



# China Medical & HealthCare Group Limited

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 383)**

**2017 Interim Report**



## UNAUDITED RESULTS OF THE GROUP

The board of directors (the “Board”) 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 2017 together with the comparative figures for the corresponding period in 2016 as follows:–

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

		Six months ended	
		31.12.2017	31.12.2016
	NOTES	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	3	555,593	710,121
Gross proceeds from sales of investments held for trading		<u>1,070,211</u>	<u>459,571</u>
Total		<u>1,625,804</u>	<u>1,169,692</u>
Revenue	3	555,593	710,121
Cost of goods and services		<u>(457,484)</u>	<u>(561,289)</u>
Gross profit		98,109	148,832
Other gains and losses, and other income	5	21,678	182,480
Selling and distribution costs		(7,098)	(8,732)
Administrative expenses		(131,867)	(122,361)
Finance costs	6	<u>(48,182)</u>	<u>(51,029)</u>
(Loss) profit before taxation		(67,360)	149,190
Taxation expense	7	<u>(1,762)</u>	<u>(17,412)</u>
(Loss) profit for the period	8	<u>(69,122)</u>	<u>131,778</u>

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

		<b>Six months ended</b>	
		<b>31.12.2017</b>	31.12.2016
	<i>NOTE</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
		<b>(unaudited)</b>	(unaudited)
(Loss) profit for the period attributable to:			
– Owners of the Company		<b>(62,544)</b>	123,830
– Non-controlling interests		<b>(6,578)</b>	7,948
		<b>(69,122)</b>	131,778
(Loss) earnings per share	<i>10</i>		
– Basic		<b>HK(0.43) cents</b>	HK0.86 cents
– Diluted		<b>HK(0.43) cents</b>	HK0.86 cents



## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

	Six months ended	
	31.12.2017	31.12.2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss) profit for the period	<u>(69,122)</u>	<u>131,778</u>
<b>Other comprehensive income (expense)</b>		
Items that will be reclassified subsequently to profit or loss:		
Net change on available-for-sale investments:		
(Loss) gain on fair value changes	(208)	780
Reclassification adjustment for the cumulative gain included in profit or loss upon disposal of available-for-sale investments	<u>-</u>	<u>(1,082)</u>
	<u>(208)</u>	<u>(302)</u>
Exchange differences arising on translation:		
Exchange gain (loss) arising from translation of foreign operation	<u>49,466</u>	<u>(25,278)</u>
Other comprehensive income (expense) for the period	<u>49,258</u>	<u>(25,580)</u>

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

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

	Six months ended	
	31.12.2017	31.12.2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Total comprehensive (expense) income for the period	<b>(19,864)</b>	106,198
Total comprehensive (expense) income attributable to:		
Owners of the Company	<b>(17,913)</b>	98,229
Non-controlling interests	<b>(1,951)</b>	7,969
	<b>(19,864)</b>	106,198

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AT 31 DECEMBER 2017

	NOTES	31.12.2017 HK\$'000 (unaudited)	30.6.2017 HK\$'000 (audited)
<b>Non-current assets</b>			
Investment properties	11	765,709	741,930
Property, plant and equipment	11	1,406,203	1,377,148
Prepaid lease payments		106,526	103,375
Interests in associates	12	–	–
Available-for-sale investments		678	678
Goodwill		33,955	32,500
Deposits for acquisition of property, plant and equipment		7,995	8,768
		<u>2,321,066</u>	<u>2,264,399</u>
<b>Current assets</b>			
Inventories		18,647	19,980
Properties under development for sale		6,383	6,110
Properties held for sale		324,164	329,805
Prepaid lease payments		2,958	2,832
Available-for-sale investments		23,571	803
Investments held for trading		305,309	1,155,403
Debtors, deposits and prepayments	13	184,605	135,818
Loans receivable	14	–	40,000
Promissory notes receivable	15	703,390	–
Derivative financial instruments	18	16	96
Pledged bank deposits		63,591	220,407
Restricted bank deposits		6	21,267
Bank balances and cash		482,681	529,326
		<u>2,115,321</u>	<u>2,461,847</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AT 31 DECEMBER 2017

	NOTES	31.12.2017 HK\$'000 (unaudited)	30.6.2017 HK\$'000 (audited)
<b>Current liabilities</b>			
Creditors and accrued charges	16	566,818	517,839
Deposits received on sales of properties		9,047	24,023
Customers' deposits and receipts in advance		89,398	81,834
Amount due to an associate		6,497	6,289
Borrowings – due within one year	17	1,006,708	1,371,270
Obligations under finance leases – due within one year		9,981	9,878
Derivative financial instruments	15, 18	8,179	5,469
Taxation payable		153,766	148,676
		<u>1,850,394</u>	<u>2,165,278</u>
<b>Net current assets</b>		<u>264,927</u>	<u>296,569</u>
<b>Total assets less current liabilities</b>		<u>2,585,993</u>	<u>2,560,968</u>

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

AT 31 DECEMBER 2017

	NOTES	31.12.2017 HK\$'000 (unaudited)	30.6.2017 HK\$'000 (audited)
<b>Non-current liabilities</b>			
Deferred tax liabilities	19	42,534	45,176
Borrowings – due after one year	17	504,066	455,159
Obligations under finance leases – due after one year		<u>14,977</u>	<u>18,605</u>
		<u>561,577</u>	<u>518,940</u>
		<u>2,024,416</u>	<u>2,042,028</u>
<b>Capital and reserves</b>			
Share capital	20	7,240	7,240
Reserves		<u>1,932,259</u>	<u>1,950,172</u>
Equity attributable to owners of the Company		<u>1,939,499</u>	<u>1,957,412</u>
Non-controlling interests		<u>84,917</u>	<u>84,616</u>
<b>Total equity</b>		<u>2,024,416</u>	<u>2,042,028</u>



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

	Attributable to the owners of the Company										
	Share capital	Share premium	Properties revaluation reserve	Investment revaluation reserve	Capital redemption reserve	Other reserves	Translation reserve	Retained profits	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 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 (expense) income for the period	-	-	-	(302)	-	-	(25,299)	123,830	98,229	7,969	106,198
Recognition of equity-settled share-based payments (note 26)	-	-	-	-	-	-	-	-	-	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
At 1 July 2017 (audited)	7,240	2,621,374	19,952	-	2,496	(764,901)	21,100	50,151	1,957,412	84,616	2,042,028
Loss for the period	-	-	-	-	-	-	-	(62,544)	(62,544)	(6,578)	(69,122)
Other comprehensive (expense) income for the period	-	-	-	(208)	-	-	44,839	-	44,631	4,627	49,258
Total comprehensive (expense) income for the period	-	-	-	(208)	-	-	44,839	(62,544)	(17,913)	(1,951)	(19,864)
Recognition of equity-settled share-based payments (note 26)	-	-	-	-	-	-	-	-	-	2,252	2,252
At 31 December 2017 (unaudited)	7,240	2,621,374	19,952	(208)	2,496	(764,901)	65,939	(12,393)	1,939,499	84,917	2,024,416

