China Medical & HealthCare Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 383)

2018 / 2019
Annual Report

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

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

Independent Non-Executive Directors

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

AUDIT COMMITTEE

Dr. Wong Wing Kuen, Albert *(Chairman)*
Mr. Ma Jianting
Mr. Zhang Jian
Dr. Xia Xiaoning
Ms. Yang Lai Sum, Lisa

NOMINATION COMMITTEE

Ms. Chong Sok Un *(Chairman)*
Dato' Wong Peng Chong
Mr. Zhang Jian
Dr. Xia Xiaoning
Dr. Wong Wing Kuen, Albert
Ms. Yang Lai Sum, Lisa

REMUNERATION COMMITTEE

Dr. Xia Xiaoning *(Chairman)*
Mr. Kong Muk Yin
Dato' Wong Peng Chong
Mr. Ma Jianting
Mr. Zhang Jian
Dr. Wong Wing Kuen, Albert
Ms. Yang Lai Sum, Lisa

COMPANY SECRETARY

Ms. Fung Ching Man, Ada

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

SOLICITORS

Robertsons
P.C. Woo & Co.

PRINCIPAL BANKERS

Agricultural Bank of China Limited
Bank of China Limited
China Construction Bank Corporation
China Merchants Bank Corporation
Industrial and Commercial Bank of China Limited
Industrial and Commercial Bank of China (Asia) Limited
Shanghai Pudong Development Bank Co., Ltd.
Shanghai Rural Commercial Bank Co., Ltd.
The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

Victoria Place, 5th Floor, 31 Victoria Street
Hamilton HM 10, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

MUFG Fund Services (Bermuda) Limited
4th Floor North Cedar House, 41 Cedar Avenue
Hamilton HM 12, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

383

WEBSITE

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

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of China Medical & HealthCare Group Limited (the "Company"), I have the pleasure to present the financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the eighteen months ended 31 December 2019.

FINANCIAL RESULTS

For the eighteen months ended 31 December 2019, the Group recorded a reduced revenue of HK$2,042,090,000 (2018: HK$2,318,159,000) and a profit attributable to shareholders of the Company of HK$2,176,000 as compared with a loss of HK$137,110,000 for the corresponding financial year in 2018 recorded by the Group. This was mainly due to (i) an overall tax credit; (ii) the increase in hospital fees and charges from Healthcare Division; (iii) the increase in interest income from money lending business; (iv) a gain in fair value of investments held for trading compared with a loss recorded in 2018; and (v) a gain in fair value changes on investment properties.

Earnings per share (basic and diluted) for the eighteen months ended 31 December 2019 was HK0.015 cents compared to a loss per share of HK0.95 cents in 2018.

The Group's net asset value per share as at 31 December 2019 amounted to HK$0.125 (2018: HK$0.124).

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend (2018: nil) for the eighteen months ended 31 December 2019.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "AGM") is scheduled to be held on Thursday, 11 June 2020. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 8 June 2020 to Thursday, 11 June 2020, both dates inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all transfers of ordinary shares, duly accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration, no later than 4:30 p.m. on Thursday, 4 June 2020.

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.

CHAIRMAN'S STATEMENT

Healthcare Division:

For the eighteen months ended 31 December 2019, the Group's Healthcare Division, operated through its wholly-owned subsidiary, Tongren Healthcare Industry Group Co., Ltd. (同仁醫療產業集團有限公司) ("Tongren Healthcare"), recorded an increased revenue of HK$1,622,141,000 (2018: HK$964,563,000) and a profit of HK$35,733,000 (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$239,760,000 (2018: HK$130,387,000) for the eighteen months ended 31 December 2019. During the period under review, the Healthcare Division embarked on a restructuring exercise to streamline and flattened its management restructure for better communication and efficiency, and to reduce its operating corporate overheads.

For Nanjing hospital of the Division ("NJH"), a Class III integrated hospital located in Jiangning Development Zone, Nanjing City, Jiangsu Province, PRC and the Division's flagship hospital, currently it operates 39 clinical medical & technical departments including 1 national key clinical specialty (otorhinolaryngology ("ENT") and 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 and 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 reviewed functional layout and planning and the on-going renovation of the existing in-patient building, Block F, to be completed around second quarter of 2020, NJH's medical service capacity will be improved with in-patient capacity to be increased to 1,200 beds, its planned operating capacity. During the period under review, NJH has completed the interior renovation and put into operation the optometric centre, oral department, internal medicine clinic, and medical aesthetic centre. It has opened up new geriatrics, plastic surgery, and medical aesthetics departments which serve as the new profit drivers for the hospital. At the same time, NJH has set up a stroke center to speed up the development of neurology to become the provincial key clinical disciplines with its chest pain centers and trauma center passed the acceptance of the second batch of municipal chest pain centers and trauma centers in Nanjing enhancing its standard in emergency treatment.

For Kunming hospital of the Division ("KMH"), another Class III integrated hospital of the Group located in Kunming City, Yunnan Province, PRC, currently it operates 30 clinical medical & technical departments.

During the period under review, KMH continue to recruit well-known experts from other top Class III integrated hospitals, completed the discipline-subdivision of digestion and respiration medical departments, as well as the gynecology and obstetrics medical department with the newly established chest pain center.

For the period under review, NJH recorded a total of 1,236,573 out-patients visits (2018: 783,706), 43,384 in-patient admissions (2018: 26,805) and 75,869 body-checks (2018: 52,314) while KMH recorded a total of 334,678 out-patients visits (2018: 159,855), 20,634 in-patient admissions (2018: 11,177) and 113,008 body-checks (2018: 55,804). As at 31 December 2019, NJH operated with 417 doctors (2018: 411), 486 nurses (2018: 454) and 774 beds (2018: 710) and KMH operated with 227 doctors (2018: 225), 351 nurses (2018: 349) and 450 beds (2018: 450).

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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 the parties thereof 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 thereof 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 were released from its respective obligations under the cooperation agreements with effect from 12 April 2019.

Eldercare Division:

For the eighteen months ended 31 December 2019, the Group's Eldercare Operations, operated through its wholly-owned subsidiary, Aveo China (Holdings) Limited ("Aveo China"), recorded a revenue of HK$150,272,000 (2018: HK$100,753,000) and a reduced loss of HK$44,322,000 (2018: HK$58,154,000) with a gain in fair value changes on investment properties of HK$9,025,000 (2018: loss of 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 31 December 2019, Tide Health Campus (天地健康城) of the Eldercare Division located in Zhu Jia Jiao County, Shanghai, PRC, a retirement community village that integrates community eldercare, institutional eldercare, home eldercare and eldercare nursing hospital, sold 829 Independent Living Units ("ILU"s) out of a total inventory of 868 ILUs and among which 38 ILUs (2018: 30) were recorded as sales in the period under review with more than 322 residents (2018: 285) moved into the retirement community village. In addition, the Division had leased out 26 serviced apartments ("SA") (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 eighteen months ended 31 December 2019, the Shanghai Deyi Hospital ("DYH"), the eldercare nursing hospital in the village, recorded a total of 38,788 out-patients visits (2018: 15,143), 11,662 in-patient admissions (2018: 2,750) and 62 body-checks (2018: 175). As at 31 December 2019, DYH operated with 14 doctors (2018: 13), 20 nurses (2018: 17) and 100 beds (2018: 100). As of 31 December 2019, home care services which commenced operation in September 2018 were rendered to a total of 56 elders with 7,729 visits.

As at 31 December 2019, the Division's investment properties portfolio, 100% attributable to the Group, comprising the SAs (three 12-storey buildings with total gross floor area ("GFA") of 25,804 m^2) and the retail shopping precinct (retail shops with GFA of 2,192 m^2 and shopping mall with GFA of 6,044 m^2) with a total value amounted to HK$512,000,000 (2018: HK$524,376,000).

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Property Development:

For the eighteen months ended 31 December 2019, the Group's property development business recorded a decreased turnover of HK$7,326,000 (2018: HK$18,732,000) and a loss of HK$5,031,000 (2018: profit of HK$917,000). As at 31 December 2019, 325 units of car park of Kangya Garden Phase II & III out of a total inventory of 663 units were sold and among which 29 units (2018: 89) were also recorded as sales in the period under review.

As at 31 December 2019, the Group's properties under development for sale of HK$5,927,000 (2018: HK$6,243,000) consisted of a parcel of commercial land in Lianyungang, PRC.

Property Investments:

For the eighteen months ended 31 December 2019, the Group's investment properties portfolio, for leasing, located in Hong Kong and the PRC recorded a rental income of HK$9,266,000 (2018: HK$7,358,000) and a reduced profit of HK$15,434,000 (2018: HK$23,621,000) with a gain of HK$9,220,000 from fair value changes on investment properties (2018: HK$17,023,000). As at 31 December 2019, the Group's investment properties portfolio, 100% attributable to the Group, amounted to HK$260,520,000 (2018: HK$251,300,000).

Securities Trading and Investments:

For the period under review, the Group's activities in securities trading and investments recorded a reduced turnover of HK$202,119,000 (2018: HK$1,224,445,000) and an improved profit of HK$14,474,000 (2018: loss of HK$24,366,000). This was mainly due to the gain in fair value of investments held for trading of HK$15,078,000 compared with a loss of HK$8,716,000 recorded in 2018 which were partially off-set by the absence of gain in fair valve of derivative financial instruments (2018: HK$4,244,000).

As at 31 December 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$5,534,000 and a portfolio of investments held for trading of HK$36,451,000 (2018: HK$138,769,000).

CHAIRMAN'S STATEMENT

Investments held for trading:

As at 31 December 2019, the Group's investment held for trading consisted of securities listed in different geographic locations and their respective performance were as follows:

Geographic Location	Carrying value 2019 HK$'000	Carrying value 2018 HK$'000	Realized gain (loss) 2019 HK$'000	Fair value gain (loss) 2019 HK$'000	Dividend received 2019 HK$'000	% of carrying value to the Group's total assets 2019 %
Hong Kong	30,058	55,918	11,846	(28,909)	319	0.9%
Australia	2,215	77,606	34,578	(1,370)	1,056	0.1%
Philippine	1,322	1,373	–	(51)	–	–
Japan	2,856	3,872	–	(1,016)	–	0.1%
Total	36,451	138,769	46,424	(31,346)	1,375	

As at 31 December 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 (loss) 2019 HK$'000	Fair value gain (loss) 2019 HK$'000	Dividend received 2019 HK$'000	% of carrying value to the Group's total assets 2019 %
Entertainment and media company	3,000	4,000	–	(1,000)	–	0.1%
Financial services and investment company	3,262	4,273	–	(1,011)	–	0.1%
Healthcare services company	–	46,384	19,663	–	1,000	–
Industrial materials company	9,170	290	–	(1,277)	–	0.3%
Mining and resources company	–	34,454	12,425	–	229	–
Property company and construction company	21,019	49,368	14,336	(28,058)	146	0.6%
Total	36,451	138,769	46,424	(31,346)	1,375	

As at 31 December 2019, there was no investment held for trading which was significant to the Group (exceeded 5% the total assets of the Group).

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Derivative Financial Instruments:

As at 31 December 2019, there was no investment in derivative financial instrument (linked with equity securities).

As at 31 December 2019, the performance of the Group's investment in derivative financial instruments were as follows:

	Fair value 2019 HK$'000	Realized gain (loss) 2019 HK$'000	Fair value gain (loss) 2019 HK$'000
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.

Money Lending:

For the period under review, the Group's money lending business amid tough credit environment recorded an interest income of HK$50,966,000 (2018: HK$2,308,000) and profit of HK$46,669,000 (2018: HK$2,247,000) after the expected credit loss allowance of HK$3,901,000 (2018: nil) upon the adoption of new financial reporting standard. As at 31 December 2019, the Group's loan portfolio after expected credit loss allowance amounted to HK$91,314,000 (2018: nil).

FINANCIAL RESOURCES, BORROWINGS, CAPITAL STRUCTURE, EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

As at 31 December 2019, the Group's non-current assets of HK$2,222,623,000 (2018: HK$2,285,771,000) consisted of investment properties of HK$772,520,000 (2018: HK$775,676,000), property, plant and equipment of HK$1,318,031,000 (2018: HK$1,365,534,000), prepaid lease payments of HK$93,418,000 (2018: HK$102,733,000), financial assets at FVTPL of HK$802,000, goodwill of HK$30,821,000 (2018: HK$33,207,000) and deposits for acquisition of property, plant and equipment of HK$7,031,000 (2018: HK$7,819,000). These non-current assets are principally financed by the Group's shareholders' funds. As at 31 December 2019, the Group recorded a net current assets amounted to HK$14,539,000 (2018: HK$80,991,000).

As at 31 December 2019, the total borrowings of the Group amounted to HK$793,363,000 (2018: $825,503,000) consisting of unsecured term loans of HK$177,598,000 (2018: HK$262,382,000), secured bank borrowings of HK$191,972,000 (2018: HK$253,675,000) and unsecured bank borrowings of HK$423,793,000 (2018: HK$309,446,000). Among the total borrowings of the Group, HK$444,068,000 (2018: HK$325,330,000) was with maturity of less than one year, HK$320,641,000 (2018: HK$362,393,000) was with maturity over one year but not exceeding two years and HK$28,654,000 (2018: HK$137,780,000) was with maturity over two years but not exceeding five years.

