



# **China Medical & HealthCare Group Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 383)**

## **2019 Second Interim Report**

## UNAUDITED RESULTS OF THE GROUP

The board of directors (the “Directors” and the “Board”, respectively) of China Medical & HealthCare Group Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the twelve months ended 30 June 2019 together with the comparative figures for the corresponding period in 2018 as follows:–

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE TWELVE MONTHS ENDED 30 JUNE 2019

	NOTES	Twelve months ended	
		30.6.2019 HK\$'000 (unaudited)	30.6.2018 HK\$'000 (audited)
Revenue	3	<b>1,195,815</b>	1,100,641
Gross proceeds from sales of investments held for trading		<b>181,961</b>	1,217,518
<b>Total</b>		<b>1,377,776</b>	2,318,159
Revenue	3		
Goods and services		<b>1,149,935</b>	1,082,220
Rental		<b>8,434</b>	9,186
Interest		<b>36,198</b>	2,308
Others		<b>1,248</b>	6,927
		<b>1,195,815</b>	1,100,641
Cost of goods and services		<b>(950,065)</b>	(927,376)
Gross profit		<b>245,750</b>	173,265
Other gains and losses, and other income	5	<b>36,541</b>	22,889
Selling and distribution costs		<b>(4,700)</b>	(7,797)
Administrative expenses		<b>(241,168)</b>	(240,259)
Finance costs	6	<b>(50,044)</b>	(81,547)

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

FOR THE TWELVE MONTHS ENDED 30 JUNE 2019

	NOTES	Twelve months ended	
		30.6.2019 HK\$'000 (unaudited)	30.6.2018 HK\$'000 (audited)
Loss before taxation		<b>(13,621)</b>	(133,449)
Taxation credit (expense)	7	<b>50,230</b>	(14,379)
Profit (loss) for the period	8	<b>36,609</b>	(147,828)
Profit (loss) for the period attributable to:			
Owners of the Company		<b>34,887</b>	(137,110)
Non-controlling interests		<b>1,722</b>	(10,718)
		<b>36,609</b>	(147,828)
Earnings (loss) per share	10		
Basic		<b>HK0.24 cents</b>	HK (0.95) cents
Diluted		<b>HK0.24 cents</b>	HK (0.95) cents



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

FOR THE TWELVE MONTHS ENDED 30 JUNE 2019

	Twelve months ended	
	30.6.2019	30.6.2018
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Profit (loss) for the period	<u>36,609</u>	<u>(147,828)</u>
<b>Other comprehensive (expense) income</b>		
Items that will be reclassified subsequently to profit or loss:		
Net change on available-for-sale investments	-	(1,098)
Net change on debt instruments at fair value through other comprehensive income	725	-
Exchange differences arising on translation:		
Exchange (loss) gain arising from translation of foreign operation	<u>(32,338)</u>	<u>2,113</u>
	<u>(31,613)</u>	<u>1,015</u>
Item that will not be reclassified to profit or loss:		
Gain on revaluation of leasehold land and buildings	<u>-</u>	<u>7,923</u>
Other comprehensive (expense) income for the period	<u>(31,613)</u>	<u>8,938</u>
Total comprehensive income (expense) for the period	<u>4,996</u>	<u>(138,890)</u>
Total comprehensive income (expense) attributable to:		
Owners of the Company	4,042	(129,167)
Non-controlling interests	<u>954</u>	<u>(9,723)</u>
	<u>4,996</u>	<u>(138,890)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2019

	NOTES	30.6.2019 HK\$'000 (unaudited)	30.6.2018 HK\$'000 (audited)
<b>Non-current assets</b>			
Investment properties	11	764,568	775,676
Property, plant and equipment	11	1,309,258	1,365,534
Prepaid lease payments		96,437	102,733
Financial assets at fair value through profit or loss		802	–
Available-for-sale investments		–	802
Goodwill		31,368	33,207
Deposits for acquisition of property, plant and equipment		7,477	7,819
		<u>2,209,910</u>	<u>2,285,771</u>
<b>Current assets</b>			
Inventories		21,874	18,168
Properties under development for sale		6,030	6,243
Properties held for sale		215,839	265,649
Prepaid lease payments		2,795	2,894
Debt instruments at fair value through other comprehensive income		23,302	–
Financial assets at fair value through profit or loss		101	–
Available-for-sale investments		–	22,678
Investments held for trading		52,242	138,769
Debtors, deposits and prepayments	12	123,320	179,361
Loans receivable	13	248,540	–
Pledged bank deposits		9,076	24,432
Restricted bank deposits		4,430	5,073
Bank balances and cash		412,452	544,092
		<u>1,120,001</u>	<u>1,207,359</u>

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

AT 30 JUNE 2019

	NOTES	30.6.2019 HK\$'000 (unaudited)	30.6.2018 HK\$'000 (audited)
<b>Current liabilities</b>			
Creditors and accrued charges	15	424,015	453,674
Deposits received on sales of properties		10,235	12,055
Other contract liabilities		48,866	–
Customers' deposits and receipts in advance		51,979	93,175
Consideration payable		–	57,300
Amount due to an associate		6,251	6,471
Borrowings – due within one year	16	581,318	325,330
Obligations under finance leases – due within one year		10,761	10,201
Derivative financial instruments		–	1,129
Taxation payable		111,716	167,033
		<u>1,245,141</u>	<u>1,126,368</u>
<b>Net current (liabilities) assets</b>		<u>(125,140)</u>	<u>80,991</u>
<b>Total assets less current liabilities</b>		<u>2,084,770</u>	<u>2,366,762</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities	17	33,475	38,237
Borrowings – due after one year	16	232,927	500,173
Obligations under finance leases – due after one year		–	9,511
		<u>266,402</u>	<u>547,921</u>
		<u>1,818,368</u>	<u>1,818,841</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AT 30 JUNE 2019

	<i>NOTES</i>	<b>30.6.2019</b> <b>HK\$'000</b> <b>(unaudited)</b>	30.6.2018 <i>HK\$'000</i> (audited)
<b>Capital and reserves</b>			
Share capital	18	<b>7,240</b>	7,240
Reserves		<b><u>1,810,836</u></b>	<u>1,789,375</u>
Equity attributable to owners of the Company		<b>1,818,076</b>	1,796,615
Non-controlling interests		<b><u>292</u></b>	<u>22,226</u>
<b>Total equity</b>		<b><u>1,818,368</u></b>	<u>1,818,841</u>



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE TWELVE MONTHS ENDED 30 JUNE 2019

	Attributable to the owners of the Company										
	Share capital	Share premium	Properties	Investment	Capital	Other reserves	Translation reserve	Retained profit	Non-controlling interests	Total	Total
			revaluation reserve	revaluation reserve	redemption reserve			(accumulated losses)			
	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 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	-	-	-	-	-	-	-	(137,110)	(137,110)	(10,718)	(147,828)
Other comprehensive income (expense) for the period	-	-	7,923	(1,098)	-	-	1,118	-	7,943	995	8,938
Total comprehensive income (expense) for the period	-	-	7,923	(1,098)	-	-	1,118	(137,110)	(129,167)	(9,723)	(138,890)
Recognition of equity-settled share-based payments (note 23)	-	-	-	-	-	-	-	-	-	3,003	3,003
Acquisition of non-controlling interest of a subsidiary without a change in control	-	-	-	-	-	(31,630)	-	-	(31,630)	(55,670)	(87,300)
At 30 June 2018 (audited)	7,240	2,621,374	27,875	(1,098)	2,496	(796,531)	22,218	(86,959)	1,796,615	22,226	1,818,841
Adjustment (see note 2)	-	-	-	1,098	-	-	-	(6,567)	(5,469)	-	(5,469)
At 1 July 2018 (restated)	7,240	2,621,374	27,875	-	2,496	(796,531)	22,218	(93,526)	1,791,146	22,226	1,813,372
Profit for the period	-	-	-	-	-	-	-	34,887	34,887	1,722	36,609
Other comprehensive income (expense) for the period	-	-	-	725	-	-	(31,570)	-	(30,845)	(768)	(31,613)
Total comprehensive income (expense) for the period	-	-	-	725	-	-	(31,570)	34,887	4,042	954	4,996
Lapse of share options (note 23)	-	-	-	-	-	-	-	22,888	22,888	(22,888)	-
At 30 June 2019 (unaudited)	7,240	2,621,374	27,875	725	2,496	(796,531)	(9,352)	(35,751)	1,818,076	292	1,818,368

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED 30 JUNE 2019

	<b>Twelve months ended</b>	
	<b>30.6.2019</b>	30.6.2018
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
Cash (used in) from operating activities	<b>(2,237)</b>	1,059,630
Interest paid	<b>(50,044)</b>	(79,122)
Tax refund (paid)	<b>1,611</b>	(7,138)
	<u><b>(50,670)</b></u>	<u>973,370</u>
<b>Net cash (used in) from operating activities</b>		
<b>Investing activities</b>		
Purchase of available-for-sale investments	–	(23,480)
Placement of pledged bank deposits and restricted bank deposits	–	(24,811)
Withdrawal of pledged bank deposits and restricted bank deposits	<b>14,816</b>	236,091
Additions of investment properties	<b>(9,776)</b>	(23,150)
Additions of property, plant and equipment	<b>(42,089)</b>	(55,586)
Deposits paid for acquisition of property, plant and equipment	<b>(2,350)</b>	(4,438)
Other investing activities	<b>6,052</b>	6,743
	<u><b>(33,347)</b></u>	<u>111,369</u>
<b>Net cash (used in) from investing activities</b>		