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

	<b>Six months ended</b>	
	<b>31.12.2017</b>	31.12.2016
<i>NOTE</i>	<b>HKS'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Cash from operating activities	<b>236,989</b>	406,995
Interest paid	<b>(48,182)</b>	(51,029)
Tax paid	<b>(8,271)</b>	(7,372)
<b>Net cash from operating activities</b>	<b>180,536</b>	348,594
<b>Investing activities</b>		
Acquisition of available-for-sale investments	<b>(23,483)</b>	–
Proceeds from disposal of available-for-sale investments	–	10,167
Withdrawal of pledged bank deposits and restricted bank deposits	<b>187,744</b>	128,550
Placement of pledged bank deposits and restricted bank deposits	–	(13,167)
Additions of investment properties	<b>(6,848)</b>	(33,488)
Deposits paid for acquisition of property, plant and equipment	<b>(6,729)</b>	(20,596)
Acquisition of property, plant and equipment	<b>(31,071)</b>	(50,374)
Repayment of consideration payable	–	(44,600)
Disposal of a subsidiary	–	12,955
Other investing activities	<b>2,758</b>	3,384
<b>Net cash from (used in) investing activities</b>	<b>122,371</b>	(7,169)

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

	Six months ended	
	31.12.2017 HK\$'000 (unaudited)	31.12.2016 HK\$'000 (unaudited)
<b>Financing activities</b>		
New borrowings raised	585,499	1,110,638
Capital contribution from non-controlling interests of a subsidiary	–	3,522
Repayments of borrowings	(935,059)	(1,519,041)
Repayment to an associate	–	(1,137)
Repayments of obligations under finance leases	(4,670)	(9,702)
<b>Net cash used in financing activities</b>	<b>(354,230)</b>	<b>(415,720)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(51,323)</b>	<b>(74,295)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>529,326</b>	<b>836,015</b>
<b>Effect of changes in foreign exchange rate</b>	<b>4,678</b>	<b>(7,665)</b>
<b>Cash and cash equivalents at end of the period</b>	<b>482,681</b>	<b>754,055</b>
<b>Represented by:</b>		
Bank balances and cash	482,681	754,055

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*FOR THE SIX MONTHS ENDED 31 DECEMBER 2017*

### **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 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2017.

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

	<b>Six months ended</b>	
	<b>31.12.2017</b>	31.12.2016
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Dividend income from listed investments	<b>4,819</b>	6,727
Interest income from loans receivable	<b>2,308</b>	8,150
Rental income from property investment segment	<b>3,692</b>	3,096
Rental income from eldercare segment	<b>922</b>	–
Revenue from provision of elderly care related service	<b>6,439</b>	3,520
Hospital fees and charges	<b>479,698</b>	401,357
Revenue from sale of properties related to property development segment	<b>11,180</b>	48,314
Revenue from sale of properties related to eldercare segment	<b>46,535</b>	238,957
	<b>555,593</b>	710,121

#### 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 (excluding Hong Kong) (“PRC”).

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.

#### 4. SEGMENT INFORMATION *(Continued)*

##### Segment revenues and results

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

##### *For the six months ended 31 December 2017*

	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 <i>(note)</i>	<u>1,070,211</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,070,211</u>
Revenue	<u>4,819</u>	<u>2,308</u>	<u>3,692</u>	<u>11,180</u>	<u>479,698</u>	<u>53,896</u>	<u>555,593</u>
Segment (loss) profit	<u>(4,832)</u>	<u>2,247</u>	<u>2,746</u>	<u>787</u>	<u>2,954</u>	<u>(18,122)</u>	<u>(14,220)</u>
Other income							2,163
Net foreign exchange loss							(403)
Central corporate expenses							(37,315)
Finance costs							<u>(17,585)</u>
Loss before taxation							<u>(67,360)</u>

*Note: The amount included the consideration of the Disposal (as defined in note 15).*



#### 4. SEGMENT INFORMATION *(Continued)*

*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

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

Segment (loss) profit represents the loss incurred or profit earned by each segment without allocation of certain other income, certain foreign exchange loss, central corporate expenses and certain finance costs (2016: without allocation of certain other income, certain foreign exchange loss, gain on disposal of a subsidiary, central corporate expenses 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 2017*

	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)
Segment assets	1,087,969	-	234,055	66,353	1,472,020	1,003,130	3,863,527
Corporate assets							<u>572,860</u>
Consolidated assets							<u>4,436,387</u>
Segment liabilities	509,795	-	1,726	157,310	787,948	522,672	1,979,451
Corporate liabilities							<u>432,520</u>
Consolidated liabilities							<u>2,411,971</u>

##### *At 30 June 2017*

	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
	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)
Segment assets	1,175,630	41,018	233,057	86,032	1,424,779	987,024	3,947,540
Corporate assets							<u>778,706</u>
Consolidated assets							<u>4,726,246</u>
Segment liabilities	609,318	-	2,022	155,450	800,905	539,333	2,107,028
Corporate liabilities							<u>577,190</u>
Consolidated liabilities							<u>2,684,218</u>



## 5. OTHER GAINS AND LOSSES, AND OTHER INCOME

	Six months ended	
	31.12.2017 HK\$'000 (unaudited)	31.12.2016 HK\$'000 (unaudited)
(Loss) gain in fair value change of investments held for trading	<b>(16,232)</b>	142,154
Gain in fair value change of derivative financial instruments	<b>43</b>	10,235
Imputed interest income from promissory notes receivable	<b>24,051</b>	–
Impairment loss recognised on an available-for-sale investment	<b>(506)</b>	–
Gain on disposal of available-for-sale investments	–	1,082
Gain on disposal of a subsidiary (note 28)	–	437
Net foreign exchange loss	<b>(1,845)</b>	(12,087)
Reversal of impairment loss recognised on loan receivable	–	19,247
Reversal of impairment loss recognised on other debtor	–	2,438
Interest income from:		
– Available-for-sale debt instruments	<b>349</b>	–
– Bank deposits	<b>2,409</b>	3,384
Others	<b>13,409</b>	15,590
	<b>21,678</b>	182,480

## 6. FINANCE COSTS

The finance costs represent interest as follows:

	<b>Six months ended</b>	
	<b>31.12.2017</b>	31.12.2016
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Interest on:		
Bank and other borrowings (including discounted bills)	<b>46,782</b>	49,700
Obligations under finance leases	<b>1,400</b>	1,329
	<b>48,182</b>	51,029

## 7. TAXATION EXPENSE

	<b>Six months ended</b>	
	<b>31.12.2017</b>	31.12.2016
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Current tax charge – Enterprise Income Tax (“EIT”) in the PRC	<b>140</b>	16,172
Land appreciation tax (“LAT”) in the PRC	<b>4,594</b>	10,646
Deferred taxation credit ( <i>note 19</i> )	<b>(2,972)</b>	(9,406)
	<b>1,762</b>	17,412

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods. No tax is payable as the assessable profits arising in Hong Kong 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.



