong Kong	Ordinary HK$2	**100%**	100%	Investment holding and money lending
Kintic Limited	Hong Kong	Ordinary HK$2	**100%**	100%	Property investment
Sparkling Summer Limited	BVI	Ordinary US$6,500,000	**100%**	100%	Securities trading in Hong Kong

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50. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Country/ place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Proportion of capital/registered capital held by the Group 2016	2015	Principal activities
Indirectly held by the Company *(continued)*					
Star Telecom Properties Limited	Hong Kong	Ordinary HK$200	**100%**	100%	Investment and property holding
Taskwell Limited	BVI	Ordinary US$1	**100%**	100%	Holding of investment listed in Hong Kong
Widerich Limited	Hong Kong	Ordinary HK$2	**100%**	100%	Property investment
Nanjing Tongren Industrial Company Limited** (南京同仁實業有限公司) ("Nanjing Tongren Industrial")	PRC	Registered RMB80,000,000	**80%#**	80%#	Property development
Nanjing Tongren Hospital Company Limited** (南京同仁醫院有限公司) ("NJ Tongren Hospital")	PRC	Registered RMB50,000,000	**100%#**	100%##	Operation of a hospital in Nanjing
Kunming Tongren Industrial Development Co., Ltd.** (昆明同仁實業開發有限公司) ("Kunming Tongren Industrial")	PRC	Registered RMB80,000,000	**100%#**	100%##	Property development
Kunming Tongren Hospital Company Limited** (昆明同仁醫院有限公司)("Kunming Tongren Hospital")	PRC	Registered RMB80,000,000	**100%#**	100%##	Operation of a hospital in Kunming
Yunnan Xinxinhua Hospital Co., Ltd.** (雲南新新華醫院有限公司)("Xinxinhua Hospital Company")	PRC	Registered RMB30,000,000	**100%#**	100%##	Operation of a hospital in Kunming
Aveo China (Holdings) Limited ("Aveo China")	BVI	Ordinary US$4,000	**70%**	N/A	Investment holding
Tide Properties Development (Shanghai) Co., Ltd.** (德地置業發展(上海)有限公司)("Tide Properties")	PRC	Registered RMB388,000,000	**100%###**	N/A###	Property development and property investment for eldercare operation

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

* Wholly foreign-owned enterprise.

** Domestic owned enterprise.

\# These companies are held indirectly by Jiatai Construction. The Company has effective interests of 80%, 80%, 100%, 100% and 100% in Nanjing Tongren Industrial, NJ Tongren Hospital, Kunming Tongren Industrial, Kunming Tongren Hospital and Xinxinhua Hospital Company respectively, as at 30 June 2016.

\## These companies are held indirectly by Jiatai Construction. The Company has effective interests of 41.97%, 41.97%, 52.46%, 52.46% and 52.46% in Nanjing Tongren Industrial, NJ Tongren Hospital, Kunming Tongren Industrial, Kunming Tongren Hospital and Xinxinhua Hospital Company respectively as at 30 June 2015.

\### This company is held indirectly by Aveo China. The Company has effective interest of 70% in Tide Properties as at 30 June 2016. As at 30 June 2015, the proportion of the Group's ownership interest in Tide Properties is 30%, which was classified as interests in associate.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

All subsidiaries operate principally in their places of incorporation unless specified otherwise under "Principal activities".

None of the subsidiaries had any debts securities subsisting at 30 June 2016 and 30 June 2015 or at any time during the respective year.

At the end of the reporting period the Company has other subsidiaries that are not material to the Group. The principal activities of these subsidiaries are summarised as follows:

Principal place	Principal activities of business	Number of subsidiaries 2016	2015
Securities trading and investments	Hong Kong	**3**	6
Property investment	PRC	**–**	1
Property development	PRC	**2**	2
Investing holding	Hong Kong/PRC/BVI	**54**	41
		59	50

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For the year ended 30 June 2016

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

The table below shows details of non-wholly owned subsidiaries of the Group that has material non-controlling interests:

Name of subsidiaries	Country of incorporation /principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2016	2015	**2016**	2015	**2016**	2015
				HK$'000	HK$'000	**HK$'000**	HK$'000
Aveo China	BVI / PRC	**30%**	N/A	**(21,244)**	N/A	**84,075**	–
Jiatai Construction	PRC / PRC	**–**	39.48%	**(17,740)**	(82,111)	**–**	326,284
Individually immaterial subsidiaries with non-controlling interests						**1,029**	30,754
						85,104	357,038

Summarised consolidated financial information for the years ended 30 June 2016 and 2015 in respect of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts after fair value adjustment on acquisition and before intragroup eliminations.

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Aveo China and its subsidiaries (collectively "Aveo Group")

	2016 HK$'000
Non-current assets	624,483
Current assets	505,528
Non-current liabilities	(56,485)
Current liabilities	(807,261)
Total equity	266,265
Equity attributable to the owners of the Company	182,190
Non-controlling interests of Aveo Group	84,075
	266,265
Revenue	984,879
Cost of sales	(902,807)
Other income and other gains and losses	1,341
Expenses	(56,418)
Fair value gain on investment properties	2,666
Taxation expense	(100,475)
Loss for the period	(70,814)
Other comprehensive expense for the period	(3,742)
Total comprehensive expense for the period	(74,556)
Loss for the period attributable to	
– the owners of Aveo Group	(49,570)
– non-controlling interests of Aveo Group	(21,244)
Loss for the period	(70,814)
Other comprehensive expense for the period attributable to	
– the owners of Aveo Group	(2,619)
– non-controlling interests of Aveo Group	(1,123)
Other comprehensive expense for the period	(3,742)
Total comprehensive expense for the period attributable to	
– the owners of Aveo Group	(52,189)
– non-controlling interests of Aveo Group	(22,367)
Total comprehensive expense for the period	(74,556)
Net cash outflow from operating activities	(6,847)
Net cash outflow from investing activities	(2,448)
Net cash outflow from financing activities	(33,463)
Effect of changes in foreign exchange rates	(4,507)
Net cash outflow	(47,265)
Dividend paid to non-controlling interests of Aveo Group	–