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

FOR THE TWELVE MONTHS ENDED 30 JUNE 2019

	Twelve months ended	
	30.6.2019	30.6.2018
	HK\$'000	HK\$'000
	(unaudited)	(audited)
<b>Financing activities</b>		
New borrowings raised	432,555	774,801
Repayments of borrowings	(417,069)	(1,808,601)
Repayments of obligations under finance leases	(8,161)	(12,048)
Repayment of consideration payable for acquisition of non-controlling interests	(55,800)	–
Acquisition of additional interest in subsidiaries	–	(30,000)
<b>Net cash used in financing activities</b>	<b>(48,475)</b>	<b>(1,075,848)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(132,492)</b>	<b>8,891</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>544,092</b>	<b>529,326</b>
<b>Effect of changes in foreign exchange rate</b>	<b>852</b>	<b>5,875</b>
<b>Cash and cash equivalents at end of the period</b>	<b>412,452</b>	<b>544,092</b>
<b>Represented by:</b>		
Bank balances and cash	412,452	544,092

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 30 JUNE 2019

### 1. BASIS OF PREPARATION

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

Pursuant to a resolution passed at the meeting of the Board of the Company held on 6 December 2018, the Company’s financial year end date has been changed from 30 June to 31 December commencing from financial year of 2019. Accordingly, the current financial period will cover a period of eighteen months from 1 July 2018 to 31 December 2019. These unaudited second interim consolidated financial statements now presented cover a period of twelve months from 1 July 2018 to 30 June 2019. The comparative figures presented for the unaudited condensed consolidated statement of profit or loss, unaudited condensed consolidated statement of profit or loss and other comprehensive income, unaudited condensed consolidated statement of cash flows, unaudited condensed consolidated statement of changes in equity and related notes cover the audited figures of the financial year from 1 July 2017 to 30 June 2018.

As at 30 June 2019, the Group has net current liabilities of HK\$125,140,000. The directors of the Company have given careful consideration to the future liquidity of the Group when preparing the condensed consolidated financial statements. Taking into account the ongoing availability of finance to the Group, including the cash flows generated from its principal operations, existing banking facilities, successful refinancing of certain bank borrowings of HK\$517,389,000 and the utilisation of the standby loan facility from a financial institution amounting to HK\$200,000,000 if necessary subsequent to the reporting period, the directors of the Company are of the opinion that the Group has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly these condensed consolidated financial statements have been prepared on a going concern basis.

## 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.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the twelve months ended 30 June 2019 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2018.

### ***Application of new and amendments to HKFRSs***

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 July 2018 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to Hong Kong Accounting Standard (“HKAS”) 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

## 2. PRINCIPAL ACCOUNTING POLICIES (*Continued*)

### *Application of new and amendments to HKFRSs (Continued)*

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

#### **2.1 *Impacts and changes in accounting policies of application on HKFRS 15 “Revenue from Contracts with Customers”***

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations.

The revenue of the Group is principally from (1) the operations of hospitals in the People’s Republic of China (excluding Hong Kong) (the “PRC”) (the “Healthcare”); (2) property development of independent living units and the operation of a health campus in the PRC with focus on elderly care and retirement community (the “Eldercare”); (3) the developing and selling of properties in the PRC (the “Property development”); (4) the leasing of residential and office properties (the “Property investment”); (5) the provision of loan financial services (the “Financial services”) and (6) the trading of securities in Hong Kong and overseas markets (the “Securities trading and investments”).

Revenue from Property investment will continue to be accounted for in accordance with HKAS 17 “Leases”. Revenue from Financial services and Securities trading and investments will be accounted for in accordance with HKFRS 9, whereas the revenue from Healthcare, Eldercare (excluding rental income) and Property development will be accounted for under HKFRS 15.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 July 2018. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 July 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 “Revenue” and HKAS 11 “Construction Contracts” and the related interpretations.

## 2. PRINCIPAL ACCOUNTING POLICIES (*Continued*)

### 2.1 *Impacts and changes in accounting policies of application on HKFRS 15 “Revenue from Contracts with Customers” (Continued)*

#### 2.1.1 *Key changes in accounting policies resulting from application of HKFRS 15*

HKFRS 15 introduces a 5-step approach when recognising revenue:

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

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### 2.1 *Impacts and changes in accounting policies of application on HKFRS 15 “Revenue from Contracts with Customers” (Continued)*

#### 2.1.1 *Key changes in accounting policies resulting from application of HKFRS 15 (Continued)*

- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### 2.1 *Impacts and changes in accounting policies of application on HKFRS 15 “Revenue from Contracts with Customers” (Continued)*

#### 2.1.1 *Key changes in accounting policies resulting from application of HKFRS 15 (Continued)*

##### **Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation**

###### *Output method*

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group’s performance in transferring control of goods or services.

The Group recognises revenue from the following major sources.

##### **Revenue from healthcare services**

For revenue from healthcare services, except for the revenue from the provision of beds for in-patient admissions, the revenue of healthcare services is recognised at a point of time, i.e. when the services are provided. For the revenue from the provision of beds for in-patient admissions, the which the control of the services is transferred when the Group had provided the related services over the time, revenue is recognised when the patients simultaneously received services over time.

##### **Revenue from eldercare related services**

For revenue from eldercare related services, for which the control of the services is transferred when the Group had provided the related services over the time, revenue is recognised when the customers simultaneously received eldercare related services over time.

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### 2.1 *Impacts and changes in accounting policies of application on HKFRS 15 “Revenue from Contracts with Customers” (Continued)*

#### 2.1.1 *Key changes in accounting policies resulting from application of HKFRS 15 (Continued)*

##### **Revenue from pharmaceutical sales**

Revenue from pharmaceutical sales is recognised at the point when the control of the goods has transferred on receipt by the customer.

##### **Revenue from property development**

Revenue from sales of completed properties is recognised at a point in time when the underlying property is transferred to the customer. Deposits and instalments received on properties sold prior to the date of revenue recognition are contract liabilities and included in the condensed consolidated statement of financial position as “Deposits received on sales of properties”.

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### 2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (Continued)

#### 2.1.2 Summary of effects arising from initial application of HKFRS 15

Based on the assessment by the directors of the Company, there is no material impact of transition to HKFRS 15 on accumulated losses at 1 July 2018.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 July 2018. Line items that were not affected by the changes have not been included.

		Carrying amounts previously reported at 30 June 2018		Carrying amounts under HKFRS 15 at 1 July 2018*
	Note	HK\$'000	Adjustments HK\$'000	HK\$'000
Current liabilities				
Other contract liabilities	a	-	37,114	37,114
Customers' deposits and receipts in advance	a	93,175	(37,114)	56,061

\* The amounts in this column are before the adjustments from the application of HKFRS 9.

Note:

- (a) As at 1 July 2018, included in customers' deposits and receipts in advance, HK\$37,114,000 related to receipts in advance from customers for services under contracts with customers. These balances were reclassified to other contract liabilities upon the initial application of HKFRS 15.

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### 2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (Continued)

#### 2.1.2 Summary of effects arising from initial application of HKFRS 15 (Continued)

The following table summaries the impacts of applying HKFRS 15 on the condensed consolidated statement of financial position at 30 June 2019 for each of the line items affected. Line items that were not affected by the changes have not been included.

		As reported	Adjustments	Amounts without application of HKFRS 15
	Note	HK\$'000	HK\$'000	HK\$'000
Current liabilities				
Other contract liabilities	a	48,866	(48,866)	-
Customers' deposits and receipts in advance	a	51,979	48,866	100,845

Note:

- (a) As at 30 June 2019, receipts in advance from customers for services under contracts with customers of HK\$48,866,000 would have been stated as Customers' deposits and receipts in advance under HKAS 18. This amount was recorded as other contract liabilities under HKFRS 15.

### 2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" and the related amendments

In the current period, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and other items and (3) general hedge accounting.

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### 2.2 *Impacts and changes in accounting policies of application on HKFRS 9 “Financial Instruments” and the related amendments (Continued)*

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 July 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 July 2018. The difference between carrying amounts as at 30 June 2018 and the carrying amounts as at 1 July 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 “Financial Instruments: Recognition and Measurement”.