## 7. TAXATION EXPENSE (Continued)

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 sales of properties less deductible expenditures including borrowings costs and all property development expenditures.

## 8. (LOSS) PROFIT FOR THE PERIOD

	Six months ended	
	31.12.2017	31.12.2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss) profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	52,931	44,458
Release of prepaid lease payments	1,451	1,409
Amortisation of intangible assets (included in cost of goods and services)	–	386
Cost of inventories recognised as an expense (included in cost of goods and services)	213,061	183,149
Cost of properties held for sale recognised as an expense (included in cost of goods and services)	26,434	220,918

## 9. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 31 December 2017 and 2016.

## 10. (LOSS) EARNINGS PER SHARE

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

### (Loss) earnings

	<b>Six months ended</b>	
	<b>31.12.2017</b>	31.12.2016
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)

(Loss) earnings for the purpose of basic and diluted (loss) earnings per share attributable to owners of the Company

<b>(62,544)</b>	<b>123,830</b>
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<b>Number of shares</b>	Number of shares
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Weighted average number of ordinary shares for the purposes of basic and diluted (loss) earnings per share	<b><u>14,480,072,773</u></b>	<b><u>14,480,072,773</u></b>
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The computations of diluted (loss) earnings per share for the six months ended 31 December 2017 and 2016 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 2017, additions to the Group's property, plant and equipment amounted to HK\$31,071,000 (six months ended 31 December 2016: HK\$50,374,000).

During the six months ended 31 December 2017, additions to the Group's investment properties amounted to HK\$6,848,000 (six months ended 31 December 2016: HK\$33,488,000).

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 2017 and 31 December 2016, 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

	<b>31.12.2017</b>	30.6.2017
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
Cost of investments in associates		
Unlisted	<b>199,197</b>	199,197
Share of post-acquisition losses and other comprehensive expense, net of dividends received	<b>(126,180)</b>	(126,180)
Less: Impairment loss	<b>(73,017)</b>	(73,017)
	<b>—</b>	—

### 13. DEBTORS, DEPOSITS AND PREPAYMENTS

	<b>31.12.2017</b>	30.6.2017
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
Debtors from securities trading	<b>32,664</b>	2,400
Trade receivables arising from hospital operation and elderly care related services	<b>115,787</b>	92,381
Deposits with and receivables from the financial institutions	<b>22,341</b>	16,249
Prepayments	<b>3,558</b>	4,613
Prepaid business taxes and other PRC taxes	<b>1,107</b>	7,384
Other debtors and deposits	<b>9,148</b>	12,791
	<b>184,605</b>	135,818

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 2017 and 30 June 2017.

The settlement terms of debtors from elderly care related services are 30 – 60 days after invoice date.

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.

**13. DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)**

The following is an aged analysis of trade receivables from hospital operation and elderly care related services presented based on the invoice date as at 31 December 2017 and 30 June 2017:

	<b>31.12.2017</b> <b>HK\$'000</b> <b>(unaudited)</b>	30.6.2017 HK\$'000 (audited)
0 – 30 days	<b>70,607</b>	56,821
31 – 60 days	<b>37,004</b>	30,685
61 – 90 days	<b>3,087</b>	3,216
91 – 365 days	<b>4,467</b>	1,619
More than 365 days	<b>622</b>	40
	<b>115,787</b>	92,381

**14. LOANS RECEIVABLE**

	<b>31.12.2017</b> <b>HK\$'000</b> <b>(unaudited)</b>	30.6.2017 HK\$'000 (audited)
Fixed-rate loans	–	40,000

The loans receivable had contractual maturity dates within 1 year as at 30 June 2017. As at 30 June 2017, the average interest rate for the fixed rate loans receivable was 24% per annum. The loans had been fully settled during the six months ended 31 December 2017.

**15. PROMISSORY NOTES RECEIVABLE**

During the six months ended 31 December 2017, the Group entered into an agreement (the “Agreement”) with an independent third party purchaser (the “Purchaser”) to dispose of certain investments held for trading with an aggregate consideration of HK\$806,213,000 (the “Disposal”) satisfied by cash of HK\$100,000,000 and the promissory notes receivable with aggregate principal sum of HK\$706,213,000 being issued by the Purchaser (the “Promissory Notes”). The transaction has been completed on 19 July 2017.



## 15. PROMISSORY NOTES RECEIVABLE *(Continued)*

Pursuant to the Promissory Notes, the Purchaser shall pay the principal sum of HK\$706,213,000 on or before 19 January 2018 (the “Maturity Date”). The Purchaser has the right to extend the Maturity Date of the Promissory Notes for a period of 6 months from the Maturity Date by giving 3 business days prior written notice to the Group provided that HK\$100,000,000 has been paid to the Group (inclusive of net proceeds from disposal of any of the Charged Shares (as defined below) under the written instructions of the Purchaser) subsequent to the date hereof but before the Maturity Date (“Option”). As a continuity security for the Purchaser’s obligation under the Promissory Notes, the Purchaser has mortgaged, charged and assigned by way of first fixed charge on those equity securities disposed of under the Agreement (the “Charged Shares”). Pursuant to the Agreement and the deeds of share charge entered between the Group and the Purchaser on the same date, the Purchaser irrevocably and unconditionally agrees, among others, that: (1) the Charged Shares shall remain deposited with the securities brokerage accounts under the name of the subsidiaries of the Company and so long as the Promissory Notes remain outstanding, the Group shall have the absolute right to continue to pledge the Charged Shares for the purpose of securing the Group’s margin facilities with the relevant financial institution; (2) the Group shall have the right to deal with the Charged Shares upon the written instructions of the Purchaser and the proceeds of any such disposal of the Charged Shares shall be paid to the Group and used to reduce an equivalent dollar amount outstanding under the Promissory Notes; and (3) any dividend declared and/or paid in respect of the Charged Shares before the full repayment of the Promissory Notes shall accrue and belong to the Group absolutely and shall in no event be returned to or be payable to the Purchaser or any other party whatsoever.

The Promissory Notes contain debt component and embedded derivative. At the initial recognition, the fair value of debt component of HK\$679,339,000 which was determined based on the present value of the estimated future cash flows discounted by the prevailing market rate of interest of similar instrument. The fair value of the Option is HK\$2,832,000 which is the embedded derivative component was calculated using option pricing model. Subsequent to the initial recognition of the Promissory Notes and the Option, the Group recognised imputed interest income from the Promissory Notes of HK\$24,051,000 and change in fair value of the Option of HK\$1,955,000 during the six months ended 31 December 2017.