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As at 31 December 2019, the Group had undrawn two years term, unsecured, standby credit facility amounting to HK$200 million.

As at 31 December 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 7.5% (2018: 13.8%). The Group's gearing ratio would be adjusted to 5.2% (2018: 5.0%) with marketable securities inclusive of debt instruments at FVTOCI and financial assets at FVTPL (current) and investments held for trading deducted from the net borrowings.

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 31 December 2019, details of use of net proceeds from the Subscription were as follows:

Intended use of the net proceeds

i. An amount of approximately HK$600,000,000 will be used for working capital and for expansion of the Group's hospital and healthcare, and eldercare businesses.

Actual use of the net proceeds

a) Approximately HK$122,029,000 was used for construction cost of Block D of NJH.

b) Approximately HK$1,825,000 was used for construction cost of Block F of NJH.

c) Approximately HK$80,569,000 was used for working capital of the healthcare business.

d) 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)*.

e) HK$85,800,000 was used to settle the acquisition cost of 30% equity interest of Aveo China.

f) Approximately HK$83,810,000 was used for purchasing and improvement of medical and healthcare equipment.

CHAIRMAN'S STATEMENT

Intended use of the net proceeds	Actual use of the net proceeds
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.

Intended use of the net proceeds	Net proceeds used in previous financial years	Net proceeds used in the 18 months ended 31 December 2019	Remaining balance of the net proceeds as at 31 December 2019	Expected utilization of the remaining net proceeds
	HK$'000	HK$'000	HK$'000	HK$'000
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.	330,941	143,379	125,680	125,680 to be used by 31 December 2021
ii. The remaining balance of approximately HK$299,250,000 will be used for reduction of the Group's borrowings.	299,250	–	–	–
Total	630,191	143,379	125,680	125,680

The detailed breakdown of proceeds used during the 18 months ended 31 December 2019 is as follows:

	HK$'000
For the construction cost of Block D of NJH	46,173
For the construction cost of Block F of NJH	1,825
Settled part of the acquisition costs of 30% equity interest of Aveo China	55,800
For the purchase and improvement of medical and healthcare equipment	39,581
Total	143,379

CHAIRMAN'S STATEMENT

The remaining un-utilized Proceeds of approximately HK$125,680,000 brought forward to the following financial years are expected to be used as intended for working capital and for expansion of the Group's hospital and healthcare, and eldercare businesses such as for the settlement of the construction cost of Block D and Block F of NJH; and for purchase and improvement of medical and healthcare equipment.

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 (the "Shareholders") approved the adoption of the scheme on 7 March 2019.

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.

CHARGE ON GROUP ASSETS

As at 31 December 2019, the Group's investments held for trading of HK$36,451,000 (2018: HK$138,769,000), building (included in property, plant and equipment) of HK$169,000,000 (2018: HK$156,488,000), investment properties of HK$484,054,000 (2018: HK$493,681,000), properties held for sale of HK$35,189,000 (2018: HK$37,063,000) and pledged bank deposits of HK$9,119,000 (2018: HK$24,432,000) were pledged to banks and securities brokers houses to secure credit facilities granted to the Group.

The Group's obligations under finance leases are secured by the Group's charge over the leased assets. At 31 December 2019, the carrying amount of the Group's medical equipment included an amount of HK$23,721,000 (2018: HK$32,783,000) in respect of assets held under finance leases.

CAPITAL COMMITMENT

As at 31 December 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$51,203,000 (2018: HK$42,793,000) and HK$69,732,000 (2018: HK$172,398,000) respectively.

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CONTINGENT LIABILITIES

As at 31 December 2019, the Group is not aware of any material contingent liabilities.

MATERIAL ACQUISITIONS AND DISPOSAL, AND FUTURE PLANS

Save as disclosed in this Annual Report, during the eighteen months ended 31 December 2019, the Group did not hold any other significant investments nor have any material acquisitions or disposals of subsidiaries, associated companies and joint ventures.

Save as disclosed in this Annual Report, as at 31 December 2019, the Group did not have any plan for material investments or capital assets.

EMPLOYEES

The Group had 2,362 employees as at 31 December 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

Since the outbreak of the coronavirus in late 2019, various provinces and municipalities of the PRC had taken emergency public health measures such as delay of work resumption date after Chinese New Year, city-wide and community-wide lockdowns, quarantines, etc., to contain the spread of coronavirus. Such measures have disrupted the supply chain and halted the movement in people bringing production, business and consumption activities to almost a standstill. As a result, certain operations of the Group in Healthcare Division and Eldercare Division have been delayed and affected in the first quarter of 2020 and the Group expects its operating environments ahead will be challenging. However, given the favourable demographic and macro factors, supportive central government policies, improved public awareness of health 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 in long run is optimistic.

Healthcare Division:

In 2020, NJH will strengthen the introduction and cultivation of talents in key specialties, and improve the talent development strategy; adhere to the development of medical education research, and strengthen medical technology and service innovation capabilities such as expanding chronic disease management, establishing rehabilitation consultation mechanisms, introducing new and optimize clinical diagnosis and treatment methods to meet patient's multi-level medical needs; and strive to complete the construction of post-natal rehabilitation center and endoscope center, and the tasks of adding one additional key clinical specialty in Jiangsu Province and five key specialties in Nanjing. In addition, NJH will commence the phase II development of the integrated healthcare and eldercare project with a planned GFA of 120,000 m^2, fully making use its medical service advantages to create a continuing care retirement community of progressive urban academy-style integrating the "healthcare, rehabilitation, nursing, eldercare" with "home, community, institutions", offering the last mile healthcare services in the human life cycle.

CHAIRMAN'S STATEMENT

For KMH, it will try to maintain a stable growth of business and improve its overall medical quality. In addition, KMH aims to optimize the business structure of medical specialty departments in areas of respiratory medicine, cardiology, hepatobiliary surgery, neuroradiology, gynecology and spinal cord centre; and re-divide those medical specialty departments in area of general medicine, cardiac surgery and trauma centre. With the target to develop KMH as one of the most competitive private, integrated hospital in the southwest part of the PRC, KMH will commence the 2nd phase development project and to develop a landmark modernized nuclear medical center.

Eldercare Division:

The Eldercare Division will continue to differentiate its competitive advantages in rehabilitation and nursing medical services, providing self-caring, nursing, and integrated medical and nursing assistance services to realize the development its healthcare and eldercare integrated businesses. DYH will equipped with a variety of specialties such as family doctors, rehabilitation facilities and health management, to establish a multi-dimensional healthcare system, improving the utilization rate of beds and building on its brand of Tide Health Campus.

After four years of exploration and accumulation of experiences, Tide Health Campus has established its influence in private eldercare industry. Going forward, the Division will continue to enhance its revenue source, cost controls and marketing efforts, and strengthen its corporate culture and standardize its services. It will also optimize and deepen its scope of services for its customers, improve the salary and incentive scheme of its employees, strive to improve the quality of eldercare services on the basis of existing facilities to achieve growth in customer base and profitability.

Money Lending:

For the Group's loan portfolio under its money lending business, it consists of a loan receivable with remaining principal amount of HK$95,215,000 (HK$91,314,000 after expected credit loss) as at 31 December 2019 (the "Loan") granted to a borrower, a Hong Kong listed company (the "Borrower", together with its subsidiaries, the "Borrower Group") pursuant to the loan agreement dated 10 September 2018 (supplemented by a supplemental agreement dated 26 September 2019) (the "Loan Agreement") bearing current interest rate at 16% per annum with repayment date on 11 September 2020. The Loan is secured by (i) a deed of assignment of a promissory note receivable held by the Borrower; (ii) a debenture created by the chargor, a wholly owned subsidiary of the Borrower (the "Chargor") in favour of the Group by way of a first fixed and floating charge over all the undertaking, property and assets of the Chargor; (iii) a share mortgage in favour of the Group by way of a first fixed mortgage of the 75% of the entire issued share capital of the Chargor; (iv) a deed of assignment of shareholder's loan held by the Borrower; and (v) a deed of assignment of shareholder's loan owed by Chargor as held by the Borrower (collectively the "Security Documents", together with the Loan Agreement, the "Loan Documents").

Subsequent to the period end date, the Borrower did not settle the interest receivable for period from 11 December 2019 to 10 March 2020 due on 11 March 2020 amounting to approximately HK$3.8 million. The Group has issued demand letter and final notice to the Borrower for repayment of the total indebtedness under the Loan Documents. Based on Borrower's recent announcements, the Group is aware that the Borrower has announced, among others, that:

CHAIRMAN'S STATEMENT

(i) a substantial shareholder of the Borrower has petitioned to the court of Bermuda for an order that the Borrower be wound up by the court on the just and equitable ground;

(ii) a creditor of the Borrower has filed an application with the court of Bermuda which has ordered to appoint joint provisional liquidators ("JPL") of the Borrower, among others, (a) to review the financial position of the Borrower, (b) to consult with the Borrower on all issues relating to the feasibility of a debt restructuring plan, and (c) to monitor, oversee and supervise the board of directors of the Borrower and the continuation of the business of the Borrower under the control of the board of directors of the Borrower and under the supervision of the court of Bermuda pending the implementation of the restructuring plan; and

(iii) the Borrower Group has entered into a letter of intent with an intended purchaser in relation to, among others, the potential disposal of its entire equity interests in an indirect subsidiary (the "Target"), which is part of the undertaking, property and assets under the Loan Documents, for consideration of (a) US$260 million (subject to downward adjustment for actual deposit received (a total sum of US$12 million) and waiver of shareholder's loan up to US$32 million), (b) 10% equity stake in the special purpose vehicle ("SPV", for the purpose of acquisition of the Target by the intended purchaser) in the form of common equity securities of the SPV, which shall be non-dilutive and remain at 10% prior to any qualified public offering of the SPV or the Target, and (c) additional payment of up to US$100 million to the Borrower Group upon completion of a successful initial public offering of the SPV or the Target based on the market capitalization of the initial public offering.

The Group has been in discussions with the Borrower and the JPL for the settlement of the total indebtedness under the Loan Documents who have represented that it is in the process of formulating the restructuring plan. The Group will continue to discuss and negotiate with the Borrower and the JPL and closely monitor the progress of settlement and shall take all appropriate actions including but not limited to enforcing the Security Documents.

Others:

The mounting concerns on the economic consequence from the negative impact from the global spread the coronavirus coupled with the Sino-US trade disputes, Brexit, geopolitical tension continued to weigh on the consumers, business and investors sentiments. Against this backdrop of uncertain and difficult global business, credit and investment outlooks and environment, the Group will remain cautious and continue to review and adjust its business and investment strategies, operations and investment portfolio to suit the prevailing challenging 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.

APPRECIATION

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

Zhou Liye
Chairman

Hong Kong, 30 March 2020

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

EXECUTIVE DIRECTORS

Ms. Chong Sok Un ("Ms. Chong"), M.H. aged 65, was appointed as an executive director and the chairman of the Company on 23 August 2002 and has been re-designated as the deputy chairman of the Company since 16 December 2015. Ms. Chong was awarded the Medal of Honour (M.H.) by the Government of the Hong Kong Special Administrative Region on 1 July 2011. She is a member of the National Committee of the Chinese People's Political Consultative Conference, Guangdong Province, the Honorary Director of the Chinese Red Cross Foundation, Permanent Honorary Chairman of the Hong Kong Federation of Fujian Associations and vice chairman of the Hong Kong Federation of Fujian Associations Ladies' Committee. She is the namer and director of YOT Chong Sok Un Medical Fund (cancer aid) since 2007 and a member of Yan Oi Tong Advisory Board since 2011. Ms. Chong was the chairman of the 31st Term Board of Directors of Yan Oi Tong from 2010 to 2011 and a director of the 27th Term Board of Directors of Yan Oi Tong from 2006 to 2007. She was also a director of Po Leung Kuk from 2009 to 2010. She was an executive director and the chairman of APAC Resources Limited from 6 July 2007 to 1 March 2016 and a non-executive director of Alibaba Pictures Group Limited from 25 June 2007 to 23 April 2009.

Mr. Kong Muk Yin ("Mr. Kong"), aged 54, was appointed as an executive director of the Company on 13 May 2002. He was a non-executive director and the company secretary of Pan Asia Data Holdings Inc. (formerly known as Manfield Chemical Holdings Limited) from 12 June 2014 to 10 January 2020 and from 12 June 2014 to 31 December 2018 respectively. From 4 July 2007 to 24 June 2014, he was also an executive director and a non-executive director of Alibaba Pictures Group Limited. He was an executive director of Landing International Development Limited from 13 October 2009 to 21 January 2010 and an executive director of APAC Resources Limited from 4 November 2009 to 1 March 2016. During September 2010 to September 2015, he was also a director of Mabuhay Holdings Corporation and IRC Properties, Inc., companies listed on The Philippine Stock Exchange, Inc..