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For the year ended 30 June 2016

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Jiatai Construction and its subsidiaries (collectively "Jiatai Group")

	2015 HK$'000
Non-current assets	1,480,677
Current assets	1,443,839
Non-current liabilities	(277,738)
Current liabilities	(1,989,183)
Total equity	657,595
Equity attributable to the owners of Jiatai Group	331,311
Non-controlling interests of Jiatai Group	326,284
	657,595
Revenue	678,138
Other income and other gains and losses	11,094
Expenses	(836,216)
Share of result of an associate	(7,218)
Taxation expense	(14,785)
Loss for the year	(168,987)
Other comprehensive income for the year	801
Total comprehensive expenses for the year	(168,186)
Loss for the year attributable to	
– the owners of Jiatai Group	(86,876)
– non-controlling interests of Jiatai Group	(82,111)
Loss for the year	(168,987)
Other comprehensive income (expense) for the year attributable to	
– the owners of Jiatai Group	1,991
– non-controlling interests of Jiatai Group	(1,190)
Other comprehensive income for the year	801
Total comprehensive expense for the year attributable to	
– the owners of Jiatai Group	(89,389)
– non-controlling interests of Jiatai Group	(78,797)
Total comprehensive expense for the year	(168,186)
Net cash inflow (outflow) from operating activities	174,255
Net cash inflow (outflow) from investing activities	51,377
Net cash (outflow) inflow from financing activities	(247,725)
Net cash (outflow) inflow	(22,093)
Dividend paid to non-controlling interests of Jiatai Group	–

51. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	30 June 2016 HK$'000	30 June 2015 HK$'000
Non-current Assets		
Investments in subsidiaries	**1,666,898**	582,673
Current Assets		
Debtors and prepayments	**703**	284
Amounts due from subsidiaries	**1,113,188**	1,033,469
Bank balances and cash	**607,960**	10,837
	1,721,851	1,044,590
Current Liabilities		
Creditors and accruals	**3,174**	8,840
Amounts due to subsidiaries	**314,044**	513,978
	317,218	522,818
Net Current Assets	**1,404,633**	521,772
Total Assets less Current Liabilities	**3,071,531**	1,104,445
Capital and Reserves		
Share capital (note 37)	**7,240**	5,262
Reserves	**3,064,291**	1,099,183
Total equity	**3,071,531**	1,104,445

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For the year ended 30 June 2016

51. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(continued)*

Movement in the Company's reserve

	Share Capital HK$'000	Share Premium HK$'000	Capital redemption reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 July 2014	5,311	659,028	2,440	721,341	1,388,120
Profit and total comprehensive income for the year	–	–	–	41,810	41,810
Dividends recognised as distribution (note 16)	–	–	–	(53,032)	(53,032)
Dividend by way of distribution of shares of an associate (note 16)	–	–	–	(254,551)	(254,551)
Repurchase of shares	(49)	(17,853)	49	(49)	(17,902)
At 30 June 2015	5,262	641,175	2,489	455,519	1,104,445
Loss and total comprehensive expense for the year	–	–	–	(15,091)	(15,091)
Issue of new ordinary shares for the acquisition of non-controlling interest of a subsidiary (note 46(a))	835	918,391	–	–	919,226
Issue of new ordinary shares for the acquisition of a business through purchase of additional interest in an associate (note 45)	150	164,850	–	–	165,000
Issue of new ordinary shares	1,000	899,000	–	–	900,000
Repurchase of shares	(7)	(2,042)	7	(7)	(2,049)
At 30 June 2016	7,240	2,621,374	2,496	440,421	3,071,531

FINANCIAL SUMMARY

The results and the assets and liabilities of the Group for the past five financial years, as extracted from the Group's published audited consolidated financial statements and reclassified as appropriate, are set out below:

RESULTS

	For the year ended 30 June				
	2012	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	538,434	1,298,331	1,938,127	1,969,740	**2,985,927**
Profit (loss) before taxation	(550,823)	(814,665)	898,325	155,545	**(774,649)**
Taxation (charge) credit	(383)	5,877	(40,495)	(15,335)	**(115,651)**
Profit (loss) for the year	(551,206)	(808,788)	857,830	140,210	**(890,300)**
Attributable to:					
Owners of the Company	(531,425)	(780,719)	927,908	228,443	**(783,160)**
Non-controlling interests	(19,781)	(28,069)	(70,078)	(88,233)	**(107,140)**
	(551,206)	(808,788)	857,830	140,210	**(890,300)**

ASSETS AND LIABILITIES

	As at 30 June				
	2012	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	3,466,029	5,285,317	6,139,681	5,426,438	**5,947,249**
Total liabilities	(1,619,083)	(3,794,380)	(3,874,754)	(3,415,013)	**(3,868,938)**
	1,846,946	1,490,937	2,264,927	2,011,425	**2,078,311**
Equity attributable to owners of the Company	1,804,495	983,159	1,822,970	1,654,387	**1,993,207**
Non-controlling interests	42,451	507,778	441,957	357,038	**85,104**
	1,846,946	1,490,937	2,264,927	2,011,425	**2,078,311**