## 15. PROMISSORY NOTES RECEIVABLE *(Continued)*

As at 31 December 2017, the Promissory Notes were neither past due nor impaired for which the Group considered that the amount was recoverable as the market value of the Charged Shares is higher than the carrying amount of the Promissory Notes of HK\$703,390,000.

Subsequent to 31 December 2017, the Purchaser instructed the Group to dispose of part of the Charged Shares with net proceeds of HK\$101,655,000 and paid the same amount to the Group. The Purchaser exercised the Option to extend the Maturity Date of the Promissory Notes to 19 July 2018.

## 16. CREDITORS AND ACCRUED CHARGES

	<b>31.12.2017</b>	30.6.2017
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
Trade payables to construction contractors, of hospital operation and elderly care related services operation	<b>332,651</b>	307,486
Creditors from securities trading	<b>1,526</b>	3,043
Accrued compensation for late delivery of properties held for sale	<b>5,532</b>	5,969
Accrued construction cost for properties under development for sale	<b>111,980</b>	122,918
Construction cost payable for hospital buildings classified as property, plant and equipment	<b>13,259</b>	13,085
Other creditors and accrued charges	<b>101,870</b>	65,338
	<b>566,818</b>	517,839

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

## 16. CREDITORS AND ACCRUED CHARGES (Continued)

Trade payables of hospital operation and elderly care related service 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, of hospital operations and elderly care related services operation presented based on the invoice date as at 31 December 2017 and 30 June 2017:

	<b>31.12.2017</b> <i>HK\$'000</i> <b>(unaudited)</b>	30.6.2017 <i>HK\$'000</i> (audited)
0 – 30 days	<b>260,902</b>	260,955
31 – 60 days	<b>20,772</b>	5,232
61 – 90 days	<b>13,626</b>	5,890
91 – 365 days	<b>14,348</b>	29,736
Over 1 year but not exceeding 2 years	<b>20,495</b>	3,479
Over 2 years but not exceeding 5 years	<b>2,508</b>	2,194
	<b>332,651</b>	307,486

**17. BORROWINGS**

	<b>31.12.2017</b>	30.6.2017
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
Securities margin loans ( <i>note a</i> )	<b>269,539</b>	370,806
Secured term loan	<b>75,462</b>	75,462
Unsecured term loans	<b>486,742</b>	487,940
Secured bank borrowings	<b>240,620</b>	115,521
Unsecured bank borrowings	<b>210,544</b>	308,262
Secured other borrowings	–	186,546
Unsecured other borrowings ( <i>note b</i> )	<b>177,818</b>	152,922
Discounted bills	<b>50,049</b>	128,970
	<b><u>1,510,774</u></b>	<u>1,826,429</u>

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

	<b>31.12.2017</b>	30.6.2017
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
On demand or within one year	<b>1,006,708</b>	1,371,270
Over one year but not exceeding two years	<b>323,601</b>	340,007
Over two years but not exceeding five years	<b>180,465</b>	115,152
	<b>1,510,774</b>	1,826,429
Less: Amount due within one year shown under current liabilities	<b><u>(1,006,708)</u></b>	<u>(1,371,270)</u>
Amount shown under non-current liabilities	<b><u>504,066</u></b>	<u>455,159</u>

## 17. BORROWINGS *(Continued)*

During the current period, the Group obtained new borrowings amounting to HK\$585,499,000 (six months ended 31 December 2016: HK\$1,110,638,000) and repaid borrowings amounting to HK\$935,059,000 (six months ended 31 December 2016: HK\$1,519,041,000).

*Notes:*

- (a) Apart from the pledge of certain collateral of the Group as disclosed in note 22, as at 31 December 2017, the Charged Shares with market value of approximately HK\$794 million (30 June 2017: nil) were also pledged as collateral of the securities margin loans as detailed in note 15.
- (b) As at 30 June 2017, included in other borrowings was an amount of HK\$37,770,000 which was a borrowing from a related party in which a director of a subsidiary of the Group was a director of the related party. The director of a subsidiary resigned during the current period.

## 18. DERIVATIVE FINANCIAL INSTRUMENTS

The derivative financial instruments comprise gross-settled option contracts linked with equity securities listed in Hong Kong and the Option. The fair value of derivative financial instruments is quoted by counterparties and determined based on valuation techniques as detailed in note 21.



## 19. 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 2017 (audited)	7,327	37,849	45,176
Credit to profit or loss for the period	(1,412)	(1,560)	(2,972)
Exchange difference	54	276	330
At 31 December 2017 (unaudited)	5,969	36,565	42,534

## 20. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.0005 each		
Authorised:		
At 31 December 2017 and 30 June 2017	600,000,000,000	300,000
Issued and fully paid:		
At 31 December 2017 and 30 June 2017	14,480,072,773	7,240

## 21. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

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



## 21. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Financial assets/financial liabilities in the condensed consolidated statement of financial position	Fair value as at 31.12.2017	Fair value as at 30.6.2017	Fair value hierarchy	Valuation techniques and key inputs
1) Investments in listed equity securities classified as investments held for trading	<b>Listed equity securities:</b> – Hong Kong HK\$177,179,000 – Overseas HK\$128,130,000	Listed equity securities: – Hong Kong HK\$951,028,000 – Overseas HK\$204,375,000	Level 1	Quoted bid prices in active markets.
2) Investments in listed debt securities classified as available-for-sale investments	<b>Listed debt securities:</b> – Hong Kong HK\$23,448,000	–	Level 1	Quoted bid prices in active markets.
3) Investments in unlisted unit trusts classified as available-for-sale investments	<b>Assets – HK\$123,000</b>	Assets – HK\$803,000	Level 2	Quoted prices from financial institutions.
4) Gross-settled option contracts linked with listed equity securities	<b>Assets – HK\$16,000</b> <b>Liabilities – HK\$3,392,000</b>	Assets – HK\$96,000 Liabilities – HK\$5,469,000	Level 3	Quoted from financial institutions.
5) Embedded derivative in Promissory Notes	<b>Liabilities – HK\$4,787,000</b>	–	Level 2	Option pricing model, discount rate and dividend yield.



## 21. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

	<b>Derivative financial instruments</b>
	HK\$'000
At 1 July 2016	(51,071)
Total gain in profit or loss	10,235
Settlement	<u>38,090</u>
At 31 December 2016	<u>(2,746)</u>
At 1 July 2017	<b>(5,373)</b>
Total gain in profit or loss	<b>1,998</b>
Settlement	<u><b>(1)</b></u>
At 31 December 2017	<u><b>(3,376)</b></u>

## 22. 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:

	<b>31.12.2017</b>	30.6.2017
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
Investments held for trading	<b>305,309</b>	1,150,525
Building (included in property, plant and equipment)	<b>158,208</b>	152,565
Investment properties	<b>501,061</b>	478,833
Properties held for sale	<b>37,898</b>	32,673
Pledged bank deposits	<b>63,591</b>	220,407
	<b><u>1,066,067</u></b>	<u>2,035,003</u>

The Group's obligations under finance leases are secured by the Group's charge over the leased assets. At 31 December 2017, the carrying amount of the Group's medical equipment included an amount of HK\$48,124,000 (30 June 2017: HK\$59,879,000) in respect of assets held under finance leases.