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

Mr. Guo Meibao ("Mr. Guo"), aged 46, was appointed as an executive director of the Company on 22 September 2018. Mr. Guo graduated with a major in Financial Accounting in 1995 and obtained a Master of Business Administration from the Open University of Macau and a Certified Public Accountant in the People's Republic of China (the "PRC"). He has more than 20 years of financial, operational and investment management experience in the PRC's medical, property and other industries. Mr. Guo was the chairman of 深圳市大馬化投資有限公司 from March 2017 to September 2018. He was a financial controller and the chief executive officer and chairman of 同仁醫療產業集團有限公司 (Tongren Healthcare Industry Group Co., Ltd., a wholly-owned subsidiary of the Company) from October 2010 to October 2013 and from October 2013 to March 2017 respectively. He was a financial controller and the general manager and chairman of 連雲港嘉泰建設工程有限公司 (Lianyungang Jiatai Construction Co., Ltd., a wholly-owned subsidiary of the Company) from June 2006 to October 2010 and from January 2014 to March 2017 respectively. He was also a financial controller of 廣東今宇高爾夫球俱樂部 (Long Island Golf & Country Club) from December 1998 to June 2006.

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

Mr. Zhou Haiying ("Mr. Zhou"), aged 49, was appointed as an executive director of the Company on 6 December 2018. Mr. Zhou graduated from Jiangxi University of Finance and Economics with a Bachelor's Degree. He acts as a financial controller and the chief financial officer of Tsinghua Tongfang Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600100) since January 2018. From June 2003 to January 2018, he had served successively as a senior manager, the deputy director of the finance department, head of asset management department, the general manager of the capital finance department and an assistant to the president of Tsinghua Holdings Co., Ltd. In addition, he also worked as a director of Liaoning Road & Bridge Construction Group Co., Ltd.(遼寧省路橋建設集團有限公司), a director of Beijing Donghuan Electronics Co., Ltd.(北京華環電子股份有限公司)and the supervisor of Unisplendour Corporation Limited(紫光股份有限公司).

NON-EXECUTIVE DIRECTORS

Mr. Zhou Liye ("Chairman Zhou"), aged 56, was appointed as a non-executive director and the chairman of the Company on 6 December 2018. Chairman Zhou graduated from Tsinghua University with a Master's Degree. He acts as a director and the chairman of Tsinghua Tongfang Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600100) since May 2010. He has served successively as the vice president, the director and managing director and the deputy chairman of Tsinghua Holdings Co., Ltd. since September 2003. From January 1987 to February 2001, he served as a vice director and director of the research division of the Institute of Nuclear and New Energy Technology ("INET"), Tsinghua University. From March 2001 to August 2003, he worked as the vice president of INET. From April 2002 to June 2003, he also acted as the general manager and director of Neimenggu Hongfeng Industry Company Limited(內蒙古宏峰實業股份有限公司).

Dato' Wong Peng Chong ("Dato' Wong"), aged 76, was appointed as an executive director of the Company on 15 March 2002 and has been re-designated as a non-executive director of the Company since 1 September 2018. Dato' Wong is also a director of Asia Development Capital Co. Ltd., a company listed on Tokyo Stock Exchange, Inc..

Upon his graduation from the University of Malaya in 1967, Dato' Wong joined the Malaysian Foreign Service and served with several Malaysian diplomatic missions overseas in various capacities. He joined the private sector in 1985 and has served in various senior management positions, including executive directorships in public listed companies, in Hong Kong and Malaysia. Dato' Wong was the vice president of Alibaba Pictures Group Limited from 4 July 2007 to 9 December 2009; an executive director of Landing International Development Limited from 13 October 2009 to 21 January 2010; and a non-executive director of Pan Asia Data Holdings Inc. (formerly known as Manfield Chemical Holdings Limited) from 12 June 2014 to 31 December 2018. He was also a director of Mabuhay Holdings Corporation from 23 June 2009 to 27 July 2017 and IRC Properties, Inc. from 6 November 2009 to 27 July 2017 respectively, companies listed on The Philippine Stock Exchange, Inc..

Mr. Ma Jianting ("Mr. Ma"), aged 39, was appointed as a non-executive director of the Company on 8 August 2019. Mr. Ma graduated from Shanghai Jiao Tong University with a Bachelor's Degree in English (Finance and Business). He is a Certified Public Accountant of the PRC. He joined China Minsheng Investment Group Corporation Ltd. ("CMIG") in June 2017 and served as a senior manager of the financial and accounting department. In July 2017, he was appointed as the chief financial officer of China Minsheng Asia Asset Management Co., Ltd..

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

Mr. Ma served as a non-executive director of China Minsheng Financial Holding Corporation Limited (a company listed on the main board ("Main Board") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), stock code: 0245) from November 2017 to February 2019. Prior to joining CMIG, he has worked in the audit department in Shanghai office of Ernst & Young Hua Ming LLP from September 2003 to May 2017 and his last position was an audit senior manager. During the period from September 2008 to March 2010, he was assigned to Manchester office of Ernst & Young (United Kingdom) as an audit executive.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhang Jian ("Mr. Zhang"), aged 78, was appointed as an independent non-executive director of the Company on 16 October 2006. Mr. Zhang is an independent non-executive director of Go Higher Environment Co., Ltd.. He is also a professional senior engineer in the PRC and the chairman of Xian University of Architecture & Technology Peking Alumni Association. He has been awarded National Outstanding Intellect in 1997 and National Top 10 Honest Persons of Outstanding Ability in 2004. Mr. Zhang has been awarded as Influential Person to China Nonferrous Metal Industry in 2005. From 1982 to 1998, he held various senior positions in China Nonferrous Metal Industry Company. From 1998 to 2003, he acted as the chairman and the general manager of China Nonferrous Metal Construction Group Company Ltd.. From 2003 to 2005, he acted as the general manager of China Nonferrous Metal Mining & Construction (Group) Co., Ltd..

Dr. Xia Xiaoning ("Dr. Xia"), aged 60, was appointed as an independent non-executive director of the Company on 8 December 2016. Dr. Xia is an independent supervisor of Central China Securities Co., Ltd. (a company listed on Main Board, stock code: 1375). He was a non-executive director of Mason Group Holdings Limited (a company listed on Main Board, stock code: 273) from August 2015 to September 2016. Dr. Xia graduated from the electric engineering department of Harbin Institute of Technology in 1982 with a Bachelor's Degree in Electric Engineering. He earned a Doctorate Degree from University Paris Dauphine in 1989. Dr. Xia is a Chartered Financial Analyst.

Dr. Xia has over 23 years private equity/investment experience in Asia. Dr. Xia was a senior consultant/responsible officer (Type 4 and Type 9 licences of the Securities and Futures Commission of Hong Kong) to Vision Finance Group Limited from October 2012 to February 2015. From 2008 to 2012, he was the chief executive officer of CITP Advisors (Hong Kong) Limited. Dr. Xia worked for AIF Capital Limited ("AIF"), a pan Asia private equity firm based in Hong Kong from 1995 to 2008 and his last position with AIF was senior partner/managing director. Dr. Xia also worked for Asian Development Bank in Manila from 1989 to 1995 with his last position as investment officer.

Dr. Wong Wing Kuen, Albert ("Dr. Wong"), aged 68, was appointed as an independent non-executive director of the Company on 6 December 2018. Dr. Wong holds a Doctor of Philosophy in Business Administration Degree from the Bulacan State University, Republic of the Philippines. He is a fellow member of The Institute of Chartered Secretaries and Administrators, The Hong Kong Institute of Chartered Secretaries, The Taxation Institute of Hong Kong, Association of International Accountants and Society of Registered Financial Planners and also a member of Hong Kong Securities and Investment Institute, The Chartered Institute of Arbitrators and The Chartered Institute of Bankers in Scotland and a full member of Macau Society of Certified Practising Accountants.

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

Dr. Wong is the principal consultant of KND Associates CPA Limited since January 2018. He is an independent non-executive director of each of APAC Resources Limited (a company listed on Main Board, stock code: 1104), Solargiga Energy Holdings Limited (a company listed on Main Board, stock code: 757), China Merchants Land Limited (a company listed on Main Board, stock code: 978), China VAST Industrial Urban Development Company Limited (a company listed on Main Board, stock code: 6166), Dexin China Holdings Company Limited (a company listed on Main Board, stock code: 2019), China Wan Tong Yuan (Holdings) Limited (a company listed on Main Board, stock code: 6966 after transfer of listing from GEM of the Stock Exchange ("GEM"), stock code: 8199 on 17 December 2019) and Capital Finance Holdings Limited (a company listed on GEM, stock code: 8239).

Ms. Yang Lai Sum, Lisa ("Ms. Yang"), aged 53, was appointed as an independent non-executive director of the Company on 6 December 2018. Ms. Yang graduated from the University of Sydney with a Bachelor's Degree in Law and Economics and is also qualified as a solicitor in Australia and England. She is a practicing solicitor in Hong Kong and currently a consultant of ONC Lawyers. Ms. Yang is also an independent non-executive director of each of Allied Group Limited (a company listed on Main Board, stock code: 373), Tian An China Investments Company Limited (a company listed on Main Board, stock code: 28) and Asiasec Properties Limited (a company listed on Main Board, stock code: 271).

DIRECTORS' REPORT

The directors of the Company (the "Director(s)") present their annual report and the audited consolidated financial statements for the eighteen months period ended 31 December 2019 (the "Period").

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 50 to the consolidated financial statements. Details and respective analysis of the main business segments of the Group during the Period are set out in note 6 to the consolidated financial statements.

BUSINESS REVIEW

Further discussion and review on the business activities of the Group as required by Schedule 5 to the Companies Ordinance (Cap. 622) of Hong Kong, including a description of the principal risks and uncertainties facing the Group, material events that have occurred since the year-end date and an indication of likely future development in the Group's business are contained in the Chairman's Statement set out on pages 3 to 14 of this Annual Report. Those relevant contents form part of this Directors' Report. Details of the Group's financial risk management are disclosed in note 47 to the financial statements.

Discussions on the Group's compliance with the relevant laws and regulations that have a significant impact on the Group are set out in Corporate Governance Report on pages 26 to 42 and Environmental, Social and Governance Report on pages 43 to 55. The Directors were not aware of any non-compliance with the relevant laws and regulations that have a significant impact on the Group during the Period.

RESULTS AND APPROPRIATIONS

The results of the Group for the Period are set out in the consolidated statement of profit or loss on page 62.

The Directors do not recommend the payment of a final dividend (2018: nil) for the Period.

SHARE CAPITAL

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

DIRECTORS' REPORT

DIRECTORS AND SERVICE CONTRACTS

The Directors during the Period and up to the date of this report were:

Executive Directors:

Ms. Chong Sok Un *(Deputy Chairman)*
Mr. Kong Muk Yin
Mr. Guo Meibao *(appointed on 22 September 2018)*
Mr. Zhou Haiying *(appointed on 6 December 2018)*

Non-Executive Directors:

Mr. Zhou Liye *(Chairman) (appointed on 6 December 2018)*
Dato' Wong Peng Chong *(re-designated from Executive Director to Non-Executive Director on 1 September 2018)*
Mr. Ma Jianting *(appointed on 8 August 2019)*
Dr. Luo Guorong *(appointed on 8 March 2019 and resigned on 8 August 2019)*
Mr. Liao Feng *(resigned on 8 March 2019)*
Dr. Jonathan Weiyan Seah *(resigned on 22 September 2018 and ceased as Chairman on the same date)*

Independent Non-Executive Directors:

Mr. Zhang Jian
Dr. Xia Xiaoning
Dr. Wong Wing Kuen, Albert *(appointed on 6 December 2018)*
Ms. Yang Lai Sum, Lisa *(appointed on 6 December 2018)*
Mr. Lau Siu Ki *(retired on 6 December 2018)*

Pursuant to Clause 99 of the Bye-Laws of the Company ("Bye-Laws"), Mr. Kong Muk Yin, Dato' Wong Peng Chong, Mr. Zhang Jian and Dr. Xia Xiaoning shall retire from the office by rotation and being eligible, offer themselves for re-election at the forthcoming Annual General Meeting of the Company (the "AGM").

Pursuant to Clause 102 of the Bye-Laws, Mr. Zhou Liye, Mr. Zhou Haiying, Mr. Ma Jianting, Dr. Wong Wing Kuen, Albert and Ms. Yang Lai Sum, Lisa shall retire and being eligible, offer themselves for re-election at the AGM.

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' REPORT

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 31 December 2019, the interests and short positions of the Directors, the chief executive of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Hong Kong (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange were as follows:

Long positions in the shares of the Company

	Number of ordinary shares of HK$0.0005 each					
Name of Director	Personal interests	Family interests	Corporate interests	Other interests	Total	Percentage of issued ordinary shares
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 31 December 2019.

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

Save as disclosed above, as at 31 December 2019, none of the Directors, the chief executive 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.

