



China Medical & HealthCare Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 383)

2016 Interim Report

**UNAUDITED RESULTS OF THE GROUP**

The board of directors (the “Directors”) of China Medical & HealthCare Group Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31 December 2016 together with the comparative figures for the corresponding period in 2015 as follows:–

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
 FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	NOTES	Six months ended	
		31.12.2016 HK\$'000 (unaudited)	31.12.2015 HK\$'000 (unaudited)
Revenue	3	710,121	812,393
Gross proceeds from sales of investments held for trading		<u>459,571</u>	<u>371,927</u>
Total		<u>1,169,692</u>	<u>1,184,320</u>
Revenue	3	710,121	812,393
Cost of goods and services		<u>(561,289)</u>	<u>(717,329)</u>
Gross profit		148,832	95,064
Other gains and losses	5	163,506	(372,971)
Other income		18,974	19,621
Selling and distribution costs		(8,732)	(2,994)
Administrative expenses		(122,361)	(91,836)
Finance costs	6	(51,029)	(74,496)
Share of results of associates		–	(4,861)
Profit (loss) before taxation		149,190	(432,473)
Taxation expense	7	<u>(17,412)</u>	<u>(29,979)</u>
Profit (loss) for the period	8	<u>131,778</u>	<u>(462,452)</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

		Six months ended	
	NOTE	31.12.2016	31.12.2015
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Profit (loss) for the period attributable to:			
– Owners of the Company		123,830	(445,581)
– Non-controlling interests		7,948	(16,871)
		131,778	(462,452)
Earnings (loss) per share			
– Basic	10	HK0.86 cents	HK(4.13) cents
– Diluted		HK0.86 cents	HK(4.13) cents



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	Six months ended	
	31.12.2016	31.12.2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit (loss) for the period	<u>131,778</u>	<u>(462,452)</u>
Other comprehensive (expense) income		
Items that will be reclassified subsequently to profit or loss:		
Net change on available-for-sale investments:		
Gain on fair value changes	780	2,837
Reclassification adjustment for the cumulative gain included in profit or loss upon disposal of available-for-sale investments	<u>(1,082)</u>	<u>(9,116)</u>
	<u>(302)</u>	<u>(6,279)</u>
Exchange differences arising on translation:		
Exchange loss arising from translation of foreign operation	(25,278)	(33,370)
Share of changes in other comprehensive expense of an associate	–	1,982
Reclassification adjustment for the cumulative gain included in profit or loss upon deemed disposal of an associate	<u>–</u>	<u>(1,146)</u>
	<u>(25,278)</u>	<u>(32,534)</u>

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

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	Six months ended	
	31.12.2016	31.12.2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Other comprehensive expense for the period	<u>(25,580)</u>	<u>(38,813)</u>
	<u>106,198</u>	<u>(501,265)</u>
Total comprehensive income (expense) attributable to:		
Owners of the Company	<u>98,229</u>	<u>(478,511)</u>
Non-controlling interests	<u>7,969</u>	<u>(22,754)</u>
	<u>106,198</u>	<u>(501,265)</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AT 31 DECEMBER 2016

	NOTES	31.12.2016 <i>HK\$'000</i> (unaudited)	30.6.2016 <i>HK\$'000</i> (audited)
Non-current assets			
Investment properties	11	718,556	708,488
Property, plant and equipment	11	1,314,993	1,377,117
Prepaid lease payments		101,441	107,450
Interests in associates	12	–	–
Available-for-sale investments		746	746
Intangible assets		12,481	13,034
Goodwill		31,552	32,867
Deposits for acquisition of property, plant and equipment		20,596	4,470
		2,200,365	2,244,172
Current assets			
Inventories		13,414	27,983
Properties under development for sale		317,582	331,822
Properties held for sale		373,744	558,742
Prepaid lease payments		2,768	2,865
Available-for-sale investments		803	10,190
Investments held for trading		1,082,775	1,161,134
Debtors, deposits and prepayments	13	129,725	140,120
Loans receivable	14	56,971	40,000
Derivative financial instruments	17	278	4,275
Pledged bank deposits		463,457	586,545
Restricted bank deposits		2,026	3,386
Bank balances and cash		754,055	836,015
		3,197,598	3,703,077

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AT 31 DECEMBER 2016

	NOTES	31.12.2016 HK\$'000 (unaudited)	30.6.2016 HK\$'000 (audited)
Current liabilities			
Creditors and accrued charges	15	539,584	633,016
Deposits received on sales of properties		38,325	46,226
Customers' deposits and receipts in advance		63,627	42,628
Consideration payable		55,750	104,850
Amount due to an associate		6,133	7,573
Borrowings – due within one year	16	1,861,955	2,517,531
Obligations under finance leases – due within one year		13,487	10,766
Derivative financial instruments	17	3,024	55,346
Taxation payable		238,243	228,389
		<u>2,820,128</u>	<u>3,646,325</u>
Net current assets		<u>377,470</u>	<u>56,752</u>
Total assets less current liabilities		<u>2,577,835</u>	<u>2,300,924</u>
Non-current liabilities			
Deferred tax liabilities	18	62,427	76,466
Borrowings – due after one year	16	301,050	116,500
Obligations under finance leases – due after one year		17,325	29,647
		<u>380,802</u>	<u>222,613</u>
		<u>2,197,033</u>	<u>2,078,311</u>

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

AT 31 DECEMBER 2016

	NOTE	31.12.2016 HK\$'000 (unaudited)	30.6.2016 HK\$'000 (audited)
Capital and reserves			
Share capital	19	7,240	7,240
Reserves		<u>2,081,205</u>	<u>1,985,967</u>
Equity attributable to owners of the			
Company		<u>2,088,445</u>	1,993,207
Non-controlling interests		<u>108,588</u>	<u>85,104</u>
Total equity		<u>2,197,033</u>	<u>2,078,311</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	Attributable to the owners of the Company										Non-controlling interests	Total
	Share capital	Share premium	Properties revaluation reserve	Investment revaluation reserve	Capital redemption reserve	Other reserves	Translation reserve	Retained profits	Total	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2015 (audited)	5,262	641,175	17,100	3,819	2,489	46,696	35,652	902,194	1,654,387	357,038	2,011,425	
Loss for the period	-	-	-	-	-	-	-	(445,581)	(445,581)	(16,871)	(462,452)	
Other comprehensive expense for the period	-	-	-	(6,279)	-	-	(26,651)	-	(32,930)	(5,883)	(38,813)	
Total comprehensive expense for the period	-	-	-	(6,279)	-	-	(26,651)	(445,581)	(478,511)	(22,754)	(501,265)	
Recognition of equity-settled share-based payments (note 25)	-	-	-	-	-	-	-	-	-	2,252	2,252	
Repurchases of shares	(7)	(2,042)	-	-	7	-	-	(7)	(2,049)	-	(2,049)	
Issue of new ordinary shares for the acquisition of non-controlling interest of a subsidiary (note 27)	835	918,391	-	-	-	(693,555)	-	-	225,671	(279,035)	(53,364)	
Issue of new ordinary shares for the acquisition of a business through purchase of additional interest in an associate (note 26)	150	164,850	-	-	-	-	-	-	165,000	-	165,000	
Acquisition of a business through purchase of additional interest in an associate (note 26)	-	-	-	-	-	-	-	-	-	106,442	106,442	
Issue of new ordinary shares	1,000	899,000	-	-	-	-	-	-	900,000	-	900,000	
At 31 December 2015 (unaudited)	7,240	2,621,374	17,100	(2,460)	2,496	(646,859)	9,001	456,606	2,464,498	163,943	2,628,441	
At 1 July 2016 (audited)	7,240	2,621,374	17,127	6	2,496	(761,910)	(12,153)	119,027	1,993,207	85,104	2,078,311	
Profit for the period	-	-	-	-	-	-	-	123,830	123,830	7,948	131,778	
Other comprehensive (expense) income for the period	-	-	-	(302)	-	-	(25,299)	-	(25,601)	21	(25,580)	
Total comprehensive income (expense) for the period	-	-	-	(302)	-	-	(25,299)	123,830	98,229	7,969	106,198	
Recognition of equity-settled share-based payments (note 25)	-	-	-	-	-	-	-	-	-	2,252	2,252	
Capital contribution from non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	10,272	10,272	
Acquisition of non-controlling interest of a subsidiary without a change in control (note 27)	-	-	-	-	-	(2,991)	-	-	(2,991)	2,991	-	
At 31 December 2016 (unaudited)	7,240	2,621,374	17,127	(296)	2,496	(764,901)	(37,452)	242,857	2,088,445	108,588	2,197,033	