## 23. COMMITMENT

	<b>31.12.2017</b>	30.6.2017
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
Capital expenditure contracted for but not provided		
– Property, plant and equipment	<b>68,383</b>	76,831
– Investment properties	<b>40,202</b>	38,479
	<b><u>108,585</u></b>	<u>115,310</u>

## 24. CONTINGENT LIABILITIES

As at 31 December 2017, 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 provided guarantees of RMB50,000,000 (approximately HK\$60,155,000) (30 June 2017: RMB50,000,000 (approximately HK\$57,576,000)) to China Huali Holding Group Company Limited 中國華力控股集團有限公司 (“Huali”) for application of a loan, while Huali and its subsidiaries provided of RMB20,000,000 (approximately HK\$24,062,000) (30 June 2017: RMB170,000,000 (approximately HK\$195,758,000)) to Tongren Healthcare for the application of a loan. A former director of Jiatai Construction and certain subsidiaries of Jiatai Construction has a beneficial interest in Huali.

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 party involved is remote, accordingly, no value has been recognised at the inception of the guarantee contracts and at the end of the reporting period.

## 25. RELATED PARTY TRANSACTIONS

- (a) Other than 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:

	<b>Six months ended</b>	
	<b>31.12.2017</b>	31.12.2016
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Interest expense to borrowings from related parties of the Company	<b>1,853</b>	4,719

Details of the borrowings from related parties are set out in note 17.

## 25. RELATED PARTY TRANSACTIONS *(Continued)*

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

	<b>Six months ended</b>	
	<b>31.12.2017</b>	31.12.2016
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Salaries and other short-term employee benefits	<b>3,666</b>	4,026
Retirement benefit costs	<b>36</b>	35
	<b>3,702</b>	4,061

## 26. SHARE-BASED PAYMENT TRANSACTIONS

In March 2013, Jiatai Construction signed a cooperative agreement (“Cooperative Agreement”) with a doctor so as to employ the doctor to be the hospital incharge in Group’s hospital in Nanjing (“Nanjing 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 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 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 Hospital from May 2018 to April 2019.

## 26. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

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

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

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

During the six months ended 31 December 2017, share-based payment of HK\$2,252,000 was recognised (the six months ended 31 December 2016: HK\$2,252,000) in the condensed consolidated statement of profit or loss.

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

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 in deficit balance of HK\$2,991,000 and the consideration of HK\$1 has 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.

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
Inventories	2,893
Bank balances and cash	2,190
Creditors and accrued charges	<u>(11,987)</u>
	14,708
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 2016 (audited)	65,527	19,577	85,104
Share of profit for the period	7,948	–	7,948
Share of other comprehensive income 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 26)	–	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
At 1 July 2017 (audited)	64,731	19,885	84,616
Share of loss for the period	(6,578)	–	(6,578)
Share of other comprehensive income for the period	4,627	–	4,627
Share of total comprehensive expense for the period	(1,951)	–	(1,951)
Recognition of equity-settled share-based payments (note 26)	–	2,252	2,252
At 31 December 2017 (unaudited)	62,780	22,137	84,917

### **30. MAJOR NON-CASH TRANSACTION**

During the six months ended 31 December 2017, the Disposal was completed and partially satisfied by the Promissory Notes with principal sum of HK\$706,213,000 as detailed in note 15.

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.



## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL RESULTS

For the six months ended 31 December 2017, the Group recorded an increased total revenue of HK\$1,625,804,000 (2016: HK\$1,169,692,000) but a loss attributable to shareholders of the Company of HK\$62,544,000 (2016: profit of HK\$123,830,000). This was mainly due to (i) the loss in fair value change of investments held for trading of HK\$16,232,000 (2016: gain of HK\$142,154,000); (ii) the decreased gain in fair value change of derivative financial instruments of HK\$43,000 (2016: HK\$10,235,000); (iii) the absence of reversal of impairment loss recognized on loan and interest receivables (2016: HK\$21,685,000) under the money lending business; (iv) the reduction in sales of properties to HK\$11,180,000 (2016: HK\$48,314,000) under the Property Development operations; and (v) the reduction in the sales of independent living units (“ILU”) to HK\$46,535,000 (2016: HK\$238,957,000) under the Eldercare Division which was partially off-set by (vi) imputed interest income from promissory notes receivable of HK\$24,051,000 (2016: nil).

Loss per share (basic and diluted) for the six months ended 31 December 2017 was HK0.43 cents (2016: earnings per share of HK0.86 cents).

The Group’s net asset value per share as at 31 December 2017 amounted to HK\$0.13 (2016: HK\$0.14).

### INTERIM DIVIDEND

The Board do not recommend the payment of an interim dividend (2016: nil) for the six months ended 31 December 2017.

### 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.

## REVIEW OF OPERATIONS *(Continued)*

### Healthcare Division:

During the period under review, the Group's Healthcare Division, operated through its wholly-owned subsidiary, Tongren Healthcare Industry Group Co., Ltd. (同仁醫療產業集團有限公司) ("Tongren Healthcare") in the People's Republic of China ("PRC"), recorded an increased revenue of HK\$479,698,000 (2016: HK\$401,357,000) and a profit of HK\$2,954,000 (2016: HK\$2,817,000). The Healthcare Division generated an EBITDA, being earnings before interest, tax, depreciation and amortization, of HK\$66,707,000 (2016: HK\$72,998,000) for the six months ended 31 December 2017.

For the six months ended 31 December 2017, the Group's hospital in Nanjing achieved a total of 385,543 out-patients visits (2016: 327,056), 13,264 in-patient admissions (2016: 11,780) and 24,549 body-checks (2016: 22,509) while the Group's hospital in Kunming achieved a total of 87,858 out-patients visits (2016: 87,019), 5,980 in-patient admissions (2016: 5,604) and 39,794 body-checks (2016: 36,517).

### Eldercare Division:

For the period under review, the Group's Eldercare Operations operated through its 70% owned subsidiary, Aveo China (Holdings) Limited ("Aveo China"), recorded a decreased revenue of HK\$53,896,000 (2016: HK\$242,477,000) and a loss of HK\$18,122,000 (2016: profit of HK\$32,471,000).

As at 31 December 2017, the retirement village project, Tide Health Campus (天地健康城) (situated in Zhu Jia Jiao, Shanghai, PRC), of the Eldercare Division had sold 782 ILUs out of the available 868 ILUs, among which 18 ILUs (2016: 114 ILUs) were recorded as sales in the period under review. In addition, the Eldercare Division had leased out 26 serviced apartments ("SA") (2016: 20 SAs) out of the available 120 SAs during the period under review.