#### 2.2.1 *Key changes in accounting policies resulting from application of HKFRS 9*

##### **Classification and measurement of financial assets**

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### 2.2 Impacts and changes in accounting policies of application on HKFRS 9 “Financial Instruments” and the related amendments (Continued)

#### 2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

##### **Classification and measurement of financial assets (Continued)**

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (“FVTOCI”):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss (“FVTPL”), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income (“OCI”) if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 “Business Combinations” applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

##### **Financial assets at FVTPL**

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### 2.2 *Impacts and changes in accounting policies of application on HKFRS 9 “Financial Instruments” and the related amendments (Continued)*

#### 2.2.1 *Key changes in accounting policies resulting from application of HKFRS 9 (Continued)*

##### **Financial assets at FVTPL *(Continued)***

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the “other gain and losses” line item.

The directors of the Company reviewed and assessed the Group’s financial assets as at 1 July 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group’s financial assets and the impacts thereof are detailed in Note 2.2.2.

##### **Impairment under ECL model**

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including debtors, deposits, loans receivable, pledged bank deposits, restricted bank deposits and bank balance). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### 2.2 *Impacts and changes in accounting policies of application on HKFRS 9 “Financial Instruments” and the related amendments (Continued)*

#### 2.2.1 *Key changes in accounting policies resulting from application of HKFRS 9 (Continued)*

##### **Impairment under ECL model *(Continued)***

The Group always recognises lifetime ECL for debtors. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

##### **Significant increase in credit risk**

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### 2.2 *Impacts and changes in accounting policies of application on HKFRS 9 “Financial Instruments” and the related amendments (Continued)*

#### 2.2.1 *Key changes in accounting policies resulting from application of HKFRS 9 (Continued)*

##### **Significant increase in credit risk *(Continued)***

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considered that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### 2.2 *Impacts and changes in accounting policies of application on HKFRS 9 “Financial Instruments” and the related amendments (Continued)*

#### 2.2.1 *Key changes in accounting policies resulting from application of HKFRS 9 (Continued)*

##### **Measurement and recognition of ECL**

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the investment revaluation reserve without reducing the carrying amounts of these instruments.

As at 1 July 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9.

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### 2.2 Impacts and changes in accounting policies of application on HKFRS 9 “Financial Instruments” and the related amendments (Continued)

#### 2.2.2 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 July 2018.

	Available for-sale investments	Debt instruments at FVTOCI	Financial assets at FVTPL	Debtors, deposits and prepayments	Investment revaluation reserve	Accumulated losses
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Closing balance at 30 June 2018 – HKAS 39</b>	23,480	-	-	179,361	1,098	86,959
<b>Effect arising from initial application of HKFRS 9</b>						
Reclassification from available-for-sale investments (both current and non-current)	a	(23,480)	22,562	918	-	(1,098)
Impairment under ECL Model	b	-	-	(5,469)	-	5,469
<b>Opening balance at 1 July 2018</b>	<b>-</b>	<b>22,562</b>	<b>918</b>	<b>173,892</b>	<b>-</b>	<b>93,526</b>

Notes:

(a) Available-for-sale investments

Investments with a fair value of HK\$22,562,000 were reclassified from available-for-sale investments to debt instruments at FVTOCI, as these investments are held within a business model whose objective is achieved by both collecting contractual cash flows and selling of these assets and the contractual cash flows of these investments are solely payments of principal and interest on the principal amount outstanding.

At the date of initial application of HKFRS 9, the Group's investments in unlisted investments of HK\$918,000 were reclassified from available-for-sale investments to financial assets at FVTPL. The fair value losses of HK\$1,098,000 relating to those investments previously carried at fair value were transferred from investment revaluation reserve to accumulated losses.

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### 2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" and the related amendments (Continued)

#### 2.2.2 Summary of effects arising from initial application of HKFRS 9 (Continued)

Notes: (Continued)

(b) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables are assessed individually for debtors with significant balances and collectively using a provision matrix for the remaining balances, which are grouped based on internal credit rating.

ECL for other financial assets at amortised cost, including debt instruments at FVTOCI, other receivables, pledged bank deposits, restricted bank deposits, bank balances and loans receivable, are assessed on 12m ECL basis as there had been no significant increase in credit risk since initial recognition.

As at 1 July 2018, additional credit loss allowance of HK\$5,469,000 has been recognised against accumulated losses. The additional loss allowance is charged against the respective asset.

All loss allowances, including trade receivables as at 30 June 2018 reconciled to the opening loss allowances as at 1 July 2018 are as follows:

	<b>Trade receivables</b> <i>HK\$'000</i>
At 30 June 2018 – HKAS 39	N/A
Amounts remeasured through opening accumulated losses	<u>5,469</u>
At 1 July 2018	<u>5,469</u>

## 2. PRINCIPAL ACCOUNTING POLICIES (*Continued*)

### 2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each individual line items affected. Line items that were not affected by the changes have not been included.

	At 30 June 2018 <i>HK\$'000</i> (Audited)	HKFRS 15 <i>HK\$'000</i>	HKFRS 9 <i>HK\$'000</i>	At 1 July 2018 <i>HK\$'000</i> (Restated)
Non-current assets				
Financial assets at fair value through profit or loss	–	–	802	802
Available-for-sale investments	802	–	(802)	–
Current assets				
Debt instruments at fair value through other comprehensive income	–	–	22,562	22,562
Financial assets at fair value through profit or loss	–	–	116	116
Available-for-sale investments	22,678	–	(22,678)	–
Debtors, deposits and prepayments	179,361	–	(5,469)	173,892
Current liabilities				
Other contract liabilities	–	37,114	–	37,114
Customers' deposits and receipts in advance	93,175	(37,114)	–	56,061
Capital and reserves				
Reserves	1,789,375	–	(5,469)	1,783,906

### 3. REVENUE

	<b>Twelve months ended</b>	
	<b>30.6.2019</b>	30.6.2018
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
Dividend income from listed investments	<b>1,248</b>	6,927
Interest income from loans receivable	<b>36,198</b>	2,308
Rental income from property investment segment	<b>6,619</b>	7,358
Rental income from eldercare segment	<b>1,815</b>	1,828
Revenue from provision of elderly care related service and sales of nutritions	<b>33,422</b>	18,020
Hospital fees and charges	<b>1,043,363</b>	964,563
Revenue from sale of properties related to property development segment	<b>3,107</b>	18,732
Revenue from sale of properties related to eldercare segment	<b>70,043</b>	80,905
	<b>1,195,815</b>	1,100,641



### 3. REVENUE (Continued)

#### Disaggregation of revenue from contracts with customers

For the twelve months ended  
30 June 2019

Segments	Healthcare	Eldercare	Property development
	HK\$'000	HK\$'000	HK\$'000
<b>Types of goods or services</b>			
Property development			
Sales of properties	—	—	3,107
Healthcare			
Inpatient health services	387,456	—	—
Outpatient healthcare services	274,416	—	—
Other healthcare services	2,223	—	—
Physical examination services	92,293	—	—
Sales of pharmaceutical	286,975	—	—
	1,043,363	—	—
Eldercare			
Eldercare related services	—	28,013	—
Sales of nutritions	—	5,409	—
Sales of properties	—	70,043	—
	—	103,465	—
<b>Total</b>	<b>1,043,363</b>	<b>103,465</b>	<b>3,107</b>
<b>Timing of revenue recognition</b>			
A point of time	1,027,782	75,452	3,107
Over time	15,581	28,013	—
<b>Total</b>	<b>1,043,363</b>	<b>103,465</b>	<b>3,107</b>

All the revenue from contracts with customers are derived from the PRC.

### 3. REVENUE *(Continued)*

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	<b>For the twelve months ended 30 June 2019</b>		
	<b>Healthcare</b>	<b>Eldercare</b>	<b>Property development</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue disclosed in segment information	1,043,363	105,280	3,107
Less: Rental income	<u>–</u>	<u>(1,815)</u>	<u>–</u>
<b>Revenue from contracts with customers</b>	<b><u>1,043,363</u></b>	<b><u>103,465</u></b>	<b><u>3,107</u></b>

### 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 reportable segments of the Group.

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

Healthcare – operations of hospitals in the PRC.

Eldercare – property development of independent living units and operations of a health campus in the PRC with focus on elderly care and retirement community.



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

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

Property investment – leasing of residential and office properties.

Financial services – provision of loan financial services.

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

##### Segment revenues and results

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

##### *For the twelve months ended 30 June 2019*

	Healthcare HK\$'000 (unaudited)	Eldercare HK\$'000 (unaudited)	Property development HK\$'000 (unaudited)	Property investment HK\$'000 (unaudited)	Financial services HK\$'000 (unaudited)	Securities trading and investments HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Gross proceeds from sales of investments held for trading	-	-	-	-	-	181,961	181,961
Revenue	1,043,363	105,280	3,107	6,619	36,198	1,248	1,195,815
Segment profit (loss)	18,733	(20,903)	141	4,658	29,516	25,412	57,557
Other gains and losses and other income							10,164
Net foreign exchange loss							(5,786)
Central corporate expenses							(65,093)
Finance costs							(10,463)
Loss before taxation							(13,621)

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

##### Segment revenues and results *(Continued)*

For the twelve months ended 30 June 2018

	Healthcare	Eldercare	Property development	Property investment	Financial services	Securities trading and investments	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)
Gross proceeds from sales of investments held for trading	-	-	-	-	-	1,217,518	1,217,518
Revenue	964,563	100,753	18,732	7,358	2,308	6,927	1,100,641
Segment profit (loss)	5,226	(58,154)	917	23,621	2,247	(24,366)	(50,509)
Other gains and losses and other income							10,695
Net foreign exchange gain							12,206
Central corporate expenses							(83,119)
Finance costs							(22,722)
Loss before taxation							(133,449)

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 gains and losses and other income, certain foreign exchange gain/loss, central corporate expenses and certain finance costs.