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	Six months ended	
	31.12.2016	31.12.2015
<i>NOTES</i>	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Cash from (used in) operating activities	406,995	(209,278)
Interest paid	(51,029)	(74,496)
Tax paid	(7,372)	(7,690)
Net cash from (used in) operating activities	348,594	(291,464)
Investing activities		
Acquisition of available-for-sale investments	–	(2,593)
Proceeds from disposal of available-for-sale investments	10,167	61,282
Withdrawal of pledged bank deposits and restricted bank deposits	128,550	288,041
Placement of pledged bank deposits and restricted bank deposits	(13,167)	(402,605)
Acquisition of investment properties	–	(19,582)
Additions of investment properties	(33,488)	–
Deposits paid for acquisition of property, plant and equipment	(20,596)	–
Acquisition of property, plant and equipment	(50,374)	(16,032)
Repayment of consideration payable	(44,600)	(67,002)
Acquisition of a business 26	–	69,602
Disposal of a subsidiary 28	12,955	–
Other investing activities	3,384	3,271
Net cash used in investing activities	(7,169)	(85,618)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	Six months ended	
	31.12.2016	31.12.2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Financing activities		
New borrowing from a related party	–	75,462
New borrowings raised	1,110,638	1,458,084
Capital contribution from non-controlling interests of a subsidiary	3,522	–
Repayments of borrowings	(1,519,041)	(1,203,815)
Repayment of borrowing from a related party	–	(75,462)
Repayment to an associate	(1,137)	–
Proceeds from issue of ordinary shares	–	900,000
Repurchases of shares	–	(2,049)
Repayments of obligations under finance leases	(9,702)	(23,198)
Net cash (used in) from financing activities	(415,720)	1,129,022
Net (decrease) increase in cash and cash equivalents	(74,295)	751,940
Cash and cash equivalents at beginning of the period	836,015	157,622
Effect of changes in foreign exchange rate	(7,665)	(8,671)
Cash and cash equivalents at end of the period	754,055	900,891
Represented by:		
Bank balances and cash	754,055	900,891

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2016.

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

3. REVENUE

	Six months ended	
	31.12.2016	31.12.2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Dividend income from listed investments	6,727	14,364
Interest income from loans receivable	8,150	7,049
Rental income	3,096	2,123
Revenue from provision of elderly care related service	3,520	–
Hospital fees and charges	401,357	386,719
Revenue from sale of properties related to property development segment	48,314	202
Revenue from sale of properties related to eldercare segment	238,957	401,936
	710,121	812,393

4. SEGMENT INFORMATION

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

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

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

Financial services – provision of financial services.

Property investment – leasing of residential and office properties.

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



4. SEGMENT INFORMATION *(Continued)*

Healthcare – operations of hospitals in the PRC.

Eldercare – property development of independent living units and project management of health campus in the PRC with focus on 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.

Segment revenues and results

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

For the six months ended 31 December 2016

	Securities trading and investments	Financial services	Property investment	Property development	Healthcare	Eldercare	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Gross proceeds from sales of investments held for trading	459,571	-	-	-	-	-	459,571
Revenue	6,727	8,150	3,096	48,314	401,357	242,477	710,121
Segment profit	147,917	27,256	1,944	6,606	2,817	32,471	219,011
Other income							1,546
Net foreign exchange loss							(8,789)
Gain on disposal of a subsidiary							437
Central corporate expenses							(36,600)
Finance costs							(26,415)
Profit before taxation							149,190

4. SEGMENT INFORMATION *(Continued)*

For the six months ended 31 December 2015

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

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

Segment profit (loss) represents the profit earned or loss incurred by each segment without allocation of certain other income, certain foreign exchange loss, gain on disposal of a subsidiary, gain on deemed disposal of an associate, central corporate expenses, share of results of associates and certain finance costs.



4. SEGMENT INFORMATION *(Continued)*

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

At 31 December 2016

	Securities trading and investments HK\$'000 (unaudited)	Financial services HK\$'000 (unaudited)	Property investment HK\$'000 (unaudited)	Property development HK\$'000 (unaudited)	Healthcare HK\$'000 (unaudited)	Eldercare HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Segment assets	1,089,470	62,578	226,178	341,511	1,412,108	1,018,130	4,149,975
Corporate assets							<u>1,247,988</u>
Consolidated assets							<u>5,397,963</u>
Segment liabilities	739,465	1,139	1,639	128,891	759,333	378,439	2,008,906
Corporate liabilities							<u>1,192,024</u>
Consolidated liabilities							<u>3,200,930</u>

At 30 June 2016

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

5. OTHER GAINS AND LOSSES

	Six months ended	
	31.12.2016	31.12.2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Gain (loss) in fair value change of investments held for trading	142,154	(477,748)
Gain in fair value change of derivative financial instruments	10,235	7,113
Gain on deemed disposal of an associate (note 26)	–	97,270
Gain on disposal of available-for-sale investments	1,082	9,116
Gain on disposal of a subsidiary (note 28)	437	–
Net foreign exchange loss	(12,087)	(8,722)
Reversal of impairment loss recognised on loan receivable (note 14)	19,247	–
Reversal of impairment loss recognised on other debtor (note 14)	2,438	–
	<u>163,506</u>	<u>(372,971)</u>

6. FINANCE COSTS

The finance costs represent interest as follows:

	Six months ended	
	31.12.2016	31.12.2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on:		
Other borrowings wholly repayable within five years	22,911	35,173
Bank borrowings wholly repayable within five years	26,415	33,029
Obligations under finance leases	1,329	4,540
Discounted bills	374	1,754
	<u>51,029</u>	<u>74,496</u>

7. TAXATION EXPENSE

	Six months ended	
	31.12.2016 HK\$'000 (unaudited)	31.12.2015 HK\$'000 (unaudited)
Current tax charge – Enterprise Income Tax (“EIT”) in the PRC	16,172	2,355
Underprovision of EIT in the PRC in previous years	–	6,168
Land appreciation tax (“LAT”) in the PRC	10,646	21,132
Deferred taxation (<i>note 18</i>)	(9,406)	324
	17,412	29,979

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

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

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



8. PROFIT (LOSS) FOR THE PERIOD

	Six months ended	
	31.12.2016	31.12.2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit (loss) for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	44,458	45,454
Release of prepaid lease payments	1,409	1,498
Amortisation of intangible assets (included in cost of goods and services)	386	410
Interest income from:		
– available-for-sale debt instruments	–	(530)
– bank deposits	(3,384)	(2,741)
Cost of inventories recognised as an expense (included in cost of goods and services)	183,149	180,682
Cost of properties held for sale recognised as an expense (included in costs of goods and services)	220,918	381,758

9. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 31 December 2016 and 2015.