DIRECTORS' REPORT

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

As at 31 December 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:

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%
China Minsheng Investment Group Corp., Ltd. 中國民生投資股份有限公司("CMI")	Held by controlled corporation	*(Note 3)*	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	*(Note 3)*	2,000,000,000	13.81%
CMI Financial Holding Corporation ("CMIF")	Held by controlled corporation	*(Note 3)*	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	*(Note 3)*	2,000,000,000	13.81%
CM International Capital Limited ("CMIC")	Held by controlled corporation	*(Note 3)*	2,000,000,000	13.81%
Victor Beauty Investments Limited ("Victor Beauty")	Beneficial owner	*(Note 3)*	2,000,000,000	13.81%

DIRECTORS' REPORT

Name	Capacity		Number of ordinary shares held	Percentage of issued ordinary shares
Ms. Ding Moyan ("Ms. Ding")	Held by controlled corporation	*(Note 4)*	1,149,739,208	7.94%
Excellent Top Holdings Limited ("Excellent Top")	Held by controlled corporation	*(Note 4)*	1,149,739,208	7.94%
Greatime Management Corp. ("Greatime")	Beneficial owner	*(Note 4)*	1,149,739,208	7.94%
Tian An China Investments Company Limited ("Tian An")	Held by controlled corporations	*(Note 5)*	1,752,829,625	12.10%
Fareast Global Limited ("Fareast Global")	Beneficial owner	*(Note 5)*	1,752,829,625	12.10%
Allied Group Limited ("Allied Group")	Held by controlled corporations	*(Note 5)*	3,052,568,833	21.08%
Allied Properties (H.K.) Limited ("Allied Properties")	Held by controlled corporations	*(Note 5)*	3,052,568,833	21.08%
Mr. Lee Seng Hui	Held by controlled corporations	*(Note 5)*	3,052,568,833	21.08%
Ms. Lee Su Hwei	Held by controlled corporations	*(Note 5)*	3,052,568,833	21.08%
Mr. Lee Seng Huang	Held by controlled corporations	*(Note 5)*	3,052,568,833	21.08%

Notes:

The percentage of shareholding is calculated on the basis of the Company's issued share capital of 14,480,072,773 shares as at 31 December 2019.

1. Cool Clouds, a wholly-owned subsidiary of Resuccess, owned 4,000,000,000 ordinary shares of the Company. THTF was the sole shareholder of Resuccess as at 31 December 2019. Accordingly, Resuccess and THTF were deemed to have interests 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, owned 2,592,514,140 ordinary shares of the Company. Ms. Chong maintained 100% beneficial interests in China Spirit. Accordingly, Ms. Chong was deemed to have an interest of 2,592,514,140 ordinary shares of the Company.

3. Victor Beauty, a wholly-owned subsidiary of CMIC, owned 2,000,000,000 ordinary shares of the Company. CMIC was a wholly-owned subsidiary of 中民投國際資本 which in turn was a wholly-owned subsidiary of CMI held directly as to 22.6% interests and indirectly as to 77.4% interests through CMIF and CMIG. CMIF was a wholly-owned subsidiary of CMIG, which in turn was a wholly-owned subsidiary of CMI. Accordingly, CMIC, 中民投國際資本, CMIF, CMIG and CMI were deemed to have interests in 2,000,000,000 ordinary shares of the Company.

4. Greatime, a wholly-owned subsidiary of Excellent Top, owned 1,149,739,208 ordinary shares of the Company. Ms. Ding maintained 100% beneficial interests in Excellent Top. Accordingly, Ms. Ding was deemed to have an interest in 1,149,739,208 ordinary shares of the Company.

5. Fareast Global, a wholly-owned subsidiary of Tian An, owned 1,752,829,625 ordinary shares of the Company and Tian An was owned as to approximately 48.86% 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 62.26% 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 were 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 31 December 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.

MAJOR CUSTOMERS AND SUPPLIERS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors of the Company ("INEDs"), an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the INEDs are independent.

DIRECTORS' REPORT

EMOLUMENT POLICY

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

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

PRE-EMPTIVE RIGHTS

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

PERMITTED INDEMNITY

The Bye-Laws provides that Directors and other officers shall be indemnified and secured harmless out of the assets of the Company from and against all losses or liabilities which they shall or may incur or sustain in or about the execution of their duty or supposed duty in their respective offices or trusts. Such provision was in force during the Period. In addition, the Company has maintained appropriate directors' and officers' liability insurance in respect of relevant legal actions against the Directors and officers.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the Period.

DONATIONS

During the Period, the Group made donations amounting to HK$195,000.

AUDITOR

A resolution will be submitted to the AGM to re-appoint Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Zhou Liye
Chairman

Hong Kong, 30 March 2020

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

Throughout the eighteen months period ended 31 December 2019 (the "Period"), the Company has applied the principles and complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as listed out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules" and the "Stock Exchange" respectively) except that any new director appointed by the Board to fill a casual vacancy shall be subject to re-election by shareholder of the Company (the "Shareholders") at the next following annual general meeting of the Company after appointment in accordance with the Bye-Laws of the Company ("Bye-Laws"). The current practices will be reviewed and continuously updated.

BOARD OF DIRECTORS

The Board currently comprises eleven directors of the Company (the "Directors") in total, with four executive directors, three non-executive directors and four independent non-executive directors of the Company.

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

Executive Directors:

Ms. Chong Sok Un *(Deputy Chairman)*
Mr. Kong Muk Yin
Mr. Guo Meibao *(appointed on 22 September 2018)*
Mr. Zhou Haiying *(appointed on 6 December 2018)*

Non-Executive Directors:

Mr. Zhou Liye *(Chairman) (appointed on 6 December 2018)*
Dato' Wong Peng Chong *(re-designated from Executive Director to Non-Executive Director on 1 September 2018)*
Mr. Ma Jianting *(appointed on 8 August 2019)*
Dr. Luo Guorong *(appointed on 8 March 2019 and resigned on 8 August 2019)*
Mr. Liao Feng *(resigned on 8 March 2019)*
Dr. Jonathan Weiyan Seah *(resigned on 22 September 2018 and ceased as Chairman on the same date)*

Independent Non-Executive Directors:

Mr. Zhang Jian
Dr. Xia Xiaoning
Dr. Wong Wing Kuen, Albert *(appointed on 6 December 2018)*
Ms. Yang Lai Sum Lisa *(appointed on 6 December 2018)*
Mr. Lau Siu Ki *(retired on 6 December 2018)*

CORPORATE GOVERNANCE REPORT

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

Throughout the Period, the Board has at least one-third in number of its members comprising independent non-executive directors of the Company ("INEDs") under Rule 3.10A of the Listing Rules and at least one of the INEDs possesses appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10 of the Listing Rules.

The Board has received from each INED an annual confirmation of his/her independence and considers that all the INEDs are independent under the guidelines set out in Rule 3.13 of the Listing Rules. The biographical details of the Directors are set out in pages 15 to 18 of this Annual Report.

During the Period, 15 Board meetings were held and the attendance of each Director at the Board meetings is set out as follows:

Name of Directors	**Number of Board meetings attended/held**
Ms. Chong Sok Un *(Deputy Chairman)*	11/15
Mr. Kong Muk Yin	15/15
Mr. Guo Meibao *(appointed on 22 September 2018)*	12/12
Mr. Zhou Haiying *(appointed on 6 December 2018)*	8/8
Mr. Zhou Liye *(Chairman) (appointed on 6 December 2018)*	8/8
Dato' Wong Peng Chong	15/15
Mr. Ma Jianting *(appointed on 8 August 2019)*	4/4
Mr. Zhang Jian	14/15
Dr. Xia Xiaoning	14/15
Dr. Wong Wing Kuen, Albert *(appointed on 6 December 2018)*	8/8
Ms. Yang Lai Sum, Lisa *(appointed on 6 December 2018)*	8/8
Dr. Luo Guorong *(appointed on 8 March 2019 and resigned on 8 August 2019)*	2/2
Mr. Liao Feng *(resigned on 8 March 2019)*	0/9
Mr. Lau Siu Ki *(retired on 6 December 2018)*	7/7
Dr. Jonathan Weiyan Seah *(resigned on 22 September 2018 and ceased as Chairman on the same date)*	3/3

CORPORATE GOVERNANCE REPORT

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

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

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

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

The Chairman and Deputy Chairman met with the INEDs without the presence of the executive directors and the non-executive directors of the Company (the "Executive Directors" and "NEDs" respectively) during the Period.

Directors' Continuous Professional Development

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

During the Period, the Company has arranged training for Directors to provide regular updates relating to the roles, functions and duties, corporate governance and change in regulatory requirements so as to enable the Directors to properly discharge their duties under the code provision A.6.5 of the CG Code.

CORPORATE GOVERNANCE REPORT

Directors participated the following continuous professional development activities:

Name of Directors	Reading regulatory updates	Attending training/ briefings/ seminars/ conference relevant to Directors' duties
Executive Directors		
Ms. Chong Sok Un *(Deputy Chairman)*	✓	✓
Mr. Kong Muk Yin	✓	✓
Mr. Guo Meibao	✓	✓
Mr. Zhou Haiying	✓	✓
Non-Executive Directors		
Mr. Zhou Liye *(Chairman)*		
Dato' Wong Peng Chong	✓	✓
Mr. Ma Jianting	✓	✓
Dr. Luo Guorong *(appointed on 8 March 2019 and resigned on 8 August 2019)*		✓
Mr. Liao Feng *(resigned on 8 March 2019)*	✓	✓
Dr. Jonathan Weiyan Seah *(resigned on 22 September 2018 and ceased as Chairman on the same date)*	✓	✓
Independent Non-Executive Directors		
Mr. Zhang Jian	✓	✓
Dr. Xia Xiaoning	✓	✓
Dr. Wong Wing Kuen, Albert	✓	✓
Ms. Yang Lai Sum, Lisa	✓	✓
Mr. Lau Siu Ki *(retired on 6 December 2018)*	✓	✓

CORPORATE GOVERNANCE REPORT

Directors' and Officers' Liabilities Insurance

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

Roles of Chairman and Chief Executive

The code provision A.2.1 of the CG Code requires that the roles of the chairman and the chief executive are segregated and should not be performed by the same individual, to strike a balance of power and authority so that the job responsibilities are not concentrated on any one individual.

The Chairman and the Deputy Chairman are responsible for the leadership and effective running of the Board. The functions of the chief executive are performed by the two Executive Directors, namely, Mr. Kong Muk Yin who is in charge of finance and accounts aspect of the Group and Mr. Guo Meibao who is in charge of day-to-day operation of healthcare and eldercare business in PRC. The functions and responsibilities between the Chairman or the Deputy Chairman and the two Executive Directors performing the function of the chief executive are clearly segregated.

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

Appointment and Re-election of Directors

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

Board Diversity Policy

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

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

Corporate Governance Function

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

CORPORATE GOVERNANCE REPORT

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

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

ii) to review and monitor the training and continuous professional development of Directors and senior management of the Group (the "Senior Management");

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

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

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

BOARD COMMITTEES

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

Executive Committee

The Executive Committee was established on 23 May 1998 with its written terms of reference adopted on 21 July 2005. The Committee is composed of three Executive Directors. The Executive Committee is responsible for approving and monitoring the daily operations of the Group. The Executive Committee held 22 meetings during the Period.

Investment Committee

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

Remuneration Committee

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

The Remuneration Committee comprises one Executive Director, two NEDs and four INEDs. The composition of the Remuneration Committee has complied with the requirements as set out in Rule 3.25 of the Listing Rules that a majority of the members of the Remuneration Committee should be INEDs and chaired by an INED.

CORPORATE GOVERNANCE REPORT

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

Name of members	Number of meetings attended/held
Dr. Xia Xiaoning *(Chairman)*	3/3
Mr. Kong Muk Yin	3/3
Dato' Wong Peng Chong	3/3
Mr. Zhang Jian	3/3
Dr. Wong Wing Kuen, Albert *(appointed on 6 December 2018)*	1/1
Ms. Yang Lai Sum, Lisa *(appointed on 6 December 2018)*	1/1
Mr. Liao Feng *(resigned on 8 March 2019)*	0/3
Mr. Lau Siu Ki *(retired on 6 December 2018)*	2/2

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

At the meetings held during the Period, the overall pay trend in Hong Kong of 2018/2019 and 2019/2020 was reviewed and noted.

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

Nomination Committee

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

The Nomination Committee comprises one Executive Director, one NED and four INEDs.

The meeting of the Nomination Committee shall be held at least once a year. 4 meetings were held during the Period and the attendance of each member is set out as follows:

Name of members	Number of meetings attended/held
Ms. Chong Sok Un *(Chairman)*	4/4
Dato' Wong Peng Chong	4/4
Mr. Zhang Jian	4/4
Dr. Xia Xiaoning	4/4
Dr. Wong Wing Kuen, Albert *(appointed on 6 December 2018)*	1/1
Ms. Yang Lai Sum, Lisa *(appointed on 6 December 2018)*	1/1
Mr. Lau Siu Ki *(retired on 6 December 2018)*	3/3

The Nomination Committee is responsible for formulating nomination policy for the Board's consideration and implement the Board's approved nomination policy and making recommendations to the Board on the appointment and re-appointment of the Directors, and Board succession. The Nomination Policy was adopted by the Company on 1 January 2019 for formalising the current nomination practice of the Company. The policy sets out the criteria and procedures for the selection, appointment and re-election of the Directors so as to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

CORPORATE GOVERNANCE REPORT

The Nomination Committee may identify potential candidates from any source as it may consider appropriate and review the curriculum vitae submitted by potential candidates to assess whether they are 'fit and proper' for the proposed appointment.