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

##### Segment asset and liabilities

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

##### *At 30 June 2019*

	Healthcare <i>HK\$'000</i> (unaudited)	Eldercare <i>HK\$'000</i> (unaudited)	Property development <i>HK\$'000</i> (unaudited)	Property investment <i>HK\$'000</i> (unaudited)	Financial services <i>HK\$'000</i> (unaudited)	Securities trading and investments <i>HK\$'000</i> (unaudited)	Consolidated <i>HK\$'000</i> (unaudited)
Segment assets	1,365,079	910,083	41,296	251,300	248,540	92,087	2,908,385
Corporate assets							<u>421,526</u>
Consolidated assets							<u>3,329,911</u>
Segment liabilities	701,844	400,127	62,055	2,326	-	-	1,166,352
Corporate liabilities							<u>345,191</u>
Consolidated liabilities							<u>1,511,543</u>

##### *At 30 June 2018*

	Healthcare <i>HK\$'000</i> (audited)	Eldercare <i>HK\$'000</i> (audited)	Property development <i>HK\$'000</i> (audited)	Property investment <i>HK\$'000</i> (audited)	Financial services <i>HK\$'000</i> (audited)	Securities trading and investments <i>HK\$'000</i> (audited)	Consolidated <i>HK\$'000</i> (audited)
Segment assets	1,460,640	975,042	44,945	251,359	-	179,981	2,911,967
Corporate assets							<u>581,163</u>
Consolidated assets							<u>3,493,130</u>
Segment liabilities	747,944	464,644	74,617	2,230	-	1,129	1,290,564
Corporate liabilities							<u>383,725</u>
Consolidated liabilities							<u>1,674,289</u>

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

	Twelve months ended	
	30.6.2019 <i>HK\$'000</i> <b>(unaudited)</b>	30.6.2018 <i>HK\$'000</i> (audited)
Gain (loss) in fair value change of investments held for trading	<b>24,504</b>	(8,716)
(Loss) gain in fair value change of derivative financial instruments	<b>(4)</b>	4,244
Gain on early repayment of consideration payable for acquisition of non-controlling interests	<b>1,500</b>	–
Net loss in promissory notes receivable	–	(6,500)
Fair value changes on investment properties	–	(1,609)
Net gain (loss) on disposal of property, plant and equipment	<b>27</b>	(1,128)
Impairment loss recognised on an available-for-sale investment	–	(383)
Impairment loss recognised on financial assets	<b>(6,093)</b>	–
Net foreign exchange (loss) gain	<b>(5,786)</b>	12,307
Government subsidies ( <i>Note</i> )	<b>4,459</b>	–
Interest income from:		
– Debt instruments at FVTOCI	<b>1,075</b>	–
– Available-for-sale debt instruments	–	886
– Bank deposits	<b>4,977</b>	5,084
Others	<b>11,882</b>	18,704
	<b>36,541</b>	22,889

*Note:* The government subsidies mainly represent the subsidies on costs incurred for operation of hospitals and research and development projects with no special and unfulfilled conditions attached.



## 6. FINANCE COSTS

The finance costs represent interest as follows:

	Twelve months ended	
	30.6.2019	30.6.2018
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Interest on:		
Bank and other borrowings	48,811	79,122
Obligations under finance leases	<u>1,233</u>	<u>2,425</u>
	<u>50,044</u>	<u>81,547</u>

## 7. TAXATION (CREDIT) EXPENSE

	Twelve months ended	
	30.6.2019	30.6.2018
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Current tax charge – Enterprise Income		
Tax (“EIT”) in the PRC	2,044	3,442
Land appreciation tax (“LAT”) in the PRC	5,233	16,882
Deferred taxation credit ( <i>note 17</i> )	(3,255)	(5,945)
Overprovision in prior years	<u>(54,252)</u>	<u>–</u>
	<u>(50,230)</u>	<u>14,379</u>

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.

## 7. TAXATION (CREDIT) EXPENSE *(Continued)*

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

	<b>Twelve months ended</b>	
	<b>30.6.2019</b>	30.6.2018
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
<hr/>		
Profit (loss) for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	<b>101,373</b>	106,073
Release of prepaid lease payments	<b>2,823</b>	2,965
Cost of inventories and properties held for sale recognised as an expense (included in cost of goods and services)	<b>487,613</b>	467,635
	<hr/> <b>487,613</b>	<hr/> 467,635

## 9. DIVIDENDS

The directors do not recommend the payment of an interim dividend (2018: nil) for the twelve months ended 30 June 2019.

## 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)

	<b>Twelve months ended</b>	
	<b>30.6.2019</b>	30.6.2018
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
Profit (loss) for the purposes of basic and diluted earnings (loss) per share attributable to owners of the Company	<b><u>34,887</u></b>	<u>(137,110)</u>
	<b>Number of shares</b>	Number of shares
Number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	<b><u>14,480,072,773</u></b>	<u>14,480,072,773</u>

The computations of diluted earnings (loss) per share for the twelve months ended 30 June 2019 and 2018 do not assume the exercise of share options granted by a subsidiary since the relevant subsidiary is loss making for both periods and such assumed exercise would be anti-dilutive.

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

During the twelve months ended 30 June 2019, additions to the Group's property, plant and equipment amounted to HK\$42,089,000 (twelve months ended 30 June 2018: HK\$55,586,000).

During the twelve months ended 30 June 2019, additions to the Group's investment properties amounted to HK\$9,776,000 (twelve months ended 30 June 2018: HK\$23,150,000).

At 30 June 2019, fair value of the Group's investment properties and buildings included in property, plant and equipment as at the end of the current period were assessed by the directors of the Company. At 30 June 2019, the directors of the Company considered that the carrying amounts of the investment properties and buildings included in property, plant and equipment carried at fair value or revalued amounts, as appropriate, did not differ significantly from that what would be determined using fair values at the reporting date.

## 12. DEBTORS, DEPOSITS AND PREPAYMENTS

	<b>30.6.2019</b>	30.6.2018
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
Debtors from securities trading	–	10,136
Interest receivables from loans receivable	<b>2,249</b>	–
Trade receivables arising from hospital operation and elderly care related services operation	<b>96,363</b>	132,756
Deposits with and receivables from the financial institutions	<b>11,245</b>	7,596
Prepayments	<b>854</b>	518
Prepaid business taxes and other PRC taxes	–	7,799
Other debtors and utilities deposits	<b>12,609</b>	20,556
	<b>123,320</b>	179,361

## 12. DEBTORS, DEPOSITS AND PREPAYMENTS *(Continued)*

The settlement terms of debtors from securities trading are 2 – 3 days after trade date and they are aged within 2 – 3 days as at 30 June 2018.

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

The customers of hospital operation are either settled by cash, credit card or governments' social insurance schemes. For credit card payment, the banks will pay the Group usually 7 days after the trade date. Payments by governments' social insurance schemes will normally be settled by the local social insurance bureau or similar government departments which are responsible for the reimbursement of medical expenses for patients who are covered by the government medical insurance schemes 90 days from the invoice date.

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 30 June 2019 and 30 June 2018:

	<b>30.6.2019</b>	30.6.2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(audited)
0 – 30 days	<b>86,642</b>	90,639
31 – 60 days	<b>1,535</b>	38,265
61 – 90 days	<b>1,378</b>	1,184
91 – 365 days	<b>5,863</b>	2,285
More than 365 days	<b>945</b>	383
	<b>96,363</b>	132,756

### 13. LOANS RECEIVABLE

	<b>30.6.2019</b>	30.6.2018
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
Fixed-rate loans	<b>254,220</b>	–
Less: Impairment loss allowance	<b>(5,680)</b>	–
	<b>248,540</b>	–

The loans receivable had contractual maturity dates within 1 year as at 30 June 2019. As at 30 June 2019, the effective interest rates for the fixed rate loans receivable range from 12% to 21% per annum.

Pursuant to the loan agreement dated 10 September 2018 entered by a subsidiary of the Company (the “Subsidiary 1”) and the borrower, the shares of which are listed on the Stock Exchange (the “Borrower 1”), a loan with carrying amount of HK\$175,000,000 as at 30 June 2019 (“Loan 1”) is secured by (i) a deed of assignment of a promissory note receivable as hold by the Borrower 1, (ii) a debenture created by the chargor, a wholly owned subsidiary of the Borrower (the “Chargor 1”) in favour of the Subsidiary 1 by way of a first fixed and floating charge over all the undertaking, property and assets of the Chargor 1, (iii) a share mortgage in favour of the Subsidiary 1 by way of a first fixed mortgage of the 75% of the entire issued share capital of the Chargor 1 and (iv) an additional deed of assignment of shareholder’s loan held by the Borrower 1.