10. EARNINGS (LOSS) PER SHARE

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

Earnings (loss)

	Six months ended	
	31.12.2016	31.12.2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share attributable to owners of the Company	<u>123,830</u>	<u>(445,581)</u>
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	<u>14,480,072,773</u>	<u>10,789,386,297</u>

The computations of diluted earnings (loss) per share for the six months ended 31 December 2016 and 2015 do not assume the exercise of share options granted by the subsidiaries since such assumed exercise would be anti-dilutive.

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

During the six months ended 31 December 2016, additions to the Group's property, plant and equipment amounted to HK\$50,283,000 (six months ended 31 December 2015: HK\$123,513,000), of which HK\$nil was purchased through acquisition of a business (six months ended 31 December 2015: HK\$107,481,000).

During the six months ended 31 December 2016, additions to the Group's investment properties amounted to HK\$33,488,000 (six months ended 31 December 2015: HK\$382,265,000), of which HK\$nil (six months ended 31 December 2015: HK\$382,265,000) was purchased through acquisition of a business.

The Group's investment properties and buildings included in property, plant and equipment as at the end of the current interim period were revalued by the directors. At 31 December 2016 and 31 December 2015, the directors considered that the carrying amounts of the investment properties and buildings included in property, plant and equipment carried at fair value/ revalued amounts did not differ significantly from that what would be determined using fair values at the reporting date.

12. INTERESTS IN ASSOCIATES

	31.12.2016	30.6.2016
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Cost of investments in associates		
Unlisted	199,197	199,197
Share of post-acquisition losses and other comprehensive expense, net of dividends received	(126,180)	(126,180)
Less: Impairment loss	(73,017)	(73,017)
	—	—

**13. DEBTORS, DEPOSITS AND PREPAYMENTS**

	31.12.2016	30.6.2016
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Debtors from securities trading	2,429	38,262
Trade receivables arising from hospital operation	74,408	73,586
Deposits with and receivables from the financial institutions	19,418	14,965
Prepayments	4,916	2,285
Prepaid business taxes and other PRC taxes	9,659	3,647
Other debtors and deposits	13,288	6,867
Interest receivable from a loans receivable	5,607	508
	129,725	140,120

The settlement terms of debtors from securities trading are 2 – 3 days after trade date and they are aged within 2 – 3 days as at 31 December 2016 and 30 June 2016.

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

The following is an aged analysis of trade receivables from hospital operation presented based on the invoice date (approximate the date of revenue recognition) as at 31 December 2016 and 30 June 2016:

	31.12.2016	30.6.2016
	HK\$'000	HK\$'000
	(unaudited)	(audited)
0 – 30 days	25,474	24,909
31- 60 days	10,235	17,524
61 – 90 days	8,555	12,459
91 – 365 days	25,252	11,147
More than 365 days	4,892	7,547
	74,408	73,586

14. LOANS RECEIVABLE

	31.12.2016	30.6.2016
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Fixed-rate loans	56,971	40,000

The loans receivable had contractual maturity dates within 1 year as at 31 December 2016 and 30 June 2016.

As 30 June 2016, aggregated loan receivable amounting to RMB15,000,000 (approximately HK\$19,247,000) was past due. Due to continuing default in repayment, an impairment loss of the loan receivable and the relevant interest receivable of HK\$19,247,000 and HK\$2,926,000 respectively were recognised. During the six months ended 31 December 2016, the management of the Group took active negotiation and follow-up action to recover the relevant loan and interest receivable. Subsequent to 31 December 2016, the Group entered into a settlement agreement with the borrower and the principle and the revised interest were received. A reversal of impairment loss of the loan receivable of HK\$19,247,000 and the interest receivable of HK\$2,438,000 were made during the six months ended 31 December 2016 accordingly.

As at 31 December 2016, the average interest rate for the fixed rate loans receivable was 24% (30 June 2016: 24%) per annum.

**15. CREDITORS AND ACCRUED CHARGES**

	31.12.2016	30.6.2016
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Trade payables to construction contractors and of hospital operation	404,880	420,288
Creditors from securities trading	4,113	4,324
Accrued compensation for late delivery of properties held for sale	5,648	5,994
Accrued construction cost for properties under development for sale	36,815	118,049
Construction cost payable for hospital buildings classified as property, plant and equipment	8,677	13,238
Other creditors and accrued charges	79,451	71,123
	539,584	633,016

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 31 December 2016 and 30 June 2016:

	31.12.2016	30.6.2016
	HK\$'000	HK\$'000
	(unaudited)	(audited)
0 – 30 days	292,110	256,880
31 – 60 days	20,322	25,723
61 – 90 days	10,337	53,942
91 – 365 days	37,598	60,924
Over 1 year but not exceeding 2 years	22,767	2,147
Over 2 years but not exceeding 5 years	21,746	20,672
	404,880	420,288

**16. BORROWINGS**

	31.12.2016	30.6.2016
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Securities margin loans	502,328	733,538
Unsecured term loans	230,000	300,000
Secured bank borrowings	540,485	725,842
Unsecured bank borrowings	493,610	454,000
Unsecured other borrowings	173,940	184,419
Discounted bills	147,180	160,770
Borrowing from a related party	75,462	75,462
	<u>2,163,005</u>	<u>2,634,031</u>

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

	31.12.2016	30.6.2016
	HK\$'000	HK\$'000
	(unaudited)	(audited)
On demand or within one year	1,861,955	2,517,531
Over one year but not exceeding two years	301,050	116,500
	2,163,005	2,634,031
Less: Amount due within one year shown under current liabilities	<u>(1,861,955)</u>	<u>(2,517,531)</u>
Amount shown under non-current liabilities	<u>301,050</u>	<u>116,500</u>

16. BORROWINGS (*Continued*)

During the current period, the Group obtained new borrowings amounting to HK\$1,110,638,000 (six months ended 31 December 2015: HK\$1,458,084,000) and repaid borrowings amounting to HK\$1,519,041,000 (six months ended 31 December 2015: HK\$1,203,815,000).

On 23 December 2015, the Company's subsidiary, Aveo China (Holdings) Limited ("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 the Lender and has an indirect controlling beneficial interest in the Lender. On 12 January 2017, the Lender and Aveo China entered into the supplemental agreement pursuant to which the parties agreed to (i) extend the repayment date under the Loan Agreement from 23 December 2016 to 23 June 2017; (ii) amend the interest rate for the first interest period commencing on 23 December 2016 to the date falling one month thereafter to 20.288% per annum and to 12% per annum for the remainder of the term; and (iii) no arrangement fee on the Loan.

17. DERIVATIVE FINANCIAL INSTRUMENTS

The derivative financial instruments comprise gross-settled option contracts linked with equity securities listed in Hong Kong, option contracts linked with exchange rates between Japanese Yen and US\$. The fair value of derivative financial instruments is quoted by counterparties and determined based on valuation techniques as detailed in note 20.