The Nomination Committee shall evaluate potential candidates by considering various factors including, without limitation, their business and financial experience, skills, expertise, varied backgrounds and qualifications and diversity through attendance and participation in the Board or Committee meetings. The Nomination Committee shall also consider (i) the commitment of the potential candidates in devoting sufficient time and attention to the affairs of the Group; (ii) their potential contribution to board diversity; (iii) any material conflict of interest or potential material conflict of interest with the Group; and (iv) their independence with reference to the independence guidelines set out in the Listing Rules if the potential candidates will be appointed as INEDs.

Upon recommendation of the Nomination Committee, the proposed appointment will be reviewed and, if thought fit, approved by the Board.

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

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

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

iii) to assess the independence of INEDs;

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

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

Audit Committee

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

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The Audit Committee comprises one NED and four INEDs. The composition of the Audit Committee has complied with the requirements as set out in Rule 3.21 of the Listing Rules that majority of the members of the Audit Committee should be INEDs.

The Audit Committee shall meet at least twice a year. 6 meetings were held during the Period, the minutes of the Audit Committee meetings were tabled to the Board for noting and for action by the Board where appropriate, the attendance of each member is set out as follows:

Name of members	**Number of meetings attended/held**
Dr. Wong Wing Kuen, Albert *(Chairman) (appointed on 6 December 2018)*	4/4
Mr. Ma Jianting *(appointed on 8 August 2019)*	2/2
Mr. Zhang Jian	6/6
Dr. Xia Xiaoning	6/6
Ms. Yang Lai Sum, Lisa *(appointed on 6 December 2018)*	4/4
Mr. Liao Feng *(resigned on 8 March 2019)*	1/4
Mr. Lau Siu Ki *(Chairman) (retired on 6 December 2018)*	2/2

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

i) reviewed the financial reports for the year ended 30 June 2018, for the six months period ended 31 December 2018, for the twelve months period ended 30 June 2019 and for the eighteen months period ended 31 December 2019;

ii) reviewed the statutory audit plan and engagement letter of the external auditor of the Group (the "External Auditor");

iii) reviewed the management letter from the External Auditor in relation to the audit of the Group for the eighteen months period ended 31 December 2019;

iv) reviewed and recommended for approval the audit scope and fees for the six months period ended 31 December 2018, for the twelve months ended 30 June 2019 and for the eighteen months period ended 31 December 2019 by the Board;

v) reviewed and recommended for the Board's annual review of the Group's risk management and the internal control system; and

vi) reviewed and recommended for the Board's adoption of updated internal guidelines on inside information, procedures for monitoring of connected transactions, related party transaction policies and procedures and sustainability policy.

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

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

CORPORATE GOVERNANCE REPORT

ii) to discuss the nature and scope of the audit with the External Auditor;

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

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

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

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

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

AUDITOR'S REMUNERATION

During the Period under review, the remuneration paid or payable to the External Auditor, Messrs. Deloitte Touche Tohmatsu, is set out as follows:

Services rendered	**Fees paid/payable** HK$'000
Audit services	4,201
Non-audit services	344
	4,545

RISK MANAGEMENT AND INTERNAL CONTROL

The main features of the risk management and internal control systems are to provide a clear governance structure, policies and procedures, as well as reporting mechanism to facilitate the Group to manage it risks across business operations.

The Group has established a risk management framework, which consists of the Board, the Audit Committee and the risk management taskforce of the Group (the "Risk Management Taskforce"). The Board determines the nature and extent of risks that shall be taken in achieving the Group's strategic objectives, and has the overall responsibility for monitoring the design, implementation and the overall effectiveness of risk management and internal control systems.

The Group has formulated and adopted risk management policy in providing direction in identifying, evaluating and managing significant risks. At least on an annual basis, the Risk Management Taskforce identifies risks that would adversely affect the achievement of the Group's objectives, and assesses and prioritizes the identified risks according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks considered to be significant.

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The internal control system of the Company comprises a well-established organizational structure and comprehensive polices and standards. The Board has clearly defined the authorities and key responsibilities of each business and operational unit to ensure adequate checks and balances.

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

In addition, the Group has established an internal audit function to assist the Board and the Audit Committee in ongoing monitoring of the risk management and internal control systems of the Group. Deficiencies in the design and implementation of internal controls are identified and recommendations are proposed for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board on a timely basis to ensure prompt remediation actions are taken.

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

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

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

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

d) The Remuneration Committee was established to ensure all the Directors and the Senior Management are remunerated in line with market terms and individual performance.

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

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

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

Risk management report and internal control report are submitted to the Audit Committee and the Board at least once a year.

The Board is of the view that the systems of risk management and internal control in place for the Period under review and up to the date of issuance of the Annual Report and financial statements are effective and sufficient to safeguard the interests of the Shareholders, employees, and the Group's assets.

The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Procedures and internal controls for the handling and dissemination of inside information

The Group has established policies and procedures on inside information and complies with requirements of SFO and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

ACCOUNTABILITY AND AUDIT

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

SHAREHOLDERS' COMMUNICATION

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

CORPORATE GOVERNANCE REPORT

During the Period, an AGM was held and the attendance of each Director at the AGM is set out as follows:

Name of Directors	Number of AGM attended/held
Ms. Chong Sok Un *(Deputy Chairman)*	1/1
Mr. Kong Muk Yin	1/1
Mr. Guo Meibao *(appointed on 22 September 2018)*	1/1
Mr. Zhou Haiying *(appointed on 6 December 2018)*	–
Mr. Zhou Liye *(Chairman) (appointed on 6 December 2018)*	–
Dato' Wong Peng Chong	1/1
Mr. Ma Jianting *(appointed on 8 August 2019)*	–
Mr. Zhang Jian	1/1
Dr. Xia Xiaoning	0/1
Dr. Wong Wing Kuen, Albert *(appointed on 6 December 2018)*	–
Ms. Yang Lai Sum, Lisa *(appointed on 6 December 2018)*	–
Dr. Luo Guorong *(appointed on 8 March 2019 and resigned on 8 August 2019)*	–
Mr. Liao Feng *(resigned on 8 March 2019)*	0/1
Mr. Lau Siu Ki (*retired on 6 December 2018)*	1/1
Dr. Jonathan Weiyan Seah *(Chairman) (resigned on 22 September 2018 and ceased as Chairman on the same date)*	–

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

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

The Company's last AGM was held on 6 December 2018 and the Securities Repurchase Circular was sent to the Shareholders at least 20 clear business days prior to the meeting, setting out details of each proposed resolution, voting procedures (including the procedures for conducting a poll) and other relevant information. The Chairman explained the procedures for conducting a poll again at the beginning of the meeting and revealed the level of proxies voted in respect of each resolution. All Shareholders are encouraged to attend the general meetings or to appoint proxies to attend and vote at the meetings on their behalf if they are unable to attend the meetings.

The next AGM will be held on 11 June 2020, the notice of which will be sent to the Shareholders at least 20 clear business days before the meeting. An explanation of the detailed procedures for conducting a poll will be provided to the Shareholders at the commencement of the meeting. The Chairman will answer any questions from the Shareholders regarding voting by way of a poll. The poll results will be published in accordance with the requirements of the Listing Rules.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Right to put enquiries to the Board

The Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. Other Shareholders' enquiries can be directed to the head office and principal place of business of the Company in Hong Kong as set out in the Corporation Information section of this Annual Report for the attention of the Company Secretary.

Right to convene special general meeting

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

The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company at Victoria place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda for the attention of the Company Secretary and may consist of several documents in like form each signed by one or more requisitionists.

If the Directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of 3 months from the said date.

Right to put forward proposals at general meetings

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

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

b) to circulate to the Shareholders entitled to have notice of any general meeting sent to them any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition must be signed by the requisitionists and deposited at the head office of the Company in Hong Kong at 47th Floor, China Online Centre, 333 Lockhart Road, Wan Chai, Hong Kong for the attention of the Company Secretary.

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INVESTOR RELATIONS

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

There was no significant change in the Company's constitutional documents during the Period.

DIVIDEND POLICY

The Board has adopted the dividend policy effective on 1 January 2019. The Company's dividend policy aims at providing reasonable and sustainable returns to the Shareholders whilst maintaining a position of financial stability which allows the Company to take advantage of any investment and expansion opportunities that may arise from time to time.

The Company in general meeting may from time to time declare dividends in any currency to be paid to the Shareholders but no dividend shall be declared in excess of the amount recommended by the Board. Dividends may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which the Directors determine is no longer needed.

Under the Bye Laws, the Directors have the power to pay interim dividends but only if they are justified by the profits of our Company. Proposal or declaration of dividends by the Board is subject to consideration of the financial performance of the Group's operations; financial condition and position of the Group; capital expenditure and development requirement of the Group; and accumulated earnings of the Company, gearing level and liquidity position of the Group, general economic and investment conditions and outlook which may have an impact on the financial performance and position of the Group, and such other factors the Board may deem relevant.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

Ms. Fung Ching Man, Ada ("Ms. Fung") is the Company Secretary. All Directors have access to the advice and services of the Company Secretary. The Company Secretary reports to the Chairman on board governance matters, and is responsible for ensuring that Board procedures are followed and for facilitating communications among Directors as well as with the Shareholders and the Management.

Ms. Fung is an associate of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. During the Period, Ms. Fung undertook over 15 hours of relevant professional training to update her skills and knowledge.

HONG KONG MARKET MISCONDUCT TRIBUNAL PROCEEDINGS

As announced by the Company on 1 November 2019, The Securities and Futures Commission of Hong Kong (the"SFC") has instituted disclosure proceedings in the Market Misconduct Tribunal of Hong Kong (the"MMT") relating to the Company, Ms. Chong Sok Un ("Ms. Chong"), Dato' Wong Peng Chong ("Dato' Wong") and Mr. Kong Muk Yin ("Mr. Kong"), Mr. Zhang Jian ("Mr. Zhang") and the two former directors of the Company (the "Former Directors").

It appears to the SFC that, in the year 2014, the Company, Ms. Chong, Dato' Wong, Mr. Kong, Mr. Zhang and the two Former Directors, may have breached the relevant disclosure requirement within the meaning of sections 307B and 307G (as the case may be) of Part XIVA of the SFO. The MMT will hear and determine (i) whether a breach of a disclosure requirement has taken place; and (ii) the identity of any person who is in breach of the disclosure requirement (the "Proceedings").

The Company, Ms. Chong, Dato' Wong, Mr. Kong, Mr. Zhang and the two Former Directors are seeking legal advice in respect of the Proceedings.

On behalf of the Board
China Medical & HealthCare Group Limited

Zhou Liye
Chairman

Hong Kong, 30 March 2020

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This Report is prepared in accordance with the Environmental, Social and Governance ("ESG") Reporting Guide as set out in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") and summarized our ESG-related policies, initiatives and performances of our principal business segments of investment in and management and operations of healthcare and hospital businesses, eldercare businesses, trading of medical equipment and related supplies and property investment and development in the People's Republic of China ("PRC"), for the eighteen months period from 1 July 2018 to 31 December 2019 (the "Period").

The board of directors (the "Board" and "Directors" respectively) is responsible for our ESG strategy and reporting, while the management of the Company focuses on monitoring and managing the Company's ESG risks and management effectiveness. We have engaged our management and employees across all functions to understand our stakeholders' concerns and identify relevant ESG issues for our businesses.

Based on our internal assessment, the material ESG issues of the Company to be covered in this Report, together with the aspects on the ESG Guide to which they relate, are summarized in the table below:

ESG aspects as set out in ESG Guide		*Material ESG issues for the Company*
A. Environmental	A1 Emissions	• Sewage Treatment • Medical Wastes Treatment • General Wastes Management • Greenhouse Gas Emissions
	A2 Use of Resources	• Energy Consumption • Water Consumption
	A3 The Environment and Natural Resources	• Renovation Work Management
B. Social	B1 Employment B2 Health and Safety B3 Development and Training B4 Labour Standards B5 Supply Chain Management	• Employment Practices and Relations • Workplace Health and Safety • Professional Training • Anti-Child and Forced Labour • Supplier Identification, Evaluation and Selection • Supplier Monitoring • Supplier Relationship Management
	B6 Product Responsibility	• Products Safety • Services Quality • Eldercare Services • Data Privacy
	B7 Anti-corruption	• Anti-Bribery and Corruption and Anti-Money Laundering
	B8 Community Investment	• Corporate Responsibility

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL

A1 Emissions

The Group adheres to minimizing the negative impact of our business operations on the natural environment. We recognize the importance of integrating green concept into our daily business activities, aiming at conducting our businesses in an environmentally-friendly manner and helping the community to achieve sustainable development.