### 13. LOANS RECEIVABLE (*Continued*)

Another loan receivable of HK\$60,000,000 as at 30 June 2019 was granted under a participation agreement dated 20 December 2018 (“Participation Agreement”) with a financial institution (“Financial Institution”). Pursuant to the Participation Agreement, the Subsidiary 1 has agreed to participate without recourse to the Financial Institution in the first drawdown amount of a loan facility between the Financial Institution and a borrower (“FI’s Loan”). The Financial Institution agrees and undertakes to apply any amounts receipts from the FI’s Loan to repay to the Group in accordance with the proportion of the Group’s participation ratio to the FI’s Loan. The FI’s Loan is secured by (i) the fixed and floating charges over the undertaking, property and assets of a chargor, a company incorporated in Hong Kong (the “Chargor 2”) (ii) certain share mortgages on the entire issued shares of the borrower and the Chargor 2, and (iii) deed of assignment of amount owed by the borrower to its beneficial owner, and is guaranteed by the beneficial owner of the borrower. As at 30 June 2019, there is no further commitment of the Subsidiary 1 to participate in other drawdown of the FI’s Loan. Subsequent to 30 June 2019, the FI’s loan was fully repaid in July 2019.

The remaining loan receivable of Australian Dollar 3,500,000 (approximately HK\$19,220,000) (“Loan 2”) was granted under a loan agreement dated 10 May 2019 entered by another subsidiary of the Company (the “Subsidiary 2”) and the borrower, a company incorporated in Australia (the “Borrower 2”). Pursuant to the agreement, the Loan 2 is secured by the personal guarantee by the beneficial owner of Borrower 2.

## 14. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO ECL MODEL

### Debt instruments at FVTOCI

As part of the Group's credit risk management, the Group regularly monitors the external credit rating based on available information at each reporting date for its debt instruments at FVTOCI. Based on the assessment, the management consider that the credit risk of the Group's debt instruments at FVTOCI is insignificant.

### Trade receivables

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its hospital operation and elderly care related services operation.

For non-credit impaired trade balances, the Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL. Trade receivables are assessed individually for debtors with significant balances and collectively using a provision matrix for the remaining balances.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

During the current interim period, the Group provided HK\$413,000 impairment allowance.

## 14. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO ECL MODEL *(Continued)*

### Trade receivables *(Continued)*

#### *Allowance for impairment*

The movement in the allowance for impairment in respect of trade receivables during the current interim period was as follows.

	Trade receivables <i>HK\$'000</i>
Balance at 1 July 2018*	5,469
Net remeasurement of loss allowance	<u>413</u>
Balance at 30 June 2019	<u>5,882</u>

\* The Group has initially applied HKFRS 9 at 1 July 2018. Under the transition method chosen, comparative information is not restated.

#### **Loans receivable**

Details of the loans receivable are set out in note 13. At the end of the reporting period, the directors of the Company have assessed the financial position of the debtors as well as the economic outlook of the industries in which the debtors operate, and concluded that there has been no significant increase in credit risk since initial recognition of the loans receivable. Accordingly, the loss allowance for the loans receivable is measured at an amount equal to 12m ECL.

## 14. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO ECL MODEL *(Continued)*

### Loans receivable *(Continued)*

The movement in the allowance for impairment in respect of loans receivable during the current interim period was as follows:

	Loans receivable <i>HK\$'000</i>
Balance at 1 July 2018	–
Net remeasurement of loss allowance	<u>5,680</u>
Balance at 30 June 2019	<u><u>5,680</u></u>

### Pledged bank deposits, restricted bank deposits and bank balances and cash

The credit risk on liquid funds is limited because the counterparties are reputable banks in Hong Kong and the PRC or banks with high credit-ratings assigned by international credit-rating agencies and the Group has limited exposure to any single financial institution.

As at 30 June 2019, the Group performed impairment assessment on bank balances by reference to the average loss rates for respective credit rating grades published by international credit-rating agencies and concluded that the expected credit losses is insignificant.



## 15. CREDITORS AND ACCRUED CHARGES

	<b>30.6.2019</b>	30.6.2018
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
Trade payables of hospital operation, of elderly care related services operation and to construction contractors	<b>222,883</b>	253,532
Accrued compensation for late delivery of properties held for sale	<b>5,891</b>	6,099
Accrued construction cost for properties under development for sale	<b>43,308</b>	33,942
Construction cost payable for hospital buildings classified as property, plant and equipment	<b>12,914</b>	6,514
Other creditors and accrued charges	<b>139,019</b>	153,587
	<b>424,015</b>	453,674

Trade payables of hospital operation and elderly care related services 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.

## 15. CREDITORS AND ACCRUED CHARGES *(Continued)*

The following is an aged analysis of trade payables of hospital operations, of elderly care related services operation and to construction contractors presented based on the invoice date as at 30 June 2019 and 30 June 2018:

	<b>30.6.2019</b> <i>HK\$'000</i> <b>(unaudited)</b>	30.6.2018 <i>HK\$'000</i> (audited)
0 – 30 days	<b>115,819</b>	141,032
31 – 60 days	<b>33,444</b>	36,717
61 – 90 days	<b>29,449</b>	28,797
91 – 365 days	<b>37,588</b>	40,343
Over 1 year but not exceeding 2 years	<b>1,421</b>	4,253
Over 2 years but not exceeding 5 years	<b>5,162</b>	2,390
	<b>222,883</b>	253,532

## 16. BORROWINGS

	<b>30.6.2019</b> <i>HK\$'000</i> <b>(unaudited)</b>	30.6.2018 <i>HK\$'000</i> (audited)
Unsecured term loans	<b>123,879</b>	262,382
Secured bank borrowings	<b>257,815</b>	253,675
Unsecured bank borrowings	<b>432,551</b>	309,446
	<b>814,245</b>	825,503

## 16. BORROWINGS (*Continued*)

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

	<b>30.6.2019</b> <b>HK\$'000</b> <b>(unaudited)</b>	30.6.2018 HK\$'000 (audited)
On demand or within one year	<b>581,318</b>	325,330
Over one year but not exceeding two years	<b>151,270</b>	362,393
Over two years but not exceeding five years	<b>81,657</b>	137,780
	<b>814,245</b>	825,503
Less: Amount due within one year shown under current liabilities	<b>(581,318)</b>	(325,330)
Amount shown under non-current liabilities	<b>232,927</b>	500,173

During the current period, the Group obtained new borrowings amounting to HK\$432,555,000 (twelve months ended 30 June 2018: HK\$774,801,000) and repaid borrowings amounting to HK\$417,069,000 (twelve months ended 30 June 2018: HK\$1,808,601,000).



## 17. 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 <i>HK\$'000</i>	Fair value adjustment on business combination <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 30 June 2018 (audited)	7,327	30,910	38,237
Credit to profit or loss for the period	–	(3,255)	(3,255)
Exchange difference	(250)	(1,257)	(1,507)
At 30 June 2019 (unaudited)	7,077	26,398	33,475

## 18. SHARE CAPITAL

	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.0005 each		
Authorised:		
At 30 June 2019 and 30 June 2018	600,000,000,000	300,000
Issued and fully paid:		
At 30 June 2019 and 30 June 2018	14,480,072,773	7,240

## 19. 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).



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

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

Financial assets/financial liabilities in the condensed consolidated statement of financial position	Fair value as at 30.6.2019	Fair value as at 30.6.2018	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\$17,704,000 – Overseas HK\$34,538,000	Listed equity securities: – Hong Kong HK\$55,919,000 – Overseas HK\$82,850,000	Level 1	Quoted bid prices in active markets.
2) Investments in listed bond classified as debt instruments at FVTOCI/available-for-sales investments	<b>Assets – HK\$23,302,000</b>	Assets – HK\$22,562,000	Level 1	Quoted bid prices in active markets.
3) Investments in unlisted unit trusts classified as financial assets at FVTPL/available-for-sales investments	<b>Assets – HK\$101,000</b>	Assets – HK\$116,000	Level 3	Asset – Based approach – reference to fair values of the underlying assets and liabilities held by the unlisted unit trusts.
4) Other investments classified as financial assets at FVTPL	<b>Assets – HK\$802,000</b>	Assets – nil (note)	Level 2	Quoted bid prices in second hand markets.
5) Gross-settled option contracts linked with listed equity securities	<b>Liabilities – nil</b>	Liabilities – HK\$1,129,000	Level 3	Quoted from financial institution.

Note: The relevant investments with carrying amount of HK\$802,000 were measured at cost less any identified impairment losses at 30 June 2018 under HKAS 39.