As at 31 December 2017, the Eldercare Division's investment properties portfolio comprising the SAs and the retail shopping precinct with total carrying value amounted to HK\$532,652,000 (2016: HK\$492,378,000).

## REVIEW OF OPERATIONS (Continued)

### Property Development:

For the six months ended 31 December 2017, the Group's Property Development operations recorded a decreased turnover of HK\$11,180,000 (2016: HK\$48,314,000) and a profit of HK\$787,000 (2016: HK\$6,606,000). As at 31 December 2017, 85 units of car park of Kangya Garden (康雅苑) Phase II & III out of a total inventory of 663 units were sold and among which 81 units (2016: nil) were also recorded as sales.

As at 31 December 2017, the Group's properties under development for sale of HK\$6,383,000 (2016: HK\$317,582,000) consisted of a parcel of commercial land in Lianyungang, PRC.

### Securities Trading and Investments:

Given the Group's new direction on healthcare and eldercare businesses, the Group had reviewed and adjusted its investments portfolio during the period under review.

The Group's activities in securities trading and investments recorded a turnover of HK\$1,075,030,000 (2016: HK\$466,298,000) and a loss of HK\$4,832,000 (2016: profit of HK\$147,917,000) for the six months ended 31 December 2017. This was mainly due to (i) the loss in fair value of investments held for trading of HK\$16,232,000 (2016: gain of HK\$142,154,000); (ii) the reduction of gain in fair value of derivative financial instruments of HK\$43,000 (2016: HK\$10,235,000); (iii) the imputed interest income from promissory notes receivable of HK\$24,051,000 (2016: nil); (iv) the impairment loss recognized on available-for-sale investments of HK\$506,000 (2016: nil); (v) gain on disposal of available-for-sale investments of nil (2016: HK\$1,082,000); (vi) interest income from available-for-sale investments of HK\$349,000 (2016: nil); and (vii) the and dividend income from listed investments of HK\$4,819,000 (2016: HK\$6,727,000).

As at 31 December 2017, the Group maintained a portfolio of available-for-sale investments of HK\$24,249,000 (2016: HK\$1,549,000) and a portfolio of investments held for trading of HK\$305,309,000 (2016: HK\$1,082,775,000).

**REVIEW OF OPERATIONS (Continued)****Securities Trading and Investments: (Continued)**

Investments Held for Trading:

As at 31 December 2017, 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 gain (loss)	Dividend received	% of carrying value to the Group's net assets
	2017	2016	2017	2017	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	%
Hong Kong	177,179	906,693	(41,400)	6,135	4,357	8.8
Australia	123,211	122,656	9,177	(1,304)	410	6.1
Malaysia	-	48,555	-	-	-	-
Philippine	773	1,278	(1)	(272)	-	-
PRC	-	-	4,296	-	52	-
Japan	4,146	3,593	10,096	(2,959)	-	0.2
Total	305,309	1,082,775	(17,832)	1,600	4,819	

## REVIEW OF OPERATIONS *(Continued)*

### Securities Trading and Investments: *(Continued)*

#### Investments Held for Trading: *(Continued)*

As at 31 December 2017, 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 value
	2017	2016	2017	2017	2017	to the Group's
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	net assets
						2017
						%
Banking company	-	5,292	1,237	-	273	-
Consumer services company	-	1,055	3	-	5	-
Entertainment and media company	3,340	59,319	(2,440)	(958)	-	0.2
Financial services and investment company	16,974	419,118	10,316	(2,503)	2,102	0.8
Healthcare services company	58,927	13,127	-	6,498	-	2.9
Industrial materials company	306	45,171	(66)	6	421	-
Information technology company	8,120	-	-	511	-	0.4
Mining and resources company	124,250	134,756	4,652	1,190	1,587	6.2
Property company	93,392	404,937	(31,534)	(3,144)	431	4.6
Total	305,309	1,082,775	(17,832)	1,600	4,819	

At 31 December 2017, there was no investment held for trading which is material to the Group (exceeded 5% the net assets of the Group).

**REVIEW OF OPERATIONS (Continued)****Securities Trading and Investments: (Continued)**

Derivative Financial Instruments:

As at 31 December 2017, the Group's investments in derivative financial instruments consisted of options in different categories were as follows:

	<b>No. of contracts as at 31.12.2017</b>	<b>Fair value 2017 HK\$'000</b>
<b>Asset</b>		
Option contracts linked with equity securities listed in Hong Kong	2	16
		<u>16</u>
<b>Liabilities</b>		
Option contracts linked with equity securities listed in Hong Kong	4	(3,392)
Option contracts in promissory notes receivable	2	(4,787)
		<u>(8,179)</u>
<b>Net</b>		<u>(8,163)</u>

As at 31 December 2017, the performance of the Group's investment in derivative financial instruments was as follows:

	<b>Fair value 2017 HK\$'000</b>	<b>Realized gain (loss) 2017 HK\$'000</b>	<b>Fair value gain (loss) 2017 HK\$'000</b>
Option contracts linked with equity securities, net	(3,376)	–	(3,376)
Option contracts in promissory notes receivable	<u>(4,787)</u>	<u>–</u>	<u>(4,787)</u>
	<u>(8,163)</u>	<u>–</u>	<u>(8,163)</u>

## REVIEW OF OPERATIONS *(Continued)*

### Securities Trading and Investments: *(Continued)*

Derivative Financial Instruments: *(Continued)*

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.

### Money Lending:

For the six months ended 31 December 2017, the Group's money lending business recorded an interest income of HK\$2,308,000 (2016: HK\$8,150,000) and a reduced gain of HK\$2,247,000 (2016: HK\$27,256,000) mainly due to the absence of reversals of impairment loss recognized on loan and interest receivables (2016: HK\$21,685,000). As at 31 December 2017, the Group's loan portfolio amounted to nil following repayment of loan receivables during the period (2016: HK\$56,971,000).

### Property Investments:

The Group's investment properties portfolio, for leasing, located in Hong Kong and the PRC recorded a rental income of HK\$3,692,000 (2016: HK\$3,096,000) and a profit of HK\$2,746,000 (2016: HK\$1,944,000) for the period. As at 31 December 2017, the Group's investment properties portfolio amounted to HK\$233,057,000 (2016: HK\$226,178,000).

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

As at 31 December 2017, the Group's non-current assets of HK\$2,321,066,000 (2016: HK\$2,200,365,000) consisted of investment properties of HK\$765,709,000 (2016: HK\$718,556,000), property, plant and equipment of HK\$1,406,203,000 (2016: HK\$1,314,993,000), prepaid lease payments of HK\$106,526,000 (2016: HK\$101,441,000), available-for-sale investments of HK\$678,000 (2016: HK\$746,000), intangible assets of nil (2016: HK\$12,481,000), goodwill of HK\$33,955,000 (2016: HK\$31,552,000) and deposits for acquisition of property, plant and equipment of HK\$7,995,000 (2016: HK\$20,596,000). These non-current assets are principally financed by the Group's shareholders' funds. As at 31 December 2017, the Group's net current assets decreased to HK\$264,927,000 (2016: HK\$377,470,000).