To facilitate a better environmental management, the Group continues to dedicate its best effort to comply with relevant environmental laws, regulations, and standards, including but not limited to the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes 《中華人民共和國固體廢物污染環境防治法》, Measures for Medical Wastes Management of Medical and Health Institutions 《醫療廢物管理條例》 and Administrative Measures for the Licensing of Discharge of Urban Sewage into the Drainage Network 《城鎮污水排入排水管網許可管理辦法》. The Group also supports newly launched environmental initiatives by local government, such as the Work Plan for Sorting and Collection of Household Waste 《生活垃圾強制分類實施工作方案》. We did not note any material non-compliance against environmental laws and regulations during the Period.

Sewage Treatment

During the Period, medical sewage generated by the hospitals of the Group was about 339,470 m^3 (2018: 237,047 m^3).

Our hospitals follow three major principles in sewage treatment:

- Onsite treatment: Onsite treatment of sewage to prevent pollution during transportation process;
- Integration of compliance and risk management: Compliance with hospital sewage discharge standards, while enhancing risk management awareness through monitoring systems to improve crisis management ability; and
- Ecological safety: Effective filtering of harmful substances from sewage, reduction of hazardous substances from sterilization and control of residual chlorine to protect the environment.

According to the above principles, our hospitals have been equipped with highly efficient sewage treatment systems. All of our medical sewage and patients' excrements have been properly treated according to the Level 3 Standard of the Integrated Wastewater Discharge Standard (GB8978-1996) of the PRC and discharged into designated municipal drainage systems, thereby reducing health risk in the community from sewage discharge. During the Period, the Group has upgraded the system by adding an additional biochemical treatment process in order to achieve an even higher environmental standard for sewage discharge and protect the surrounding ecological systems. Furthermore, a real-time monitoring equipment has been installed to oversee the operating effectiveness of the sewage system, and it is linked to the local environmental authorities in accordance with the regulatory requirement. Regular testing and maintenance works have been performed to ensure proper functioning of such systems. In addition, the sewage treatment equipment in the hospitals have been tested and accredited by relevant government authorities before deployment.

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As for eldercare segment, a sewage treatment plant has been established in the elderly nursing hospital. In addition to primary sedimentation treatment, secondary biochemical sterilization on sewage has been performed for meeting the national standards, including the Discharge Standard of Water Pollutants for Medical Organization (GB18466-2005) and Water Quality Standards on Sewage Discharged into Urban Sewers. Furthermore, a monthly sewage inspection is performed by professional consultants in order to ensure the sewage meets the relevant standards.

Medical Waste Treatment

The hospitals of the Group generate certain biological and chemical waste which are regarded as hazardous and require special handling to reduce risks to the public health and the environment. About 338.79 tonnes of such wastes were generated during the Period (2018:182.91 tonnes).

The Group adopts a three-tier approach with designated staff to manage medical wastes. Firstly, staff who generate the wastes will perform simple treatment such as sterilization using disinfectant. Secondly, professional staff categorize medical wastes in accordance with relevant laws and regulations and store the wastes at designed isolated locations with properly labelled packaging and containers. Lastly, we have engaged qualified contractors to collect the waste on a regular basis. After the collection, cleaning and disinfection work are performed at the storage locations timely. Records are maintained to keep track of the whole process. In addition, the Group has provided trainings to relevant staff responsible to enhance the awareness and knowledge of hazardous waste management. Clear instructions and procedures regarding classification and collection of medical wastes have also been communicated through posters and written policies.

General Wastes Management

Besides medical waste, another major type of waste generated by the Group was paper, which was amounted to 8.33 tonnes during the Period (2018: 10.35 tonnes).

The Group strives to minimize the usage of office consumables, hence we leverage information technology to reduce waste paper and encourage recycling in our daily operations. We have implemented electronic filing systems to replace traditional paper records as appropriate, and increased the use of e-communication channels to reduce paper correspondences.

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Meanwhile, certain packaging materials were used to store and protect drugs. During the Period, the consumption amounts were as follows:

Type	*Unit*	*2019 Amount*	*2018 Amount*
Plastic bag	tonnes	11.16	6.66
Plastic bottle	tonnes	36.59	18.25
Paper box	tonnes	20.75	18.55

Total packaging materials used was 68.50 tonnes during the Period (2018: 43.46 tonnes).

We promote waste classification to facilitate recycling, especially used papers and packaging boxes. About 4.95 tonnes of paper was recycled through qualified contractors during the Period.

Greenhouse Gas Emissions

Owing to the business nature of the Group, no significant air emissions were identified during the Period besides carbon emissions generated from the consumption of electricity, petrol and natural gas.

In total there were 15,222 tonnes of the energy-related carbon dioxide equivalent (CO_2e) generated from our direct operations during the Period (2018: 8,474 tonnes), with the intensity of 0.054 tonnes CO_2e per gross floor area (GFA) in m^2. We have a series of initiatives in place to help reduce our carbon footprint. Please refer to the A2 Use of Resources section below.

A2 Use of Resources

The Group continues to improve efficiency of resource usage in our business operations by adopting different measures and technologies. During this Period, an advanced environmental management system has been introduced in order to reduce the use of energy and water. Regular evaluation has been performed to assess the effectiveness of the resources management mechanism and remedial actions have been performed timely as needed.

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Energy Consumption

The following table summarized the major types of energy directly consumed and controlled by the Group during the Period:

Type of Energy	***Unit***	***2019 Amount***	***2018 Amount***	***2019 Intensity (unit per GFA in m^2)***
Electricity	kWh	22,401,515	12,433,112	79.98
Petrol	Litre	97,883	32,376	0.35
Natural gas	m^3	149,511	139,086	0.53

During the Period, electricity consumption was 22,401,515 kWh (2018: 12,433,122 kWh), whereas petrol consumption was 97,883 litres (2018: 32,376 litres). On the other hand, natural gas consumption was 149,511 m^3 during the Period (2018:139,086 m^3).

We have implemented the following measures during the Period to help reduce our energy consumption:

Healthcare and Eldercare Segments

- Installation of energy efficient lighting systems which use LED lights and voice controlled switches
- Use of notices and signs to advocate energy saving and reduce idle consumption by unused electrical appliances
- Setting air-conditioners to 26 degree Celsius
- Green design to utilize natural light and facilitate air ventilation
- Turning off non-essential lights during lunch breaks
- Replacement of light bulbs with LED lights and utilize natural sunlight as feasible

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Healthcare Segment

- Replacement of old medical equipment with high energy efficient ones
- Installation of solar powered water heater for hot water supply
- Deployment of smart water heating and air-conditioning systems which can adjust its output corresponding to the environment to reduce energy wastage

Eldercare Segment

- Lighting, telecommunication, water and electricity systems are installed in public pipelines for repair and maintenance's convenience, which in turn reduce energy use
- Special design of grounding network which reduces electricity loss
- Use of heat insulating materials and designs on roof tops and walls to reduce energy usage for air-conditioning
- Use of smart lighting system at car park which can adjust lights operation based on car distribution
- Installation of light sensor switches for street lights which can adjust operating time and intensity automatically based on actual light intensity

Water Consumption

During the Period, 443,589 m^3 of water was consumed for business operations in our healthcare and eldercare segments, with intensity of 1.58 m^3 per GFA in m^2 (2018: 308,718 m^3).

The Group has formulated various water conservation initiatives to reduce the use of water across our operations. These initiatives are summarized as follows:

Healthcare and Eldercare Segments

- Regular check for leakage of water pipes
- Use of notices and signs to advocate water saving and reduce idle running by unused water faucets

Healthcare Segment

- Use of electronic water valves to improve water efficiency
- Installation of electronic water taps to prevent excessive water use
- Reuse condensed water from steam
- Installation of RFID shower usage system in order to control the water usage in shower rooms

Eldercare Segment

- Use of water efficient faucets
- Implementation of high-efficiency sprinkler irrigation
- Use of river water for irrigation and cleaning instead of municipal water

A3 The Environment and Natural Resources

The Group takes an active role in managing the impact of its businesses on the environment and natural resources. Besides the measures described above, we incorporate the concept of environmental protection into our daily operations to raise the awareness of our staff and encourage them to go green at work and in their daily lives. We also assess the potential impacts on the environment regularly and formulate corresponding mitigating measures promptly.

Renovation Work Management

We understand that the renovation work conducted by our residents in our retirement village project will create certain impacts on the neighbourhood, such as noise, odour and dust. As such, our property management department has set up the Renovation Management Policy to regulate renovation activities in the project. The policy stipulates the requirements and guidelines of conducting renovation work, which includes requiring contractors to use proper barriers to prevent dust from spreading, deploy adequate number of fire equipment on site, use of protective tools to prevent facilities in public area from damages, etc.

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B. SOCIAL

B1 Employment

Employment Practices and Relations

The Group believes our employees play vital roles in our business growth and customer experience. We aim to offer competitive salary and other benefits in order to retain and motivate our talents. Our remuneration scheme is reviewed annually with reference to the market practices as well as experience and performance of our staff. The working hours, leaves and other statutory requirements such as social insurance are all in compliance with the applicable laws and regulations.

The Group is committed to providing a discrimination-free work environment to staff. Such principle covers all human resources aspects including recruitment, transfer, promotion, training, salary and welfare, to ensure all staff or job applicants are treated equally.

Moreover, the Group encourages open communication and value feedbacks from employees. We conduct employee surveys regularly and make improvement continuously based on the results and employees' suggestions. To maintain a harmonious culture, the Group also organizes various types of social activities, such as monthly birthday gatherings, health seminars, sports day, annual dinner, etc. We also support our staff in forming recreational clubs on various hobbies, in order to help them to achieve work-life balance.

The Group did not note any non-compliance cases against labour laws and regulations during the Period.

B2 Health and Safety

Workplace Health and Safety

The Group considers health and safety to be of the utmost importance, especially for our frontline staff who serve our patients and residents. Thus, our management has performed regular occupational safety and health risk assessments for all departments to identify high risk areas, and developed operation manuals to provide guidelines for staff to follow to ensure our activities are conducted properly to reduce the risk. Notices, posters and memos have been displayed at our offices and our properties to remind staff of safety issues. Also, various safety measures have been implemented to protect our staff and patients. For example, nursing staff have been required to wear protective coat and non-penetrable doors have been installed at CT-scanning rooms and MRI scanning rooms. For a better monitoring purpose, safety audits are performed regularly at hospitals to assess whether frontline staff are working in compliance with the Group's requirements.

Safety policies have been established based on relevant laws and regulations for specific positions (such as radiotherapists), and we require all our frontline nursing staff to equip with sufficient knowledge and qualifications. On-boarding training and regular courses have been provided to raise their safety awareness.

During the Period, the Group did not note any cases of material non-compliance against occupational safety and health related laws and regulations.

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B3 Development and Training

Professional Training

The Group is committed to providing training and development opportunities for its employees in order to enhance our staff's competencies and help strengthen customer confidence.

Internally, the Group has established comprehensive training mechanisms with a designated department responsible for the development of medical and pharmaceutical staff. We have established Training Department designated to plan and organize various types of trainings, and to require all clinical and medical departments to carry out departmental training based at least once a month. Our Human Resources Department also organizes orientation programmes to assist our new hires to adapt to our culture and environment.

During the Period, trainings have been provided to staff included, medical, nursing, occupational safety, management effectiveness, crisis management, etc. Departmental workshops such as business intelligence (BI), standard operating procedure (SOP) and other knowledge learning courses have also been arranged.

For every internal training and workshop organized, the Group maintain training records properly and conducted evaluation for identifying improvement opportunities. Furthermore, we also support our staff to participate in external trainings, workshops or conferences by providing subsidies.

B4 Labour Standards

Anti-Child and Forced Labour

Employment of child labour is strictly prohibited by the Group in accordance with the national labour laws. Proper internal controls, such as reference check and background search, are in place to ensure that only legitimate employees who possess valid identity documents are employed. Labour contract must be signed by both employees and the Group to guarantee no forced labour are employed.

During the Period, the Group had no non-compliance cases against child and forced labour-related laws and regulations.

B5 Supply Chain Management

Supply chain management directly affects the reliability and smoothness of our operations as well as the quality of our products and services. A comprehensive procurement management policy has been established to govern the procurement processes and maintain long term partnering relationship with strategic suppliers, thus enhancing our competitive edges.

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Supplier Identification, Evaluation and Selection

Pre-qualification processes, including questionnaire, site visit and products or services verification, are in place as first screening for new suppliers before they can be added to the authorized supplier list. For substantial procurement, a separate procurement team or committee is set up to handle the procurement, tendering and selection processes. In compliance with medical industry-related laws and regulations, the hospitals have conducted strict review on the qualifications, for instances good manufacturing practices and good storage practice (GMP/GSP) certification, of the suppliers and specifications of medical equipment and drugs.

The Group upholds the principles of fairness, equality and quality-first in its supplier selection and procurement activities. Factors to be considered in procurement decisions include price, quality, location (logistic and storage costs), delivery reliability, supplier's reputation and capabilities, anti-corruption, etc. with defined selection standards. These processes help to identify the most suitable supplier and maximize the economic benefit.

Supplier Monitoring

Annual supplier evaluation has been performed to assess the performance of the authorized suppliers. For strategic suppliers, a detailed performance evaluation has been conducted to assess its price, quality of work, project management, personnel qualification and environmental performance. Suppliers which are unable to pass the evaluation will be removed from the authorized supplier list.