## 19. 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>
	<i>HK\$'000</i>
At 1 July 2017	(5,373)
Total gain in profit or loss	<u>4,244</u>
At 30 June 2018	(1,129)
Total loss in profit or loss	<b>(4)</b>
Settlement	<u><b>1,133</b></u>
At 30 June 2019	<u><u>—</u></u>

### **Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis**

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

## 20. 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>30.6.2019</b> <b>HK\$'000</b> <b>(unaudited)</b>	30.6.2018 HK\$'000 (audited)
Investments held for trading	<b>52,242</b>	138,769
Building (included in property, plant and equipment)	<b>148,597</b>	156,488
Investment properties	<b>483,586</b>	493,681
Properties held for sale	<b>35,800</b>	37,063
Pledged bank deposits	<b>9,076</b>	24,432
	<b>729,301</b>	850,433

The Group's obligations under finance leases are secured by the Group's charge over the leased assets. At 30 June 2019, the carrying amount of the Group's medical equipment included an amount of HK\$29,156,000 (30 June 2018: HK\$32,783,000) in respect of assets held under finance leases.

## 21. COMMITMENT

	<b>30.6.2019</b> <b>HK\$'000</b> <b>(unaudited)</b>	30.6.2018 HK\$'000 (audited)
Capital expenditure contracted for but not provided		
– Property, plant and equipment	<b>18,542</b>	42,793
– Investment properties	<b>63,721</b>	172,398
	<b>82,263</b>	215,191

## 22. RELATED PARTY TRANSACTIONS

- (a) Other than the 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>Twelve months ended</b>	
	<b>30.6.2019</b>	30.6.2018
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
Interest expense to borrowings from related party of the Company (Note)	-	1,853

Note: A director of a subsidiary of the Group was a director of the related party. The director of a subsidiary resigned during the twelve months ended 30 June 2018.

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

	<b>Twelve months ended</b>	
	<b>30.6.2019</b>	30.6.2018
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
Salaries and other short-term employee benefits	4,684	8,622
Retirement benefit costs	110	72
	4,794	8,694

### 23. SHARE-BASED PAYMENT TRANSACTIONS

In March 2013, Lianyungang Jiatai Construction Co., Ltd. 連雲港嘉泰建設有限公司 (“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.

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.

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

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 twelve months ended 30 June 2018, share-based payment of HK\$3,003,000 was recognised in the condensed consolidated statement of profit or loss.

On 18 October 2018, the parties to the Cooperative Agreement entered into a termination agreement whereby the parties have mutually agreed to terminate the Cooperative Agreement and to release and discharge each other from its respective obligations under the Cooperative Agreement with effect from 31 October 2018. No call option can be exercised as the conditions for exercising the call option have not been satisfied.

## 24. NON-CONTROLLING INTERESTS

	Share of net assets of subsidiaries <i>HK\$'000</i>	Share options reserve of subsidiaries <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 July 2017 (audited)	64,731	19,885	84,616
Share of loss for the period	(10,718)	–	(10,718)
Share of other comprehensive income for the period	995	–	995
Share of total comprehensive expense for the period	(9,723)	–	(9,723)
Recognition of equity-settled share-based payments ( <i>note 23</i> )	–	3,003	3,003
Acquisition of non-controlling interests of a subsidiary without a change in control	(55,670)	–	(55,670)
At 30 June 2018 (audited)	(662)	22,888	22,226
Share of profit for the period	1,722	–	1,722
Share of other comprehensive expense for the period	(768)	–	(768)
Share of total comprehensive income for the period	954	–	954
Lapse on share options ( <i>note 23</i> )	–	(22,888)	(22,888)
At 30 June 2019 (unaudited)	292	–	292

## **CHANGE OF FINANCIAL YEAR END DATE**

As announced on 6 December 2018, the operations of the Group are principally carried out through its principal operating subsidiaries which are situated in the People's Republic of China ("PRC"), which have adopted 31 December as their financial year end date. In order to align the Company's financial year end date with that of the Company's principal operating subsidiaries, the Board has decided to change the financial year end date of the Company from 30 June to 31 December. Accordingly, the next financial year end date of the Company will be 31 December 2019.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL RESULTS**

For the twelve months ended 30 June 2019, the Group recorded a total revenue of HK\$1,377,776,000 (2018: HK\$2,318,159,000) and a profit attributable to shareholders of the Company of HK\$34,887,000 (2018: loss of HK\$137,110,000) mainly due to (i) the increase in hospital fees and charges from Healthcare Division; (ii) the increase in interest income from money lending business; (iii) a gain in fair value change of investments held for trading compared with a loss recorded in 2018; (iv) the decrease in finance costs; and (v) an overall tax credit.

Earnings per share (basic and diluted) for the twelve months ended 30 June 2019 was HK0.24 cents compared to a loss per share of HK0.95 cents in 2018.

The Group's net asset value per share as at 30 June 2019 amounted to HK\$0.126 (2018: HK\$0.124).

### **INTERIM DIVIDEND**

The Directors do not recommend the payment of an interim dividend (2018: nil) for the twelve months ended 30 June 2019.

### **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)*

During the period under review, although the Group's operating environments remained challenging, given the favourable demographic and macro factors, supportive central government policies and the relatively low penetration of private healthcare and eldercare institutions, the Group considers that the outlook of private healthcare and eldercare sectors in the PRC is optimistic.

### **Healthcare Division:**

For the twelve months ended 30 June 2019, 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\$1,043,363,000 (2018: HK\$964,563,000) and a profit of HK\$18,733,000 (2018: HK\$5,226,000). Without interest, tax, depreciation and amortization, the Healthcare Division generated an EBITDA, being earnings before interest, tax, depreciation and amortization, of HK\$139,551,000 (2018: HK\$130,387,000) for the twelve months ended 30 June 2019. During the period under review, the Healthcare Division embarked on a restructuring exercise to streamline and flatten its management structure for better communication and efficiency, and to reduce its operating corporate overheads.

For Nanjing hospital of the Division ("NJH"), a Class III integrated hospital and its flagship hospital, currently it operates 39 clinical medical & technical departments including 1 national key clinical specialty (otorhinolaryngology ("ENT"), head and neck surgery), 1 provincial key clinical specialty (ENT, head and neck surgery), 5 municipal key medical specialties (ENT, head and neck surgery, ophthalmology, neurology, medical imaging, anesthesiology), an academician workstation, as well as the approved Nanjing Tongren's ENT Hospital and Nanjing Tongren Children's Hospital. Following the commencement of operations of Block D, a newly renovated 12-storey in-patient building adjacent to the existing operating facility in late 2018 and after the on-going renovation of the existing in-patient building, Block F, to be completed around late 2019, NJH's in-patient capacity will be increased to 1,200 beds, its planned operating capacity.

## REVIEW OF OPERATIONS *(Continued)*

### Healthcare Division: *(Continued)*

For Kunming hospital of the Division (“KMH”), another Class III integrated hospital of the Group, currently it operates 31 clinical medical & technical departments. During the period under review, KMH continued to recruit well-known experts from other top Class III integrated hospitals, completed the discipline-subdivision of digestion and respiration clinical medical departments, as well as the gynecology and obstetrics clinical medical department with the new China Chest Pain Center, which is currently under regulatory review, to be established by the third quarter of 2019.

For the period under review, NJH achieved a total of 818,653 out-patients visits (2018: 783,706), 28,360 in-patient admissions (2018: 26,805) and 50,834 body-checks (2018: 52,314) while KMH achieved a total of 208,258 out-patients visits (2018: 159,855), 13,143 in-patient admissions (2018: 11,177) and 65,914 body-checks (2018: 55,804). As at 30 June 2019, NJH had 416 doctors (2018: 411), 469 nurses (2018: 454) and 774 beds (2018: 710), while KMH had 236 doctors (2018: 225), 344 nurses (2018: 349) and 450 beds (2018: 450).

As announced on 25 March 2013, the Group entered into a cooperative agreement in relation to the proposed formation of joint venture hospital and the grant of call option. However, after careful consideration of all the circumstances, the Group decided not to proceed with formation of the joint venture and parties to the cooperative agreement agreed to terminate the cooperative agreement on 18 October 2018.

As announced on 12 April 2018, the Group entered into certain cooperative agreements in relation to the proposed project for development of retirement villages in Nanjing and Kunming, PRC. However, as the parties to the cooperation agreements failed to enter into definitive agreements in relation to the cooperation within 12 months of the date of the cooperation agreements, the cooperation agreements ceased to have effect and the parties to the cooperation agreements are released from its respective obligations under the cooperation agreements with effect from 12 April 2019.

## REVIEW OF OPERATIONS *(Continued)*

### **Eldercare Division:**

For the twelve months ended 30 June 2019, the Group's Eldercare Division, operated through its wholly-owned subsidiary, Aveo China (Holdings) Limited ("Aveo China"), recorded a revenue of HK\$105,280,000 (2018: HK\$100,753,000) and a reduced loss of HK\$20,903,000 (2018: HK\$58,154,000) due to no loss from fair value changes on investment properties (2018: HK\$18,632,000). With an aim to improve its financial performance, the Eldercare Division has embarked on a series of cost-cutting and restructuring exercises since the second half of 2018 so as to reduce its operating overheads and rationalize its operations and management structure.