18. DEFERRED TAXATION

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

	Withholding tax in respect of undistributed earnings of PRC subsidiaries HK\$'000	Fair value adjustment on business combination HK\$'000	Total HK\$'000
At 30 June 2016 (audited)	4,823	71,643	76,466
Charged (credit) to profit or loss for the period	2,807	(12,213)	(9,406)
Exchange difference	(292)	(4,341)	(4,633)
At 31 December 2016 (unaudited)	7,338	55,089	62,427

19. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.0005 each		
Authorised:		
At 31 December 2016 and 30 June 2016	600,000,000,000	300,000
Issued and fully paid:		
At 31 December 2016 and 30 June 2016	14,480,072,773	7,240

20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

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

Financial assets/financial liabilities in the condensed consolidated statement of financial position		Fair value as at 31.12.2016	Fair value as at 30.6.2016	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\$906,693,000 – Overseas HK\$176,082,000	Listed equity securities: – Hong Kong HK\$938,730,000 – Overseas HK\$222,404,000	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	Level 1	Quoted bid prices in active markets.
3)	Gross-settled option contracts linked with listed equity securities and option contracts linked with foreign exchange rates	Assets – HK\$278,000 Liabilities – HK\$3,024,000	Assets – HK\$4,275,000 Liabilities – HK\$55,346,000	Level 3	Quoted from financial institutions



20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

	Derivative financial instruments
	HK\$'000
At 1 July 2015	(17,346)
Realised gain in profit or loss (included in other gains and losses)	7,762
Unrealised loss in profit or loss (included in other gains and losses)	(649)
Settlement	<u>(7,089)</u>
At 31 December 2015	<u>(17,322)</u>
At 1 July 2016	(51,071)
Realised gain in profit or loss (included in other gains and losses)	12,981
Unrealised loss in profit or loss (included in other gains and losses)	(2,746)
Settlement	<u>38,090</u>
At 31 December 2016	<u>(2,746)</u>

21. PLEDGE OF ASSETS

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

	31.12.2016	30.6.2016
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Investments held for trading	1,077,508	1,133,291
Building (included in property, plant and equipment)	130,641	130,480
Available-for-sale investments	–	9,387
Investment properties	492,378	482,310
Properties under development for sale	113,101	117,814
Properties held for sale	–	474,640
Pledged bank deposits	463,457	586,545
	<u>2,277,085</u>	<u>2,934,467</u>

The Group's obligations under finance leases are secured by the Group's charge over the leased assets. At 31 December 2016, the carrying amount of the Group's medical equipment included an amount of HK\$60,438,000 (30 June 2016: HK\$68,269,000) in respect of assets held under finance leases.

22. COMMITMENT

	31.12.2016	30.6.2016
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Capital expenditure contracted for but not provided		
– Property, plant and equipment	65,431	120,903
– Investment properties	24,743	38,930
	90,174	159,833

23. CONTINGENT LIABILITIES

Mutual Guarantee

On 18 July 2013, Tongren Healthcare Industry Group Company Limited (同仁醫療產業集團有限公司) (“Tongren Healthcare”), an indirectly held subsidiary of Lianyungang Jiatai Construction Co., Ltd. (連雲港嘉泰建設工程有限公司) (“Jiatai Construction”), a wholly-owned subsidiary of the Company, 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 at 31 December 2015 and no extension of agreement has been made. The guarantee on loans drawn down were in force until expiry of the loans. A former director of Jiatai Construction and certain subsidiaries of Jiatai Construction has a beneficial interest in Huali.

During the current period, the loans drawn down related to this mutual guarantee had been settled. No guarantee received or provided by Tongren Healthcare under the Mutual Guarantee as at 31 December 2016.

23. CONTINGENT LIABILITIES (Continued)

Guarantee on mortgage bank loans

Aveo China had 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 31 December 2016, Aveo China had given guarantees in respect of such mortgage bank loans of HK\$31,115,000 (30 June 2016: 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.

24. RELATED PARTY TRANSACTIONS

- (a) Other than the borrowing from a related party mentioned in note 16, Mutual Guarantee mentioned in note 23 and amount due to an associate, which is unsecured, interest-free and repayable on demand, the Group has entered into the following related party transactions during the period:

	Six months ended	
	31.12.2016	31.12.2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest expense to borrowing from a related party of the Company	4,719	–

24. RELATED PARTY TRANSACTIONS (Continued)

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

	Six months ended	
	31.12.2016	31.12.2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Salaries and other short-term employee benefits	4,026	2,366
Retirement benefit costs	35	27
	4,061	2,393

25. 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.

Upon the completion of the acquisition of Aveo China (note 26), the fair value of share options granted amounting HK\$4,196,000 was recognised in share options reserve of subsidiary.

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

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

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

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

During the six months period ended 31 December 2016, share-based payment of HK\$2,252,000 was recognised (the six months ended 31 December 2015: HK\$2,252,000) in the condensed consolidated statement of profit or loss.



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

In December 2015, the Company completed the acquisition of additional 40% equity interest in Aveo China (“Aveo China Acquisition”), since then, the Group is interested in 70% equity interests of the Aveo China. The consideration was satisfied by the allotment and issuance of 300,000,000 ordinary shares of the Company. 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 (<i>Note 1</i>)	165,000
Fair value of previously held interest (<i>Note 2</i>)	<u>102,246</u>
	<u>267,246</u>

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 to fair value as of the date of the acquisition, resulting in a gain of HK\$97,270,000 recognised in the condensed consolidated statement of profit or loss for the six months ended 31 December 2015.

26. 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. The details of the share options are set out in note 25.

26. ACQUISITION OF A BUSINESS THROUGH PURCHASE OF ADDITIONAL INTEREST IN AN ASSOCIATE (*Continued*)

Goodwill on acquisition

	HK\$'000
Total consideration	267,246
Plus: Non-controlling interests	106,442
Less: Fair value of identifiable net assets acquired	<u>(340,821)</u>
	<u>32,867</u>

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	<u>69,602</u>

26. ACQUISITION OF A BUSINESS THROUGH PURCHASE OF ADDITIONAL INTEREST IN AN ASSOCIATE (*Continued*)

Impact of acquisition on the results of the Group

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

Had the acquisition been completed on 1 July 2015, total group revenue for the period would had been HK\$812 million, and loss for the six months would had been HK\$474 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.

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

- (i) During six months ended 31 December 2016, the Group acquired additional interests in Century Ideas Limited for a consideration of HK\$1. The difference of HK\$2,991,000 between the carrying amount of non-controlling interests of HK\$2,991,000 and the consideration of HK\$1 has been debited to other reserves.
- (ii) On 15 September 2015, the Company issued the relevant offer letters dated on the same date to the relevant non-controlling shareholders of a subsidiary in respect to the acquisition of an aggregate of 39.48% equity interests in Jiatai Construction ("Jiatai Construction Acquisitions").

The consideration shall be satisfied by the allotment and issuance of 1,671,318,833 ordinary shares of the Company 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.



27. ACQUISITION OF NON-CONTROLLING INTERESTS OF A SUBSIDIARY WITHOUT A CHANGE IN CONTROL (*Continued*)

(ii) (*Continued*)

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 had been debited to other reserves.

28. DISPOSAL OF A SUBSIDIARY

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 cash consideration of RMB13,000,000 (approximately HK\$15,145,000). The disposal was completed on 19 July 2016.