Meanwhile, in case of significant quality incidents in relation to products and services, cooperation relationship with the concerned suppliers will be terminated immediately and the suppliers will be removed from the authorized supplier list as well. An incident escalating mechanism has been established so as to ensure prompt reaction to mitigate the crisis.

Supplier Relationship Management

To establish stable and reliable supplies of products and services, the Group cooperates with multiple suppliers to avoid over reliance on a single source. Regarding strategic contractors, the Group adopts a long term cooperation approach such that procurement agreement can be automatically renewed annually if the result of the contractor evaluation is satisfactory. With such renewal mechanism in place, contractors would consider us as their long term partner and it provides incentive for better services and products.

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B6 Product Responsibility

Products Safety

The Group has a well-established quality control system to identify, assess and manage the quality issues of the medical products we use. We only procure medical products which are in compliance with the related regulations and standards, such as the Drug Administration Law of the PRC《藥品管理法》, Regulations for the Implementation of the Drug Administration Law of the PRC 《藥品管理法實施管理條例》, Standards for Quality Control of Pharmaceutical Production (GMP 2010)《藥品生產和質量管理規範》(GMP 2010版) and Pharmacopoeia of the PRC (2015) 《中國藥典》(2015版) to ensure the quality of medical products. In order to ensure traceability, we have assigned staff to keep track of daily inventory flows as well as maintained all relevant documents to be able to identify the products and patient involved in case of any medical incident. The Group has also designated staff with pharmaceutical knowledge to perform quality checks upon receiving medical products, manage storage condition and report to government authorities in accordance with laws and regulations.

Services Quality

The Group offers medical services in accordance with the National Medical and Health Industry Policy 《國家醫療衛生行業政策》, International Standards issued by Joint Commission on Accreditation of Healthcare Organizations 《國際醫療認證聯合委員會國際標準》 and other local medical laws and regulations. We have established a monitoring and reporting mechanism to facilitate our frontline staff to report timely any cases of adverse reaction of patients and provide prompt response. Meanwhile, regular quality checks have been performed to proactively prevent incidents from occurring. A comprehensive complaint management mechanism is in place with designated staff to record and follow-up the reported cases, who also will conduct timely inspection and analysis to resolve the issues. In addition, our hospitals have conducted periodic customer satisfaction surveys to identify potential improvement areas based on customers' feedbacks. All of our selling and advertising materials have been prepared in accordance with the Advertising Law of the PRC 《中華人民共和國廣告法》 and Measures for the Administration of Medical Advertisements 《醫療廣告管理辦法》, no misleading advertising statements are tolerated.

Eldercare Services

To demonstrate our respect for the unique characteristics and lifestyle of our residents, we provide tailor-made services to fulfil their needs and expectations. We organize regular social activities as well as encourage them to develop hobbies and maintain social contact within the community for their psychological well-being.

The retirement village project has deployed latest technologies in its operations. For example, emergency alarms have been installed in each apartment. We have also set up GPS and CCTVs in our elderly residential area so if any emergency happens, our medical team are able to locate the residents in need in a timely manner. Also, our elderly residential properties have been equipped with smart living systems which enable the residents to control most of the electronic appliances through a single user-friendly panel.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In an effort to uphold high service standards, a detailed set of Operational Management Manual 《營運管理手冊》 has been established to communicate the management expectation and standardize the services procedures. We value customer feedbacks for our continuous improvement. Detailed procedures regarding customer services and relationship management have been documented in the Customer Management and Follow-up Mechanism 《客戶管理及跟蹤機制》. Moreover, customer relation management system has been implemented to collect comments and complaints from customers and facilitate follow-up actions. A customer satisfaction survey has also been conducted in searching for improvement opportunities.

Data Privacy

Protecting data privacy of customers is one of the Group's priorities. We strictly comply with applicable standards, laws and regulations as well as internal policies relating to data privacy. Our hospitals have implemented a number of measures in regard to data privacy. Firstly, each consultation room only allows one patient a time in order to protect the patient's privacy. Secondly, a designated area has been set up exclusively for female patients. Thirdly, signs reminding patients and staff not to discuss private health conditions publicly have been displayed at corridors and in elevators. As for the retirement village project, the Membership Information Confidentiality Policy 《會員中心信息保密制度》 has been established to govern the management of membership data. No disclosure or transfer of customers' personal information is allowed without consent or authorization by the information owner.

During the Period, we did not have material non-compliance against products, services, advertising and data-privacy related laws and regulations.

B7 Anti-corruption

Anti-Bribery and Corruption and Anti-Money Laundering

The Group upholds the culture of openness, accountability and integrity and requires all staff to strictly comply with personal and professional code of conduct. The Group has required suppliers and their staff to sign-off anti-corruption agreement and strictly prohibits acceptance of bribes and rebates. Furthermore, anti-bribery and corruption policies have been included in the staff handbook to stipulate our ethical expectations. We have established internal and external whistleblowing channels and performed regular review on internal management effectiveness. Also, we have established comprehensive authorization structure, approval process and management system. Terms regarding anti-bribery and corruption and anti-money laundering have been added to the employment contract and relevant policies.

In regard to property development project, the Group advocates third party monitoring and consulting, such as engaging independent project monitoring contractors and independent project settlement consultants. Meanwhile, we have offered anti-corruption training to staff and encouraged staff to report any fraudulent activities, thereby raising their awareness of anti-corruption and anti-money laundering.

During the Period, the Group did not note any cases of bribery, extortion, fraud and money laundering.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B8 Community Investment

Corporate Responsibility

The Group is committed to giving back to the community while expanding its businesses. On one hand, we help develop the healthcare industry by cultivating more medical professionals for the succession of invaluable medical knowledge, skills and experience. On the other hand, we support charitable activities and engage in a wide range of social events such as caring for the disabled or elderly, providing medical supports to the underserved, and organizing health talks and blood donations to fulfil our corporate social responsibility. The events we organized and participated in during the Period are listed below:

Healthcare Segment

- Organized Artificial cochlea implant surgery, Cleft lip and cleft palate repair surgery and Congenital heart disease surgery projects for the patients in need
- The Congenital heart disease surgery project has conducted screening for more than 164,928 children in the poverty area in Yunnan, China and offered free surgery to 415 children
- Participated in a clinical study on treatment of spinal cord injury launched by Hong Kong Spinal Cord Injury Fund
- Offered free medical and health consultations and body check-ups on a regular basis to the surrounding neighbourhoods
- Organized blood donation events periodically to collect blood from hundreds of people every year for medical use

Eldercare Segment

- Coordinated with local community to organize poverty alleviation activities with Xinjian Village（新建村）in Qingpu district（青浦區）
- Provided venues for Communist Party members to hold public and social welfare activities for local community

INDEPENDENT AUDITOR'S REPORT

Deloitte.

德勤

TO THE SHAREHOLDERS OF CHINA MEDICAL & HEALTHCARE GROUP LIMITED
中國醫療網絡有限公司
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of China Medical & HealthCare Group Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 62 to 175, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period from 1 July 2018 to 31 December 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the period from 1 July 2018 to 31 December 2019 in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(continued)*

Key audit matter	**How our audit addressed the key audit matter**
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter due to significance of the balance to the consolidated financial statements, combined with the fact that significant judgment and estimation are required by management in determining the fair value. As disclosed in Note 15 to the consolidated financial statements, the fair value of the investment properties amounted to approximately HK$772,520,000 as at 31 December 2019 with net increase in fair value of approximately HK$18,245,000 recorded in profit or loss for the period. The investment properties are stated at fair value based on the valuations carried out by the independent qualified professional valuer. Details of the valuation techniques and inputs are disclosed in Note 15 to the consolidated financial statements. The valuations of investment properties are dependent on certain assumptions and inputs, including capitalisation rates and market rents.	Our procedures in relation to the valuation of investment properties included: • Evaluating the professional competence, capabilities and objectivity of the independent qualified professional valuer; • Obtaining an understanding from the independent qualified professional valuer about the valuation methodologies used and the assumptions adopted in the valuation model and assess their appropriateness with reference to market data; and • Checking the inputs used in the valuation, including rental income, tenancy schedules, capital expenditure details, acquisition cost schedules and square meter details to source documents on a sample basis.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation of leasehold land and buildings	
We identified the valuation of leasehold land and buildings (including leasehold land and buildings in Hong Kong, hospital buildings and other buildings in the People's Republic of China (excluding Hong Kong)) as included in property, plant and equipment as a key audit matter due to the significance of the balance to the consolidated financial statements, combined with the fact that significant judgment and estimation are required by management in determining the fair value. As disclosed in Note 16 to the consolidated financial statements, the fair value of the leasehold land and buildings amounted to approximately HK$941,955,000 as at 31 December 2019 with the revaluation increase of the leasehold land and buildings for the period of approximately HK$36,542,000 recorded in other comprehensive income. The leasehold land and buildings are stated at fair value based on the valuations carried out by the independent qualified professional valuer. Details of the valuation technique and inputs are disclosed in Note 16 to the consolidated financial statements. The valuations of leasehold land and buildings are dependent on certain assumptions and inputs, including depreciated replacement cost and market rents.	Our procedures in relation to the valuation of leasehold land and buildings included: • Evaluating the professional competence, capabilities and objectivity of the independent qualified professional valuer; • Obtaining an understanding from the independent qualified professional valuer about the valuation methodologies used and the assumptions adopted in the valuation model and assess their appropriateness with reference to market data; and • Checking the inputs used in the valuation, including replacement cost schedules and square meter details to source documents on a sample basis.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Wan Chi Lap.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the period from 1 July 2018 to 31 December 2019

	NOTES	**1.7.2018 to 31.12.2019 HK$'000**	1.7.2017 to 30.6.2018 HK$'000
Revenue	5	**1,841,346**	1,100,641
Gross proceeds from sales of investments held for trading		**200,744**	1,217,518
Total		**2,042,090**	2,318,159
Revenue	5		
Goods and services from contracts with customers		**1,776,824**	1,082,220
Rental		**12,181**	9,186
Interest		**50,966**	2,308
Others		**1,375**	6,927
		1,841,346	1,100,641
Cost of goods and services		**(1,479,613)**	(927,376)
Gross profit		**361,733**	173,265
Other gains and losses, and other income	7	**51,069**	22,889
Selling and distribution costs		**(6,518)**	(7,797)
Administrative expenses		**(357,307)**	(240,259)
Finance costs	8	**(77,788)**	(81,547)
Loss before taxation		**(28,811)**	(133,449)
Taxation credit (expense)	11	**38,611**	(14,379)
Profit (loss) for the period/year	12	**9,800**	(147,828)
Profit (loss) for the period/year attributable to:			
Owners of the Company		**2,176**	(137,110)
Non-controlling interests		**7,624**	(10,718)
		9,800	(147,828)
Earnings (loss) per share	14		
Basic		**HK0.015 cents**	HK (0.95) cents
Diluted		**HK0.015 cents**	HK (0.95) cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period from 1 July 2018 to 31 December 2019

	1.7.2018 to 31.12.2019 HK$'000	1.7.2017 to 30.6.2018 HK$'000
Profit (loss) for the period/year	**9,800**	(147,828)
Other comprehensive (expense) income		
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	**854**	–
Exchange difference arising on translation:		
Exchange (loss) gain arising from translation of foreign operations	**(40,971)**	2,113
	(40,117)	1,015
Item that will not be reclassified to profit or loss:		
Gain on revaluation of leasehold land and buildings	**36,542**	7,923
Deferred tax arising from revaluation of leasehold land and building included in property, plant and equipment	**(9,136)**	–
	27,406	7,923
Other comprehensive (expense) income for the period/year	**(12,711)**	8,938
Total comprehensive expense for the period/year	**(2,911)**	(138,890)
Total comprehensive income (expense) for the period/year attributable to:		
Owners of the Company	**(9,408)**	(129,167)
Non-controlling interests	**6,497**	(9,723)
	(2,911)	(138,890)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	NOTES	**31.12.2019 HK$'000**	30.6.2018 HK$'000
Non-current assets			
Investment properties	15	**772,520**	775,676
Property, plant and equipment	16	**1,318,031**	1,365,534
Prepaid lease payments	17	**93,418**	102,733
Interests in associates	18	**–**	–
Financial assets at fair value through profit or loss	19	**802**	–
Available-for-sale investments	21	**–**	802
Goodwill	22	**30,821**	33,207
Deposits for acquisition of property, plant and equipment		**7,031**	7,819
		2,222,623	2,285,771
Current assets			
Inventories	23	**21,138**	18,168
Properties under development for sale	24	**5,927**	6,243
Properties held for sale	24	**163,369**	265,649
Prepaid lease payments	17	**2,746**	2,894
Financial assets at fair value through profit or loss	19	**98**	–
Debt instruments at fair value through other comprehensive income	20	**4,634**	–
Available-for-sale investments	21	**–**	22,678
Investments held for trading	25	**36,451**	138,769
Debtors, deposits and prepayments	26	**96,806**	179,361
Loan receivable	27	**91,314**	–
Pledged bank deposits	28	**9,119**	24,432
Restricted bank deposits	28	**5,607**	5,073
Bank balances and cash	28	**643,177**	544,092
		1,080,386	1,207,359
Current liabilities			
Creditors and accrued charges	29	**394,173**	453,674
Deposits received on sales of properties		**12,039**	12,055
Other contract liabilities	30	**50,374**	–
Customers' deposits and receipts in advance		**38,842**	93,175
Consideration payable	31	**–**	57,300
Amount due to an associate	32	**6,144**	6,471
Borrowings – due within one year	33	**444,068**	325,330
Obligations under finance leases – due within one year	34	**5,405**	10,201
Derivative financial instruments	35	**–**	1,129
Taxation payable		**114,802**	167,033
		1,065,847	1,126,368