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

As at 31 December 2017, the total borrowings of the Group amounted to HK\$1,510,774,000 (2016: HK\$2,163,005,000) consisting of securities margin loans of HK\$269,539,000 (2016: HK\$502,328,000), secured term loan of HK\$75,462,000 (2016: HK\$75,462,000), unsecured term loans of HK\$486,742,000 (2016: HK\$230,000,000), secured bank borrowings of HK\$240,620,000 (2016: HK\$540,485,000), unsecured bank borrowings of HK\$210,544,000 (2016: HK\$493,610,000), unsecured other borrowings of HK\$177,818,000 (2016: HK\$173,940,000) and discounted bills of HK\$50,049,000 (2016: HK\$147,180,000). Among the total borrowings of the Group, an amount of HK\$1,006,708,000 (2016: HK\$1,861,955,000) was with maturity on demand or within one year and HK\$504,066,000 (2016: HK\$301,050,000) was with maturity of over one year but not exceeding two years.

As at 31 December 2017, 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 47.6% (2016: 42.9%). The Group's gearing ratio would be adjusted to 31.4% (2016: zero) with marketable securities inclusive of available-for-sale investments (current) and investments held for trading deducted from the net borrowings.

As at 31 December 2017, the Group had capital commitment contracted for but not provided relating to the acquisition of property, plant and equipment, and investment properties of HK\$68,383,000 (2016: HK\$65,431,000) and HK\$40,202,000 (2016: HK\$24,743,000) respectively.

As at 31 December 2017, Tongren Healthcare provided guarantees of RMB50,000,000 (approximately HK\$60,155,000) (2016: nil) to China Huali Holding Group Company Limited (中國華力控股集團有限公司) ("Huali") for its application of a loan, while Huali and its subsidiary provided guarantees of RMB20,000,000 (approximately HK\$24,062,000) (2016: nil) to Tongren Healthcare and its subsidiaries for their application of loans.



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

At 31 December 2017, Aveo China had given no guarantee 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 (2016: HK\$31,115,000).

In December 2015, the Company and CM International Holding Pte Limited ("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. As at 31 December 2017, details of use of net proceeds from the Subscription were as follows:

<b>Intended use of proceeds</b>	<b>Actual use of proceeds</b>
<p>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.</p>	<p>a) Approximately HK\$47,948,000 was used for construction cost of Block D of the Group's hospital in Nanjing.</p> <p>b) Approximately HK\$80,569,000 was used for working capital of the healthcare business.</p> <p>c) Approximately HK\$100,287,000 (RMB90,000,000) was used to settle the acquisition costs of 18.36% equity interests of Yangpu Zhaohu Industrial Co., Ltd.* (洋浦兆合實業有限公司) ("Yangpu Zhaohu").</p> <p>d) Approximately HK\$27,340,000 was used for purchasing and improvement of medical and healthcare equipment.</p>
<p>ii. The remaining balance of approximately HK\$299,250,000 will be used for reduction of the borrowings of the Group.</p>	<p>a) HK\$299,250,000 was used for reduction of the borrowings of the Group.</p>

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

Note:

- \* Yangpu Zhaohe owns 72.5% of the equity interest in Tongren Healthcare with the remaining 27.5% equity interest owned by the another wholly-owned subsidiary of the Group.

During the six months under review, the Company did not repurchase any shares (2016: nil) in the capital of the Company.

In November 2017, the Company's American Depositary Receipts ("ADR") Level 1 Program (the "Program") terminated following the resignation of the depositary bank under the Program in May 2017 (the "Termination"). The Company did not appoint a successor depositary bank. Though the Program provided an opportunity for shares of the Company to be traded in the over-the-counter market of the United States, having considered the relatively low participation in the Program and the fact that the outstanding ADRs as at 31 August 2017 represented less than 0.1% of the total issued share capital of the Company, the Board has decided to terminate the Program.

During the six months 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. As the substantial portion of the Group's assets and 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.

## CHARGE ON GROUP ASSETS

As at 31 December 2017, the Group's investments held for trading of HK\$305,309,000 (2016: HK\$1,077,508,000), building (included in property, plant and equipment) of HK\$158,208,000 (2016: HK\$130,641,000), investment properties of HK\$501,061,000 (2016: HK\$492,378,000), properties under development for sale of nil (2016: HK\$113,101,000), properties held for sale of HK\$37,898,000 (2016: nil) and pledged bank deposits of HK\$63,591,000 (2016: HK\$463,457,000) 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 2017, the carrying amount of the Group's medical equipment included an amount of HK\$48,124,000 (2016: HK\$60,438,000) in respect of assets held under finance leases.

## MATERIAL ACQUISITIONS AND DISPOSAL

Save as disclosed herein, for the six months ended 31 December 2017, the Group did not make any material acquisitions and disposal of subsidiaries, significant investments nor capital commitment.

## EMPLOYEES

The Group had 2,212 employees as at 31 December 2017 (2016: 2,087). 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

Given the favourable demographic (such as aging population) and macro factors (such as growing middle class, high saving rate), and supportive central government policies with relatively low penetration of private healthcare and eldercare institutions, the Group believes the outlook of private healthcare and eldercare sectors in the PRC is bright.

## PROSPECTS *(Continued)*

### Healthcare Division:

For the Healthcare Division, it had collaborated with Dr. Han De Ming (韓德民院士) to establish a research and development centre in eye, neck and throat speciality and for training of junior specialist as national level specialist doctor (國家級專家) in the Group's hospital in Nanjing. To further expand its spine unit as a centre of excellence in Yunnan province, the Group had also collaborated with Dr. Su Guo Huai (蘇國輝院士) to set up the first spine treatment & research centre in Yunnan which the Group believes will further strengthen the Group's position as key leader in spine treatment and attracted foreign patients around the region to seek treatment at the Group's hospital.

### Eldercare Division:

With the full operation of the Shanghai Metro Line No. 17 from Hongqiao Railway Station to Zhu Jia Jiao, Shanghai, starting December 2017, the Group anticipates that more residents will move into Tide Health Campus given its extensive on-site facilities and convenient location.

Shanghai Deyi Hospital (上海德頤醫院) ("SHDYH"), the elderly nursing hospital in the village, which is fully operated since June 2017, has been included in the national health insurance (國家醫保) coverage's list of hospitals published in September 2017. The Group expects that the SHDYH will continue gaining its publicity and market share in the retirement community and become a model of elderly nursing hospital for future new projects.