As of 30 June 2019, Tide Health Campus (天地健康城) of the Eldercare Division, a retirement community village that integrates community eldercare, institutional eldercare, home eldercare and eldercare nursing hospital, sold 823 Independent Living Units ("ILU"s) out of a total inventory of 868 ILUs and among which 24 ILUs (2018: 30) were recorded as sales in the period under review with more than 313 residents (2018: 285) moved into the retirement community village. In addition, the Division had leased out 27 serviced apartments ("SA"s) (2018: 27) out of the available 120 SAs during the period under review. For the SAs, construction of the first building was completed in November 2016 with 120 SAs available for lease. The Division commenced the modification of the second building to increase the number of SAs from 80 to 100 to meet the market needs.

During the twelve months ended 30 June 2019, Shanghai Deyi Hospital ("DYH"), the eldercare nursing hospital in the village, achieved a total of 26,749 out-patients visits (2018: 15,143), 7,150 in-patient admissions (2018: 2,750) and 62 body-checks (2018: 175). As at 30 June 2019, DYH had 26 doctors (2018: 13), 20 nurses (2018: 17) and 100 beds (2018: 100).

## **REVIEW OF OPERATIONS (Continued)**

### **Eldercare Division: (Continued)**

Following the admission into the List of Hospitals under the National Health Insurance (國家醫保) in September 2017, the DYH further obtained the license for provision of home care services establishing the health self-management team with the home care service officially launched in October 2018. As of 30 June 2019, home care services were rendered to a total of 47 elders with 4,209 visits. While expanding its home care service business, DYH continue to recruit talents and invest in equipment, and actively creating its own characteristics in areas of Chinese medicine rehabilitation and bed sore treatment.

As at 30 June 2019, the Division's investment properties portfolio comprising the SAs and the retail shopping precinct has a total value amounted to HK\$513,268,000 (2018: HK\$524,376,000).

### **Property Development:**

For the twelve months ended 30 June 2019, the Group's property development business recorded a turnover of HK\$3,107,000 (2018: HK\$18,732,000) and a profit of HK\$141,000 (2018: HK\$917,000). As at 30 June 2019, 314 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 13 units (2018: 89) were also recorded as sales in the period under review.

As at 30 June 2019, the Group's properties under development for sale of HK\$6,030,000 (2018: HK\$6,243,000) consisted of a parcel of commercial land in Lianyungang, PRC.

### **Property Investments:**

For the twelve months ended 30 June 2019, the Group's investment properties portfolio, for leasing, located in Hong Kong and the PRC recorded a rental income of HK\$6,619,000 (2018: HK\$7,358,000) and a reduced profit of HK\$4,658,000 (2018: HK\$23,621,000) due to no gain from fair value changes on investment properties (2018: HK\$17,023,000). As at 30 June 2019, the Group's investment properties portfolio amounted to HK\$251,300,000 (2018: HK\$251,300,000).

## REVIEW OF OPERATIONS *(Continued)*

### **Money Lending:**

For the period under review, the Group's money lending business recorded an improved interest income of HK\$36,198,000 (2018: HK\$2,308,000) and profit of HK\$29,516,000 (2018: HK\$2,247,000) after the expected credit loss allowance of HK\$5,680,000 (2018: nil) upon the adoption of new financial reporting standard. As at 30 June 2019, the Group's loan portfolio amounted to HK\$248,540,000 (2018: nil).

### **Securities Trading and Investments:**

For the period under review, the Group's activities in securities trading and investments recorded a reduced turnover of HK\$183,209,000 (2018: HK\$1,224,445,000) and an improved profit of HK\$25,412,000 (2018: loss of HK\$24,366,000). This was mainly due to the gain in fair value change of investments held for trading of HK\$24,504,000 compared with a loss of HK\$8,716,000 recorded in 2018 which were partially off-set by the absence of gain in fair value of derivative financial instruments (2018: HK\$4,244,000).

As at 30 June 2019, the Group maintained a portfolio of financial assets at fair value through profit or loss ("FVTPL") and debt instruments at fair value through other comprehensive income ("FVTOCI") of HK\$24,205,000 and a portfolio of investments held for trading of HK\$52,242,000 (2018: HK\$138,769,000).

### **Investments Held for Trading:**

As at 30 June 2019, the Group's investment held for trading consisted of securities listed in different geographic locations and their respective performance were as follows:

## REVIEW OF OPERATIONS (Continued)

### Investments Held for Trading: (Continued)

#### Geographic Location

	Carrying value 2019 HK\$'000	Carrying value 2018 HK\$'000	Realized gain 2019 HK\$'000	Fair value gain (loss) 2019 HK\$'000	Dividend received 2019 HK\$'000	% of carrying value to the Group's net assets 2019 %
Hong Kong	29,590	55,918	11,846	(19,219)	249	1.6%
Australia	18,313	77,606	32,821	(38)	999	1.0%
Philippine	1,808	1,373	-	436	-	0.1%
Japan	2,531	3,872	-	(1,342)	-	0.1%
Total	<u>52,242</u>	<u>138,769</u>	<u>44,667</u>	<u>(20,163)</u>	<u>1,248</u>	

As at 30 June 2019, the Group's investments held for trading consisted of investments in different category of companies and their respective performance were as follows:

#### Principal business

	Carrying value 2019 HK\$'000	Carrying value 2018 HK\$'000	Realized gain 2019 HK\$'000	Fair value gain (loss) 2019 HK\$'000	Dividend received 2019 HK\$'000	% of carrying value to the Group's net assets 2019 %
Entertainment and media company	3,040	4,000	-	(960)	-	0.2%
Financial services and investment company	2,995	4,273	-	(1,279)	-	0.2%
Healthcare services company	-	46,384	19,663	-	999	0.0%
Industrial materials company	274	290	-	(14)	-	0.0%
Mining and resources company	7,941	34,454	11,429	1,262	229	0.4%
Property company	37,992	49,368	13,575	(19,172)	20	2.1%
Total	<u>52,242</u>	<u>138,769</u>	<u>44,667</u>	<u>(20,163)</u>	<u>1,248</u>	

At 30 June 2019, there was no investment held for trading which was material to the Group (exceeded 5% the net assets of the Group).

## REVIEW OF OPERATIONS *(Continued)*

### Derivative Financial Instruments:

As at 30 June 2019, there was no investment in derivative financial instrument (linked with equity securities).

As at 30 June 2019, the performance of the Group's investment in derivative financial instruments were as follows:

	Fair value 2019 <i>HK\$'000</i>	Realized gain (loss) 2019 <i>HK\$'000</i>	Fair value gain (loss) 2019 <i>HK\$'000</i>
Option contracts linked with equity securities, net	—	(4)	—

The Group considers that the performance of the Group's investment portfolio in listed securities is generally affected by economic, political and financial market environments, globally and regionally, and is susceptible to the volatility of the financial markets.

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

As at 30 June 2019, the Group's non-current assets of HK\$2,209,910,000 (2018: HK\$2,285,771,000) consisted of investment properties of HK\$764,568,000 (2018: HK\$775,676,000), property, plant and equipment of HK\$1,309,258,000 (2018: HK\$1,365,534,000), prepaid lease payments of HK\$96,437,000 (2018: HK\$102,733,000), financial assets at FVTPL of HK\$802,000, goodwill of HK\$31,368,000 (2018: HK\$33,207,000) and deposits for acquisition of property, plant and equipment of HK\$7,477,000 (2018: HK\$7,819,000). These non-current assets are principally financed by the Group's shareholders' funds.

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

As at 30 June 2019, the total borrowings of the Group amounted to HK\$814,245,000 (2018: HK\$825,503,000) consisting of unsecured term loans of HK\$123,879,000 (2018: HK\$262,382,000), secured bank borrowings of HK\$257,815,000 (2018: HK\$253,675,000) and unsecured bank borrowings of HK\$432,551,000 (2018: HK\$309,446,000). Among the total borrowings of the Group, HK\$581,318,000 (2018: HK\$325,330,000) was with maturity of less than one year, HK\$151,270,000 (2018: HK\$362,393,000) was with maturity over one year but not exceeding two years and HK\$81,657,000 (2018: HK\$137,780,000) was with maturity over two years but not exceeding five years.

As at 30 June 2019, 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 21.4% (2018: 13.8%). The Group's gearing ratio would be adjusted to 17.2% (2018: 5.0%) with marketable securities inclusive of financial assets at FVTOCI and FVTPL (current) and investments held for trading deducted from the net borrowings.

As at 30 June 2019, the Group recorded a net current liabilities amounted to HK\$125,140,000 (2018: net current assets of HK\$80,991,000). In view of this, during the period under review the Group has arranged a two years term, unsecured, standby credit facility of HK\$200 million which remain un-utilised as at 30 June 2019.

## **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, Renminbi, Australian Dollar, US Dollar and Japanese Yen. Because of the short term nature, the Group did not actively hedge risks arising from its Australian Dollar, US Dollar 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.