28. DISPOSAL OF A SUBSIDIARY (Continued)

The following are the assets and liabilities disposed of on the date of completion:

	HK\$'000
<hr/>	
NET ASSETS DISPOSED OF	
Property, plant and equipment	7,529
Debtors, deposits and prepayments	14,083
Amount due from the Group	3,241
Inventories	2,893
Bank balances and cash	2,190
Creditors and accrued charges	<u>(11,987)</u>
	17,949
Waiver of amount due from the Group	(3,241)
Gain on disposal	<u>437</u>
Total consideration	<u>15,145</u>
Satisfied by:	
Cash	<u>15,145</u>
Net cash inflow arising on disposal:	
Bank balances and cash disposed of	(2,190)
Cash consideration	<u>15,145</u>
	<u>12,955</u>

During the period between 1 July 2016 and the date of disposal, Xinxinhua Hospital Company did not have material contribution to revenue and profit to the Group. Xinxinhua Hospital Company did not have material effect on the Group's operating cash flow during the period.

29. NON-CONTROLLING INTERESTS

	Share of net assets of subsidiaries HK\$'000	Share options reserve of subsidiaries HK\$'000	Total HK\$'000
At 1 July 2015 (audited)	346,529	10,509	357,038
Share of loss for the period	(16,871)	–	(16,871)
Share of other comprehensive expense for the period	(5,883)	–	(5,883)
Share of total comprehensive expense for the period	(22,754)	–	(22,754)
Recognition of equity-settled share-based payments (note 25)	–	2,252	2,252
Acquisition of non-controlling interests of a subsidiary (note 27)	(279,035)	–	(279,035)
Acquisition of a business through purchase of additional interest in an associate (note 26)	102,246	4,196	106,442
At 31 December 2015 (unaudited)	146,986	16,957	163,943
At 1 July 2016 (audited)	65,527	19,577	85,104
Share of profit for the period	7,948	–	7,948
Share of other comprehensive expense for the period	21	–	21
Share of total comprehensive income for the period	7,969	–	7,969
Recognition of equity-settled share-based payments (note 25)	–	2,252	2,252
Capital contribution from non-controlling interests of a subsidiary	10,272	–	10,272
Acquisition of non-controlling interest of a subsidiary without a change in control (note 27)	2,991	–	2,991
At 31 December 2016 (unaudited)	86,759	21,829	108,588

30. MAJOR NON-CASH TRANSACTIONS

- (i) During the six months ended 31 December 2016, the capital contribution from non-controlling interests of a subsidiary of HK\$6,750,000 was offset against with an amount due to that non-controlling interests of a subsidiary.
- (ii) During the six months ended 31 December 2015, the considerations of Jiatai Construction Acquisitions was satisfied by the allotment and issuance of ordinary shares of the Company with fair value of HK\$919,226,000 and the amounts due from a non-controlling interest of Jiatai Construction and its associate amounted to HK\$53,364,000.
- (iii) During the six months ended 31 December 2015, the consideration of Aveo China Acquisition was satisfied by the allotment and issuance of ordinary shares of the Company with fair value of HK\$165,000,000.

31. EVENT AFTER THE REPORTING PERIOD

Subsequent to 31 December 2016, the Lender and Aveo China entered into a supplemental agreement in relation to Loan Agreement. Details are set out in note 16.

INTERIM DIVIDEND

The Directors do not recommend the payment of interim dividend (2015: nil) for the six months ended 31 December 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the six months ended 31 December 2016, the Group recorded a total revenue of HK\$1,169,692,000 (2015: HK\$1,184,320,000) and a profit for the period attributable to shareholders of the Company of HK\$123,830,000 (2015: loss of HK\$445,581,000), mainly due to the gains in fair value change of investments held for trading of HK\$142,154,000 (2015: loss of HK\$477,748,000) and derivative financial instruments of HK\$10,235,000 (2015: HK\$7,113,000) of the Group's securities trading and investments business.

Earnings per share (basic and diluted) for the six months ended 31 December 2016 was HK0.86 cents (2015: loss per share of HK4.13 cents).

The Group's net asset value per share as at 31 December 2016 was HK\$0.14 (2015: HK\$0.17).

REVIEW OF OPERATIONS

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

Healthcare Division:

During the period under review, the Group's Healthcare Division, operated through its wholly-owned subsidiary, Tongren Healthcare Industry Group Company Limited (同仁醫療產業集團有限公司) ("Tongren Healthcare"), recorded an increased revenue of HK\$401,357,000 (2015: HK\$386,719,000) and a profit of HK\$2,817,000 (2015: loss of HK\$1,736,000). The Healthcare Division generated an EBITDA, being earnings before interest, tax, depreciation and amortization, of HK\$72,998,000 (2015: HK\$74,778,000) for the six months ended 31 December 2016.

REVIEW OF OPERATIONS *(Continued)*

Healthcare Division: *(Continued)*

For the six months ended 31 December 2016, Nanjing Tongren Hospital (南京同仁醫院) (“NJTRH”) achieved a total of 327,056 out-patients visits (2015: 314,220), 11,780 in-patient admissions (2015: 11,001) and 22,509 body-checks (2015: 25,906) while Kunming Tongren Hospital (昆明同仁醫院) (“KMTRH”) achieved a total of 87,019 out-patients visits (2015: 83,323), 5,604 in-patient admissions (2015: 4,973) and 36,517 body-checks (2015: 25,883).

For NJTRH, during the period its anaesthesiology specialty was recognized by the municipal government of Nanjing as the fifth specialty to be included as the “Key Specialty Disciplines” (重點專科) in Nanjing after NJTRH’s specialties in ENT (eye, neck and throat), ophthalmology, neurology and radiology. NJTRH was also awarded by the local authority a “Baby Friendly Hospital” status and was accepted as an affiliated teaching hospital of Southeastern China University Medical School.

NJTRH has implemented a new patient self-servicing kiosks and mobile phone application to streamline processes (eg. registration, retrieval of results, payment) and reduce patient’s waiting time. It has also implemented a new prescribing policy to mitigate the adverse impact of recently promulgated government’s “Drugs Zero-Based Policy” (藥品零差價政策).

Further, NJTRH has completed the renovation of Health Screening Centre (“HSC”) with testing and commissioning ongoing and business to be commenced in the second quarter of 2017. It has also established collaboration with pre-hospital care providers (120-emergency-call) with 3 new ambulance stations located in Lukou, Jiangning, Hengxi districts of Nanjing.

For KMTRH, during the period it has opened a new HSC cater for corporate, VIP and international clientele and the medical aesthetics centre and commenced the VIP maternity services. KMTRH has also expanded its clinical sub-specialty especially in internal medicine and general surgery.

REVIEW OF OPERATIONS *(Continued)*

Healthcare Division: *(Continued)*

In July 2016, in view of the imminent expiry of the leasing of the hospital building of Yunnan Xinxinhua Hospital (雲南新新華醫院) and as a result of the review on its operating conditions and its relative small scale of operation, the Group entered into an agreement for disposal of the entire equity interests in Yunnan Xinxinhua Hospital Co., Ltd. for a total consideration of RMB13,000,000. The disposal recorded a gain of HK\$437,000 and was completed in July 2016.