For the SAs, the construction of the first building was completed in November 2016 with 120 SAs available for lease, of which 26 were leased out as at 31 December 2017. The second building with 80 SAs will be equipped in 2018, while the third building with 70 SAs will be ready in 2019. It is anticipated that the SHDYH will attract more potential tenants for these SAs as many elderly people prefer to stay at places with medical care facilities nearby.

The Group will continue focusing its business by building, developing and managing more retirement villages with quality care services to elderly people in the PRC.

## INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at 31 December 2017, 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 in the shares of the Company

Name of Director	Number of ordinary shares of HK\$0.0005 each					Percentage of issued ordinary shares
	Personal interests	Family interests	Corporate interests	Other interests	Total	
Ms. Chong Sok Un ("Ms. Chong")	-	-	2,592,514,140 (Note 1)	-	2,592,514,140	17.90%

Note:

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 2017.

1. Vigor Online Offshore Limited, a wholly-owned subsidiary of China Spirit Limited ("China Spirit"), has an interest of 2,592,514,140 ordinary shares of the Company. Ms. Chong maintains 100% beneficial interests in China Spirit. Accordingly, Ms. Chong is deemed to have corporate interest of 2,592,514,140 ordinary shares of the Company.

Save as disclosed above, as at 31 December 2017, 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 2017, 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:–

### Long positions in the shares of the Company

Name	Capacity		Number of ordinary shares held	Percentage of issued ordinary shares
Tsinghua Tongfang Co., Ltd. ("THTF")	Held by controlled corporation	(Note 1)	4,000,000,000	27.62%
Resuccess Investments Limited ("Resuccess")	Held by controlled corporation	(Note 1)	4,000,000,000	27.62%
Cool Clouds Limited ("Cool Clouds")	Beneficial owner	(Note 1)	4,000,000,000	27.62%
Ms. Chong Sok Un ("Ms. Chong")	Held by controlled corporation	(Note 2)	2,592,514,140	17.90%

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

### Long positions in the shares of the Company *(Continued)*

Name	Capacity		Number of ordinary shares held	Percentage of issued ordinary shares
China Spirit Limited ("China Spirit")	Held by controlled corporation	<i>(Note 2)</i>	2,592,514,140	17.90%
Vigor Online Offshore Limited ("Vigor")	Beneficial owner	<i>(Note 2)</i>	2,592,514,140	17.90%
China Minsheng Investment Corp. Ltd. 中國民生投資股 份有限公司("CMI")	Held by controlled corporation	<i>(Note 3)</i>	2,000,000,000	13.81%
CMIG International Capital Limited 中民投國際資本有 限公司 ("中民投國際資本")	Held by controlled corporation	<i>(Note 3)</i>	2,000,000,000	13.81%
CM International Capital Limited ("CMIC")	Held by controlled corporation	<i>(Note 3)</i>	2,000,000,000	13.81%
Victor Beauty Investments Limited ("Victor Beauty")	Beneficial owner	<i>(Note 3)</i>	2,000,000,000	13.81%
Ms. Luo Qiongying ("Ms. Luo")	Held by controlled corporation	<i>(Note 4)</i>	1,149,739,208	7.94%

**INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSON'S INTERESTS IN SHARES AND UNDERLYING SHARES (Continued)****Long positions in the shares of the Company (Continued)**

<b>Name</b>	<b>Capacity</b>		<b>Number of ordinary shares held</b>	<b>Percentage of issued ordinary shares</b>
Excellent Top Holdings Limited ("Excellent Top")	Held by controlled corporation	(Note 4)	1,149,739,208	7.94%
Greatime Management Corp. ("Greatime")	Beneficial owner	(Note 4)	1,149,739,208	7.94%
Allied Group Limited ("Allied Group")	Held by controlled corporation	(Note 5)	1,711,151,708	11.81%
Allied Properties (H.K.) Limited ("Allied Properties")	Held by controlled corporation	(Note 5)	1,711,151,708	11.81%
Mr. Lee Seng Hui	Held by controlled corporation	(Note 5)	1,711,151,708	11.81%
Ms. Lee Su Hwei	Held by controlled corporation	(Note 5)	1,711,151,708	11.81%
Mr. Lee Seng Huang	Held by controlled corporation	(Note 5)	1,711,151,708	11.81%



*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 2017.

1. Cool Clouds, a wholly-owned subsidiary of Resuccess, was interested in 4,000,000,000 ordinary shares of the Company. THTF was the sole shareholder of Resuccess as at 31 December 2017. Accordingly, Resuccess and THTF were deemed to be interested in 4,000,000,000 ordinary shares of the Company in which Cool Clouds was interested.
2. Vigor, a wholly-owned subsidiary of China Spirit, has an interest of 2,592,514,140 ordinary shares of the Company. Ms. Chong maintains 100% beneficial interests in China Spirit. Accordingly, Ms. Chong is deemed to have corporate interest of 2,592,514,140 ordinary shares of the Company.
3. Victor Beauty, a wholly-owned subsidiary of CMIC, owns 2,000,000,000 ordinary shares of the Company. 中民投國際資本 maintains 100% beneficial interests in CMIC and CMI maintains 100% beneficial interests in 中民投國際資本. Accordingly, CMIC, 中民投國際資本, and CMI are deemed to have interests in 2,000,000,000 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.

Notes: (Continued)

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 57.29% 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 controlled approximately 74.95% of the total number of issued shares of Allied Group (inclusive of Mr. Lee Seng Hui's personal interests) and was therefore deemed to have an interest in the shares in which Allied Group was interested.

Save as disclosed above, as at 31 December 2017, 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**

### **CHANGE OF SUBSTANTIAL SHAREHOLDER**

On 18 September 2017, Cool Clouds Limited (“Cool Clouds”) became a substantial shareholder of the Company upon the completion of a sale and purchase agreement entered into between Cool Clouds and Vigor Online Offshore Limited on 17 April 2017 relating to the sale of 4,000,000,000 shares of the Company (representing approximately 27.62% of the issued share capital of the Company).

### **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 2017). 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 2017.

## 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 its code of conduct regarding securities transactions by the directors of the Company (the “Directors”). 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 2017.

## CHANGES IN DIRECTORS’ INFORMATION

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

- Mr. Lau Siu Ki has been appointed as an independent non-executive director of TCL Multimedia Technology Holdings Limited with effect from 3 November 2017.
- Mr. Liao Feng has resigned as a director of New Universe Environmental Group Limited with effect from 8 November 2017.
- Dr. Jonathan Weiyan Seah has been re-designated from executive director and chief executive officer to Chairman and non-executive director of the Company with effect from 8 December 2017.

## PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the six months ended 31 December 2017, 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. Jonathan Weiyan Seah**  
*Chairman*

Hong Kong, 27 February 2018

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

Executive Directors

Ms. Chong Sok Un (Deputy Chairman), Dato' Wong Peng Chong and Mr. Kong Muk Yin

Non-Executive Directors

Dr. Jonathan Weiyen Seah (Chairman) and Mr. Liao Feng

Independent Non-Executive Directors

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