As at 30 June 2019, the Group had capital commitment contracted for but not provided relating to the acquisition of property, plant and equipment, and investment properties of HK\$18,542,000 (2018: HK\$42,793,000) and HK\$63,721,000 (2018: HK\$172,398,000) respectively.

As at 30 June 2019, the Group did not have any material contingent liabilities.

In December 2015, the subscription agreement for subscribing 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 was completed. As at 30 June 2019, details of use of net proceeds from the Subscription were as follows:

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

<b>Intended use of proceeds</b>	<b>Actual use of proceeds</b>
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\$113,903,000 was used for construction cost of Block D of NJH.  b) Approximately HK\$80,569,000 was used for working capital of the healthcare business.  c) Approximately HK\$100,287,000 (RMB90,000,000) was used to settle the acquisition costs of 18.36% equity interests of Yangpu Zhaohe Industrial Co. Ltd (洋浦兆合實業有限公司) *.  d) HK\$85,800,000 was used to settle the acquisition cost of 30% equity interest of Aveo China.  e) Approximately HK\$69,184,000 was used for purchasing and improvement of medical and healthcare equipment.
ii. The remaining balance of approximately HK\$299,250,000 will be used for reduction of the borrowings of the Group	HK\$299,250,000 was used for reduction of the borrowings of the Group.

*Note:*

- \* Yangpu Zhao Industrial Co. Ltd 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.

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

During the period under review, the Company did not repurchase any shares (2018: nil) in the capital of the Company.

As announced on 6 December 2018, the Company proposed the adoption of a share option scheme which enable the Company to grant options to selected employees of the Group and other eligible persons as incentives or rewards for their contribution or potential contribution to the Group and/or to recruit and retain high caliber eligible persons and attract human resources that are valuable to the Group. The shareholders of the Company approved the adoption of the scheme on 7 March 2019.

### **CHARGE ON GROUP ASSETS**

As at 30 June 2019, the Group's investments held for trading of HK\$52,242,000 (2018: HK\$138,769,000), building (included in property, plant and equipment) of HK\$148,597,000 (2018: HK\$156,488,000), investment properties of HK\$483,586,000 (2018: HK\$493,681,000), properties held for sale of HK\$35,800,000 (2018: HK\$37,063,000) and pledged bank deposits of HK\$9,076,000 (2018: HK\$24,432,000) were pledged to securities houses and banks to secure credit facilities granted to the Group.

The Group's obligations under finance leases are secured by the Group's charge over the leased assets. At 30 June 2019, the carrying amount of the Group's medical equipment included an amount of HK\$29,156,000 (2018: HK\$32,783,000) in respect of assets held under finance leases.

### **MATERIAL ACQUISITIONS AND DISPOSAL**

Save as disclosed herein, for the twelve months ended 30 June 2019, the Group did not make any material acquisitions and disposal of subsidiaries, significant investments nor capital commitment.

## EMPLOYEES

The Group had 2,304 employees as at 30 June 2019 (2018: 2,254). 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 NJH, it will actively develop eight clinical medical departments, selected among its existing clinical medical departments, namely optometry center, stomatology department, postpartum rehabilitation center, health management center, medical aesthetics department, rehabilitation center, trauma center and emergency intensive care unit and endoscopy center in view of their promising market potential. In July 2019, as a pilot project for the development of a nursing hospital, the geriatrics department is established to develop and train the rehabilitation and nursing professional teams of the hospital, aiming to gradually develop a large-scale rehabilitation center with international advanced standards in the Yangtze River Delta region of the PRC. In the second half of 2019, medical aesthetics department, stomatology department and postpartum rehabilitation center will be launched upon completion of renovation.

For KMH, it will further improve its overall medical quality and optimize its clinical medical departments in areas of respiratory medicine, gynecology, general and macro surgery, urology, neuro-trauma surgery, spinal cord center and cardiology. With a target to develop KMH as one of the most competitive private, integrated hospital in the southwest part of the PRC, KMH will commence the second phase development project, planning to develop a landmark modernized tumor center in the southwest region, the cerebrospinal center with international academic influence and the high-end maternity services.

## **PROSPECTS (Continued)**

### **Eldercare Division:**

The Eldercare Division is committed to build a healthcare and eldercare complex with rehabilitation and basic nursing medical services as its core competitive advantage, providing a complete cycle of eldercare services from self-care, nursing to assisted living, achieving synergistic effects in healthcare and eldercare. DYH will actively roll out a variety of services such as family doctors, rehabilitation therapy and health management, etc., to create its own characteristics, establishing a multi-dimensional healthcare system and improving the utilization rate of hospital beds.

After four years of exploration and accumulation, Tide Health Campus has established its standing in the private eldercare industry in the PRC. In the future, the Division will continue to make improvement in areas of revenue stream structure, cost control and customer spending audience, branding development, etc., and strive to improve the quality of eldercare services based on the existing capacity and facilities.

### **Others:**

The Group remains cautious about the economic, market and investment outlooks and will continue to review and adjust its investment strategies and investment portfolio to suit the prevailing economic and investment environment and will seek investment and business opportunities in the PRC, Hong Kong and the Asia Pacific region to enhance value for its shareholders.

## **INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES**

As at 30 June 2019, 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:—

## INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES (*Continued*)

### 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)	-	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 30 June 2019.

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 30 June 2019, 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 30 June 2019, 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%
China Spirit Limited ("China Spirit")	Held by controlled corporation	(Note 2)	2,592,514,140	17.90%
Vigor Online Offshore Limited ("Vigor")	Beneficial owner	(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)*

<u>Name</u>	<u>Capacity</u>		<u>Number of ordinary shares held</u>	<u>Percentage of issued ordinary shares</u>
China Minsheng Investment Group 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 Asia Asset Management Co., Ltd. 中民投亞洲資產管理有限公司 ("CMIG")	Held by controlled corporation	<i>(Note 3)</i>	2,000,000,000	13.81%
CMI Financial Holding Corporation ("CMIF")	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%
Excellent Top Holdings Limited ("Excellent Top")	Held by controlled corporation	<i>(Note 4)</i>	1,149,739,208	7.94%
Greatime Management Corp. ("Greatime")	Beneficial owner	<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)*

<u>Name</u>	<u>Capacity</u>		<u>Number of ordinary shares held</u>	<u>Percentage of issued ordinary shares</u>
Tian An China Investments Company Limited ("Tian An")	Held by controlled corporation	<i>(Note 5)</i>	1,316,522,500	9.09%
Fareast Global Limited ("Fareast Global")	Beneficial owner	<i>(Note 5)</i>	1,316,522,500	9.09%
Allied Group Limited ("Allied Group")	Held by controlled corporation	<i>(Note 5)</i>	2,616,261,708	18.06%
Allied Properties (H.K.) Limited ("Allied Properties")	Held by controlled corporation	<i>(Note 5)</i>	2,616,261,708	18.06%
Mr. Lee Seng Hui	Held by controlled corporation	<i>(Note 5)</i>	2,616,261,708	18.06%
Ms. Lee Su Hwei	Held by controlled corporation	<i>(Note 5)</i>	2,616,261,708	18.06%
Mr. Lee Seng Huang	Held by controlled corporation	<i>(Note 5)</i>	2,616,261,708	18.06%

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

### **Long positions in the shares of the Company *(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 30 June 2019.

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 30 June 2019. 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. CMIC is a wholly-owned subsidiary of 中民投國際資本 which in turn is a wholly-owned subsidiary of CMI held directly as to 31.5% interests and indirectly as to 68.5% interests through CMIF and CMIG. CMIF is a wholly-owned subsidiary of CMIG, which in turn is a wholly-owned subsidiary of CMI. Accordingly, CMIC, 中民投國際資本, CMIF, CMIG and CMI are deemed to have interests in 2,000,000,000 ordinary shares of the Company.
4. Greptime, 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)***

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

*Notes: (Continued)*

5. Fareast Global, a wholly-owned subsidiary of Tian An, owned 1,316,522,500 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 61.70% 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. 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 30 June 2019, 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.

## **CORPORATE 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 second interim financial report (including unaudited interim condensed consolidated financial statements for the twelve months ended 30 June 2019). 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 twelve months ended 30 June 2019.

### **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 code of conduct regarding securities transactions by the directors of the Company. 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 twelve months ended 30 June 2019.

## **PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES**

During the twelve months ended 30 June 2019, 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**  
**Zhou Liye**  
*Chairman*

Hong Kong, 29 August 2019

*As at the date of this report, the Board comprises:-*

Executive Directors

*Ms. Chong Sok Un (Deputy Chairman), Mr. Kong Muk Yin, Mr. Guo Meibao and Mr. Zhou Haiying*

Non-Executive Directors

*Mr. Zhou Liye (Chairman), Dato' Wong Peng Chong, and Mr. Ma Jianting*

Independent Non-Executive Directors

*Mr. Zhang Jian, Dr. Xia Xiaoning, Dr. Wong Wing Kuen, Albert and Ms. Yang Lai Sum, Lisa*



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