Eldercare Division:

For the period under review, the Group's Eldercare Operations, operated through its 70% owned subsidiary, Aveo China (Holdings) Limited ("Aveo China"), which include the Tide Health Campus's (天地健康城), located in Zhu Jia Jiao County, Shanghai, the People's Republic of China ("PRC"), property sales and leases, and the services provided therein, recorded a revenue of HK\$242,477,000 (2015: HK\$401,936,000) and a profit of HK\$32,471,000 (2015: HK\$13,498,000) respectively.

As at 31 December 2016, the Eldercare Division had sold 752 independent living units ("ILU") out of a total inventory of 868 ILUs and among which 114 ILUs (2015: 238 ILUs) were recorded as sales in the period under review. As at 31 December 2016, the Eldercare Division had leased out 20 serviced apartments ("SA") out of a total inventory of 120 SAs of the first building. Residents and members of the community at our Shanghai Tide Health Campus (天地健康城) will enjoy various services provided by our personal care assistant team, including but not limited to house keeping, daily meals, assistance in life care services (feeding, dressing, showering, medication), access to hospitals & emergency care, and property management.

As at 31 December 2016, the Eldercare Division's investment properties portfolio comprising the SAs and the retail shopping precinct amounted to HK\$492,378,000 (2015: HK\$375,917,000).

REVIEW OF OPERATIONS *(Continued)*

Securities Trading and Investments:

The six months period under review saw the financial markets partially recovering from the initial adverse impact of Brexit and the results of the US presidential election. Sentiments were lifted by the expectations of the positive effects of US trade policies under President Trump but uncertainties still remain about the outlook for global economic growth, trade relationship between major economies and geopolitical tension. Despite such uncertain investment environment, the Group's business in securities trading and investments recorded a turnover of HK\$466,298,000 (2015: HK\$386,291,000) and a profit of HK\$147,917,000 (2015: loss of HK\$468,624,000) for the period ended 31 December 2016, mainly due to the gains in fair value of investments held for trading of HK\$142,154,000 (2015: loss of HK\$477,748,000) and derivative financial instruments of HK\$10,235,000 (2015: HK\$7,113,000), gain on disposal of available-for-sale investments of HK\$1,082,000 (2015: HK\$9,116,000), dividend income from listed investments of HK\$6,727,000 (2015: HK\$14,364,000) and interest income from available-for-sales investments of nil (2015: HK\$530,000).

As at 31 December 2016, the Group maintained a portfolio of available-for-sale investments of HK\$1,549,000 (2015: HK\$8,470,000) and a well-diversified portfolio of investments held for trading of HK\$1,082,775,000 (2015: HK\$1,253,525,000).

REVIEW OF OPERATIONS *(Continued)*

Investments held for trading

As at 31 December 2016, the Group's investment held for trading consisted of securities listed in different geographic locations and their respective performance were as follows:

Geographic location	Carrying value	Carrying value	Realized gain (loss)	Fair value	Dividend received	% of carry value to the Group's net assets
	2016	2015	2016	2016	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	%
Hong Kong	906,693	974,315	30,103	111,576	6,701	41.3
Australia	122,656	177,863	4,157	2,761	–	5.6
Malaysia	48,555	28,948	–	(8,518)	–	2.2
U.S.A.	–	56,996	2,717	–	26	–
Philippine	1,278	859	–	(81)	–	0.1
PRC	–	2,403	375	–	–	–
England	–	1,096	(14)	–	–	–
Japan	3,593	3,857	–	(922)	–	0.2
Taiwan	–	7,188	–	–	–	–
Total	1,082,775	1,253,525	37,338	104,816	6,727	

REVIEW OF OPERATIONS (Continued)

Investments held for trading (Continued)

As at 31 December 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	Carrying	Realized	Fair value	Dividend	% of
	value	value	gain (loss)	gain (loss)	received	carrying
	2016	2015	2016	2016	2016	value to
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	the Group's
						net assets
						2016
						%
Banking company	5,292	67,022	6,295	410	1,519	0.2
Consumer services company	1,055	97,606	3,857	92	1,440	0.1
Entertainment and media company	59,319	155,419	2,896	(11,437)	164	2.7
Financial services and investment company	419,118	389,051	7,669	52,270	2,242	19.1
Healthcare services company	13,127	–	–	(155)	–	0.6
Industrial materials company	45,171	23,562	(108)	27,976	414	2.1
Information technology company	–	4,857	–	–	–	–
Mining and resources company	134,756	113,544	6,445	11,413	582	6.1
Property company	404,937	402,464	10,284	24,247	366	18.4
Total	1,082,775	1,253,525	37,338	104,816	6,727	

REVIEW OF OPERATIONS (Continued)

Investments held for trading (Continued)

At 31 December 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	Carry	Realized	Fair value	Dividend
			value	gain (loss)	gain (loss)	received
			2016	2016	2016	2016
			HK\$'000	HK\$'000	HK\$'000	HK\$'000
AP (Note a)	214,794,000	3.15	371,594	-	52,766	-
TA (Note b)	64,581,000	4.29	293,198	68	28,399	-

Notes:

- Allied Properties (H.K.) Limited (stock code: 56) ("AP") – As at 31 December 2016, the Group owned approximately 3.15% 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 ordinary shares is based on quoted market price as at 31 December 2016.
- Tian An China Investments Company Limited (stock code: 28) ("TA") – As at 31 December 2016, the Group owned approximately 4.29% 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 ordinary shares is based on quoted market price as at 31 December 2016.

**REVIEW OF OPERATIONS (Continued)****Derivative Financial Instruments**

As at 31 December 2016, the Group's investments in derivative financial instruments consisted of options in different categories were as follows:

	No. of contracts as at 31.12.2016	Fair value 2016 HK\$'000
Assets		
Option contracts linked with exchange rate between JPY and USD	2	278
		<u>278</u>
Liabilities		
Option contracts linked with equity securities listed in Hong Kong	7	(3,024)
		<u>(3,024)</u>
Net		<u>(2,746)</u>

As at 31 December 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	(3,024)	-	(3,024)
Option contracts linked with exchange rate between JPY and USD, net	278	10,800	278
Forwards contracts linked with exchange rate JPY and USD, net	-	2,181	-
	<u>(2,746)</u>	<u>12,981</u>	<u>(2,746)</u>

REVIEW OF OPERATIONS (Continued)

Money Lending:

For the period ended 30 June 2016, the Group's money lending business recorded an interest income of HK\$8,150,000 (2015: HK\$7,049,000) and profit of HK\$27,256,000 (2015: HK\$4,841,000) mainly attributed to the reversal of impairment provisions for a loan receivable and the relevant loan interest receivable (the "Loan Receivables") of HK\$21,685,000 (2015: nil) which impairment losses were recognised in the year ended 30 June 2016. Following active negotiation and follow-up action, subsequent to the period end date, settlement agreement in relation to the Loan Receivables was entered into between the borrower, the guarantor and the Group pursuant to which (i) the interest rate of the loan was reduced from 24% per annum to 20% per annum; and (ii) interest would be calculated up to 19 January 2017. Principal and the relevant outstanding interest of the Loan Receivables were settled in January 2017. As at 31 December 2016, the Group's loan portfolio amounted to HK\$56,971,000 (2015: HK\$61,247,000).

Property Development:

For the period under review, the Group's property development business in the PRC, operated through its wholly-owned subsidiary, Lianyungang Jiatai Construction Co., Ltd. (連雲港嘉泰建設工程有限公司) ("Jiatai Construction"), recorded a turnover of HK\$48,314,000 (2015: HK\$202,000) and a profit of HK\$6,606,000 (2015: loss of HK\$15,214,000). As at 31 December 2016, 411 units of Kangya Garden (康雅苑) Phase III, out of a total inventory of 419 units, were sold and among which 15 units (2015: nil) were recorded as sales in the period under review.

As at 31 December 2016, the Group owns certain residential and commercial lands in Lianyungang, PRC.

Property Investments:

The Group's investment properties located in Hong Kong and the PRC recorded a rental income of HK\$3,096,000 (2015: HK\$2,123,000) and a profit of HK\$1,944,000 (2015: HK\$1,249,000) for the six months ended 31 December 2016. As at 31 December 2016, the Group's investment properties portfolio, for rental purpose, amounted to HK\$226,178,000 (2015: HK\$229,270,000).

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

As at 31 December 2016, the Group's non-current assets of HK\$2,200,365,000 (2015: HK\$2,275,465,000) consisted of investment properties of HK\$718,556,000 (2015: HK\$605,187,000), property, plant and equipment of HK\$1,314,993,000 (2015: HK\$1,375,692,000), prepaid lease payments of HK\$101,441,000 (2015: HK\$111,070,000), available-for-sale investments of HK\$746,000 (2015: HK\$7,667,000), intangible assets of HK\$12,481,000 (2015: HK\$14,434,000), goodwill of HK\$31,552,000 (2015: HK\$28,671,000), deposits for acquisition of property, plant and equipment of HK\$20,596,000 (2015: nil) and pledged bank deposit of nil (2015: HK\$132,744,000). These non-current assets are principally financed by the Group's shareholders' funds. As at 31 December 2016, the Group's net current assets decreased to HK\$377,470,000 (2015: HK\$1,001,091,000).

As at 31 December 2016, the total borrowings of the Group amounted to HK\$2,163,005,000 (2015: HK\$2,484,517,000) consisting of securities margin loans of HK\$502,328,000 (2015: HK\$436,614,000), unsecured term loans of HK\$230,000,000 (2015: HK\$300,000,000), secured bank borrowings of HK\$540,485,000 (2015: HK\$650,396,000), unsecured bank borrowings of HK\$493,610,000 (2015: HK\$622,506,000), unsecured other borrowing of HK\$173,940,000 (2015: HK\$233,163,000), discounted bills of HK\$147,180,000 (2015: HK\$166,376,000) and borrowings from a related party of HK\$75,462,000 (2015: HK\$75,462,000). Among the total borrowings of the Group, an amount of HK\$1,861,955,000 (2015: HK\$2,026,983,000) was with maturity on demand or within one year and HK\$301,050,000 (2015: HK\$457,534,000) was with maturity of over one year but not exceeding two years.

As at 31 December 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 45.2% (2015: 42.6%). The Group's gearing ratio would be adjusted to zero (2015: zero) with marketable securities inclusive of available-for-sale investments (current) and investments held for trading deducted from the net borrowings.

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

During the period 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 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 Dollar, the Group will closely monitor its foreign exchange exposure in this regard and will actively consider hedging the currency exposure should the need arise.

As at 31 December 2016, the Group had capital commitment contracted for but not provided relating to the acquisition of property, plant and equipment of HK\$65,431,000 (2015: HK\$10,535,000), investment properties of HK\$24,743,000 (2015: nil) and acquisition of non-controlling interests of a subsidiary of nil (2015: HK\$106,650,000).

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 Construction Group has a beneficial interest in Huali. As at 31 December 2016, Tongren Healthcare provided guarantees of nil (2015: RMB50,000,000 (approximately HK\$59,420,000)) to Huali under the Mutual Guarantee, while Huali and its subsidiary provided guarantees of nil (2015: RMB272,000,000 (approximately HK\$323,245,000)) to Tongren Healthcare and its subsidiaries under the Mutual Guarantee.

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

During the six months period under review, 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, PRC. At 31 December 2016, Aveo China had given guarantees in respect of such mortgage bank loans of HK\$31,115,000 (2015: nil). 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 recognized at the inception of the guarantee contracts and at the end of the reporting period.

In December 2015, the Company and CM International Holding Pte. Ltd. ("CM International") entered into a subscription agreement in which CM International agreed to subscribe for 2,000,000,000 new shares of the Company at the subscription price of HK\$0.45 per share raising gross proceeds of HK\$900,000,000 (the "Subscription") for the Company.

As at 31 December 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.	a) Approximately HK\$33,951,000 was used for the construction cost for the renovation of Block D of NJTRH; and b) Approximately HK\$80,569,000 was used for working capital of the healthcare business.
ii. The remaining balance of approximately HK\$299,250,000 will be used for reduction of the borrowings of the Group.	a) HK\$299,250,000 was used for reduction of the borrowings of the Group.

During the period under review, the Company did not repurchase any of shares in the capital of the Company (2015: 14,180,000 shares for an aggregate consideration of HK\$2,049,000).

CHARGE ON GROUP ASSETS

As at 31 December 2016, the Group's investments held for trading of HK\$1,077,508,000 (2015: HK\$1,212,296,000), available-for-sale investments of nil (2015: HK\$6,921,000), building (included in property, plant and equipment) of HK\$130,641,000 (2015: HK\$651,083,000), prepaid lease payment of nil (2015: HK\$85,895,000), properties under development for sale of HK\$113,101,000 (2015: HK\$1,107,829,000), properties held for sale of nil (2015: HK\$293,089,000), investment properties of HK\$492,378,000 (2015: HK\$375,917,000) and pledged bank deposits of HK\$463,457,000 (2015: HK\$445,985,000) 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 31 December 2016, the carrying amount of the Group's medical equipment included an amount of HK\$60,438,000 (2015: HK\$182,161,000) in respect of assets held under finance leases.

POST BALANCE SHEET EVENT

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. In January 2017, the Group entered into a supplemental agreement with the lender to (i) extend the repayment date of the loan from 23 December 2016 to 23 June 2017; (ii) amend the interest rate for the first interest period commencing on 23 December 2016 to the date falling one (1) month thereafter to 20.288% per annum and to 12% per annum for the remainder of the term; and (iii) with no arrangement fee on the loan.

MATERIAL ACQUISITIONS AND DISPOSAL

Save as disclosed herein, for the year ended 31 December 2016, the Group did not make any material acquisitions and disposal of subsidiaries, significant investments nor capital commitment.

EMPLOYEES

The Group had 2,087 employees as at 31 December 2016 (2015: 2,345). The Group ensures that its employees are remunerated in line with market conditions and individual performance and the remuneration policies are reviewed on a regular basis.

PROSPECTS

Healthcare Division:

For the Healthcare Division, in a bid to expand its healthcare services beyond tertiary hospital-based care, NJTRH is in the process of establishing a network of clinics as part of our “integrated healthcare network” (醫療連體) strategy. It is expected that at least 3 such clinics will be operationalized in 2017. Following the commencement of operation of the new wing in late 2017, NJTRH will be able to develop its VIP services to corporate clientele and private insurance market.

Further, KMTRH targets to extend its market reach for international patients in Kunming by offering specialty services in health screening, aesthetics medicine and elective spinal and cardiac surgeries.

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, Shanghai Deyi Hospital (上海德頤醫院) (“SHDYH”), in the village are fully operational by the second quarter of 2017. It is expected that in the near future more than 50% of residents who moved into the village will become members of our retirement community to enjoy the community services in the retirement village.

PROSPECTS *(Continued)*

Eldercare Division: *(Continued)*

The operational license of the first building of SHDYH with 100 beds is obtained in January 2017 and the hospital will be opened in the first quarter of 2017. The second building, a 200 bed elderly nursing home of SHDYH, will be equipped in late 2017 and ready for operations from early 2018.

The first of three leasehold buildings of the SA was opened in November 2016. It is expected that the second building with 80 SAs will be equipped in late 2017 with opening in early 2018 while the third building with 70 SAs will be opened in 2019.

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:

The Group considers that the performance of its assets and investment portfolio is generally affected by global and regional economic and political factors and is susceptible to the volatility of the financial markets. The Group will continuously review and adjust its investment strategies, assets and investment portfolio in light of prevailing uncertainties in the investment environment.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at 31 December 2016, the interests and short positions of the directors and chief executives of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Hong Kong (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:–

Long positions and short positions in the shares of the Company

Name of Director	Number of ordinary shares of HK\$0.0005 each				Total	Percentage of issued ordinary shares
	Personal interests	Family interests	Corporate interests	Other interests		
Ms. Chong Sok Un ("Ms. Chong")	-	-	6,592,514,140 (L)	-	6,592,514,140 (L)	45.53% (L)
			3,270,000,000 (S)		3,270,000,000 (S)	22.58% (S)
			(Note 1)			
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)	-	2,000,000,000 (L)	13.81% (L)
			300,000,000 (S)		300,000,000 (S)	2.07% (S)
			(Note 3)			

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

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

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES (*Continued*)

Notes:

The percentage of shareholding is calculated on the basis of the Company's issued share capital of 14,480,072,773 shares as at 31 December 2016.

1. Vigor Online Offshore Limited ("Vigor"), a wholly-owned subsidiary of China Spirit Limited ("China Spirit"), has a corporate interest (a) in long position of 6,592,514,140 ordinary shares; and (b) in short position of 3,270,000,000 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 6,592,514,140 ordinary shares and in short position of 3,270,000,000 ordinary shares of the Company.

Remarks:

- * the remaining 1,270,000,000 call options shares under call option agreement dated 13 July 2015 have lapsed on 13 January 2017.
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 an 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. Accordingly, Dr. Seah is deemed to have an interest in long position of 2,000,000,000 ordinary shares and in short position of 300,000,000 ordinary shares of the Company.

Save as disclosed above, as at 31 December 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' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 31 December 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		Percentage of issued ordinary shares
			ordinary shares held		
Ms. Chong Sok Un ("Ms. Chong")	Held by controlled corporation	(Note 1)	6,592,514,140	(L)	45.53%
			3,270,000,000	(S)	22.58%
China Spirit Limited ("China Spirit")	Held by controlled corporation	(Note 1)	6,592,514,140	(L)	45.53%
			3,270,000,000	(S)	22.58%
Vigor Online Offshore Limited ("Vigor")	Beneficial owner	(Note 1)	6,592,514,140	(L)	45.53%
			3,270,000,000	(S)	22.58%
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%
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%
CM International Capital Limited ("CMIC")	Held by controlled corporation	(Note 2)	2,000,000,000	(L)	13.81%
Victor Beauty Investments Limited ("Victor Beauty")	Beneficial owner	(Note 2)	2,000,000,000	(L)	13.81%

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

Name	Capacity		Number of ordinary shares held	Percentage of issued ordinary shares
Dr. Jonathan Weiyan Seah ("Dr. Seah")	Beneficial owner	<i>(Note 3)</i>	2,000,000,000 (L)	13.81% (L)
			300,000,000 (S)	2.07% (S)
Montclair Trustees (Hong Kong) Limited ("Montclair")	Trustee	<i>(Note 3)</i>	2,000,000,000 (L)	13.81% (L)
			300,000,000 (S)	2.07% (S)
IXL Ventures L.P. acting by its general partner, IXL Partners ("IXL")	Held by controlled corporation	<i>(Note 3)</i>	2,000,000,000 (L)	13.81% (L)
			300,000,000 (S)	2.07% (S)
Luo Qiongying ("Ms. Luo")	Held by controlled corporation	<i>(Note 4)</i>	1,149,739,208 (L)	7.94% (L)
Excellent Top Holdings Limited ("Excellent Top")	Held by controlled corporation	<i>(Note 4)</i>	1,149,739,208 (L)	7.94% (L)
Greatime Management Corp. ("Greatime")	Beneficial owner	<i>(Note 4)</i>	1,149,739,208 (L)	7.94% (L)
Allied Group Limited ("Allied Group")	Held by controlled corporation	<i>(Note 5)</i>	1,711,151,708 (L)	11.81% (L)
Allied Properties (H.K.) Limited ("Allied Properties")	Held by controlled corporation	<i>(Note 5)</i>	1,711,151,708 (L)	11.81% (L)
Mr. Lee Seng Hui	Held by controlled corporation	<i>(Note 5)</i>	1,711,151,708 (L)	11.81% (L)
Ms. Lee Su Hwei	Held by controlled corporation	<i>(Note 5)</i>	1,711,151,708 (L)	11.81% (L)
Mr. Lee Seng Huang	Held by controlled corporation	<i>(Note 5)</i>	1,711,151,708 (L)	11.81% (L)

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

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

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

Notes:

The percentage of shareholding is calculated on the basis of the Company's issued share capital of 14,480,072,773 shares as at 31 December 2016.

1. Vigor, a wholly-owned subsidiary of China Spirit, has a corporate interest (a) in long position of 6,592,514,140 ordinary shares; and (b) in short position of 3,270,000,000 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 6,592,514,140 ordinary shares and in short position of 3,270,000,000 ordinary shares of the Company.

Remarks:

- * the remaining 1,270,000,000 call options shares under call option agreement dated 13 July 2015 have lapsed on 13 January 2017.
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 interests in 2,000,000,000 ordinary shares of the Company.
3. IXL has an 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. Accordingly, Dr. Seah is deemed to have an 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 interests in 1,149,739,208 ordinary shares of the Company.

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

Notes: (Continued)

5. Fareast Global Limited, a wholly-owned subsidiary of Tian An China Investments Company ("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 56.24% by Allied Properties which was in turned 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. The Lee and Lee Trust controls approximately 74.49% 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.

Save as disclosed above, as at 31 December 2016, there were no other parties who had interests or short positions in the shares or underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

CORPORATION GOVERNANCE AND OTHER INFORMATION

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with the management of the Company (the “Management”) the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a general review of the interim report (including unaudited interim condensed consolidated financial statements for the six months ended 31 December 2016). In carrying out this review, the Audit Committee has relied on a review conducted by the Group’s external auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA as well as reports obtained from the Management. The Audit Committee has not undertaken detailed independent audit checks.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the applicable code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the six months ended 31 December 2016.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the Company’s code of conduct regarding Director’s securities transactions. Having made specific enquiry with all Directors, they have confirmed their compliance with the required standard as set out in the Model Code throughout the six months ended 31 December 2016.

CHANGE IN INFORMATION OF DIRECTORS

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

Mr. Lau Siu Ki, an independent non-executive director of the Company, has resigned as an independent non-executive director of TCL Communication Technology Holdings Limited with effect from 24 October 2016.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the six months ended 31 December 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

Hong Kong, 23 February 2017

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

Executive Directors

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

Non-Executive Directors

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

Independent Non-Executive Directors

Mr. Lau Siu Ki, Mr. Zhang Jian and Dr. Xia Xiaoning