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	NOTES	**31.12.2019 HK$'000**	30.6.2018 HK$'000
Net current assets		**14,539**	80,991
Total assets less current liabilities		**2,237,162**	2,366,762
Non-current liabilities			
Deferred tax liabilities	36	**41,150**	38,237
Borrowings – due after one year	33	**349,295**	500,173
Customers' deposit and receipt in advance		**30,818**	–
Other contract liabilities	30	**5,438**	–
Obligations under finance leases – due after one year	34	**–**	9,511
		426,701	547,921
		1,810,461	1,818,841
Capital and reserves			
Share capital	37	**7,240**	7,240
Reserves	38	**1,797,386**	1,789,375
Equity attributable to owners of the Company		**1,804,626**	1,796,615
Non-controlling interests	39	**5,835**	22,226
Total equity		**1,810,461**	1,818,841

The financial statements on pages 62 to 175 were approved and authorised for issue by the Board of Directors on 30 March 2020 and are signed on its behalf by:

Ms. Chong Sok Un
DIRECTOR

Mr. Guo Meibao
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period from 1 July 2018 to 31 December 2019

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Properties revaluation reserve HK$'000 (note 38)	Investment revaluation reserve HK$'000 (note 38)	Capital redemption reserve HK$'000	Other reserve HK$'000 (Note)	Translation reserve HK$'000 (note 38)	Accumulated profits (losses) HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 July 2017	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 year	–	–	–	–	–	–	–	(137,110)	(137,110)	(10,718)	(147,828)
Other comprehensive income (expenses) for the year	–	–	7,923	(1,098)	–	–	1,118	–	7,943	995	8,938
Total comprehensive income (expenses) for the year	–	–	7,923	(1,098)	–	–	1,118	(137,110)	(129,167)	(9,723)	(138,890)
Recognition of equity-settled share-based payment (note 45)	–	–	–	–	–	–	–	–	–	3,003	3,003
Acquisition of non-controlling interest of a subsidiary without a change in control (note 44)	–	–	–	–	–	(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
Adjustments (note 2)	–	–	–	1,098	–	–	–	(6,567)	(5,469)	–	(5,469)
	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	–	–	–	–	–	–	–	2,176	2,176	7,624	9,800
Other comprehensive income (expenses) for the period	–	–	27,406	854	–	–	(39,844)	–	(11,584)	(1,127)	(12,711)
Total comprehensive income (expenses) for the period	–	–	27,406	854	–	–	(39,844)	2,176	(9,408)	6,497	(2,911)
Cancellation of share options (note 45)	–	–	–	–	–	–	–	22,888	22,888	(22,888)	–
At 31 December 2019	**7,240**	**2,621,374**	**55,281**	**854**	**2,496**	**(796,531)**	**(17,626)**	**(68,462)**	**1,804,626**	**5,835**	**1,810,461**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period from 1 July 2018 to 31 December 2019

	1.7.2018 to 31.12.2019 HK$'000	1.7.2017 to 30.6.2018 HK$'000
OPERATING ACTIVITIES		
Loss before taxation	**(28,811)**	(133,449)
Adjustments for:		
Interest income	**(9,064)**	(5,970)
Depreciation of property, plant and equipment	**157,770**	106,073
Impairment loss under expected credit loss model	**5,062**	–
Net (gain) loss on disposal of property, plant and equipment	**(27)**	1,128
Interest expense	**77,788**	81,547
Net unrealised loss on fair value of investments held for trading	**31,346**	32,381
Fair value changes on investment properties	**(18,245)**	1,609
Net loss in promissory notes receivables	**–**	6,500
Net unrealised loss on derivative financial instruments	**–**	1,129
Release of prepaid lease payments	**4,135**	2,965
Share-based payment expense	**–**	3,003
Impairment loss recognised on available-for-sale investments	**–**	383
Operating cash flow before movements in working capital	**219,954**	97,299
(Increase) decrease in inventories	**(3,954)**	2,303
Decrease in properties under development for sale and properties held for sale	**90,341**	72,327
Decrease in investments held for trading	**70,972**	984,253
Decrease in derivative financial instruments	**(1,129)**	(5,373)
Decrease (increase) in debtors, deposits and prepayments	**68,471**	(52,168)
(Increase) decrease in loans receivable	**(95,215)**	40,000
Decrease in creditors and accrued charges	**(36,215)**	(76,057)
Decrease (increase) in deposits received on sale of properties	**604**	(12,800)
Increase in customers' deposits and receipts in advance	**18,202**	9,846
Increase in other contract liabilities	**19,845**	–
Cash from operating activities	**351,876**	1,059,630
Interest paid	**(76,247)**	(79,122)
Tax paid	**(11,077)**	(7,138)
NET CASH FROM OPERATING ACTIVITIES	**264,552**	973,370

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period from 1 July 2018 to 31 December 2019

	NOTE	1.7.2018 to 31.12.2019 HK$'000	1.7.2017 to 30.6.2018 HK$'000
INVESTING ACTIVITIES			
Disposal of			
– financial assets at fair value through profit or loss		**18**	–
– debt instruments at fair value through other comprehensive income		**18,782**	–
Acquisition of available-for-sale investments		**–**	(23,480)
Placement of pledged bank deposits/restricted bank deposits		**(14,726)**	(24,811)
Withdrawal of pledged bank deposits/restricted bank deposits		**28,236**	236,091
Interest received		**9,064**	5,970
Additions of investment properties		**(5,353)**	(23,150)
Additions of property, plant and equipment		**(136,509)**	(55,586)
Deposits paid for acquisition of property, plant and equipment		**(7,031)**	(4,438)
Proceeds from disposal of property, plant and equipment		**3,158**	773
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(104,361)**	111,369
FINANCING ACTIVITIES			
New borrowings raised		**806,716**	774,801
Repayments of borrowings		**(796,947)**	(1,808,601)
Repayments of additional interest in subsidiaries	31	**(55,318)**	(30,000)
Repayments of obligations under finance leases		**(15,075)**	(12,048)
NET CASH USED IN FINANCING ACTIVITIES		**(60,624)**	(1,075,848)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**99,567**	8,891
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES		**(482)**	5,875
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD/YEAR		**544,092**	529,326
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD/YEAR,			
Representing bank balances and cash		**643,177**	544,092

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 July 2018 to 31 December 2019

1. GENERAL AND BASIS OF PREPARATION

China Medical & HealthCare Group Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed on page 2 of the annual report.

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

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

Pursuant to a resolution passed at the meeting of the board of directors 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. These consolidated financial statements now presented cover a period of eighteen months from 1 July 2018 to 31 December 2019. The comparative figures presented for the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows, consolidated statement of changes on equity and related notes cover the figures of the financial year from 1 July 2017 to 30 June 2018 and therefore may not be comparable with amounts shown for the current reporting period.

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

New and amendments to HKFRSs that are mandatorily effective for the current period

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants for the first time in the current period:

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

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current period and prior years and/or on the disclosures set out in these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 July 2018 to 31 December 2019

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

New and amendments to HKFRSs that are mandatorily effective for the current period *(continued)*

2.1 HKFRS 15 "Revenue from Contracts with Customers"

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

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 (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Company 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.

The revenue of the Group is principally from (1) 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) developing and selling of properties in the PRC (the "Property development"); (4) leasing of residential and office properties (the "Property investment"); (5) provision of loan financial services (the "Financial services") and (6) 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.

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 5 and 3 respectively.

Summary of effects arising from initial application 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 adjustment was made to the amounts recognised in the consolidated statement of financial position at 1 July 2018. Line items that were not affected by the changes have not been included.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 July 2018 to 31 December 2019

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

New and amendments to HKFRSs that are mandatorily effective for the current period *(continued)*

2.1 HKFRS 15 "Revenue from Contracts with Customers" (continued)

Summary of effects arising from initial application HKFRS 15 (continued)

	Note	Carrying amounts previously reported at 30 June 2018 HK$'000	Adjustments HK$'000	Carrying amounts under HKFRS 15 at 1 July 2018* 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.

The following table summarises the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2019 and its consolidated statement of cash flows for the current period for the line item affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	Note	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
Current liabilities				
Other contract liabilities	a	50,374	(50,374)	–
Customers' deposits and receipts in advance	a	38,842	50,374	89,216
Non-current liabilities				
Other contract liabilities	a	5,438	(5,438)	–
Customers' deposits and receipts in advance	a	30,818	5,438	36,256

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

New and amendments to HKFRSs that are mandatorily effective for the current period *(continued)*

2.1 HKFRS 15 "Revenue from Contracts with Customers" (continued)

Impact on the consolidated statement of financial positions (continued)

Note:

(a) As at 31 December 2019, receipts in advance from customers for services under contracts with customers of HK$55,812,000 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.

Impact on the consolidated statement of cash flows

	As reported	Adjustments	Amounts without application of HKFRS 15
	HK$'000	HK$'000	HK$'000
OPERATING ACTIVITIES			
Increase in customers' deposit and receipts	18,202	19,845	38,047
Increase in other contract liabilities	19,845	(19,845)	–

2.2 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 (i) the classification and measurement of financial assets and financial liabilities, (ii) expected credit losses ("ECL") for financial assets and (iii) general hedge accounting.

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 under ECL model) 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, if any, 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".

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 July 2018 to 31 December 2019

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

New and amendments to HKFRSs that are mandatorily effective for the current period *(continued)*

2.2 HKFRS 9 "Financial Instruments" and the related amendments (continued)

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.

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

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

New and amendments to HKFRSs that are mandatorily effective for the current period *(continued)*

2.2 HKFRS 9 "Financial Instruments" and the related amendments (continued)

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 12-month ECL ("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:

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

2.3 Impacts on opening 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 July 2018 to 31 December 2019

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

New and amendments to HKFRSs that are mandatorily effective for the current period *(continued)*

2.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards (continued)

	At 30 June 2018 HK$'000	HKFRS 15 HK$'000	HKFRS 9 HK$'000	At 1 July 2018 HK$'000 (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

Note: For the purposes of reporting cash flows from operating activities under indirect method for the period from 1 July 2018 to 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 July 2018 as disclosed above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 July 2018 to 31 December 2019

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

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after 1 January 2021.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
5 Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, "the Amendments to References to the Conceptual Framework in HKFRS Standards", will be effective for annual periods beginning on or after 1 January 2020.

Except for the new HKFRS mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon the application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group and upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance with the nature as appropriate.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2019, the Group has non-cancellable operating lease commitments of HK$24,466,000 as disclosed in note 41. A preliminary assessment indicates that these arrangements will meet the definition of a lease upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 July 2018 to 31 December 2019

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

HKFRS 16 "Leases" *(continued)*

In addition, the Group currently considers refundable rental deposits paid of HK$1,126,000 as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC) – Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening accumulated losses without restating comparative information.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the assets in its highest and best use.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity included reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of relevant equity component and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9/HKAS 39, or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 July 2018 to 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations *(continued)*

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

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

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

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

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

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

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9/HKAS 39 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") (or groups of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or groups of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or groups of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or groups of CGUs).

On disposal of the relevant CGU or any of the CGU within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU (or a CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the group of CGUs) retained.

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

Investments in associates

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates *(continued)*

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

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9/HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) on cessation of significant influence over the associate.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2)

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 or 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;
- the Group's performance creates or 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.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition (prior to 1 July 2018)

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

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

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

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

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

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

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

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

Interest income from a financial asset is accrued on a time apportionment basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government subsidies

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

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

Investment properties

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

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

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

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

Property, plant and equipment

Property, plant and equipment including buildings and leasehold land (classified as finance leases) held for use in the supply of goods or services, or for administrative purpose (other than construction in progress) are stated in the consolidated statement of financial position at cost or fair value less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

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

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

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

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

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured on accordance with HKFRS 15 since 1 July 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

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

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) (continued)

All other financial assets are subsequently measured at 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 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.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income ("OCI") and accumulated under the heading of investment revaluation reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

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.

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 gains and losses" line item.

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including debt instruments at FVTOCI, debtors, deposits, loans receivable, pledged 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, 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (continued)

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.

(i) 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;
- 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; and
- 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (continued)

(i) Significant increase in credit risk *(continued)*

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

The Group considers that default has occurred when a financial asset 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.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower; or

(b) a breach of contract, such as a default or past due event; or

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of accounts receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries made are recognised in profit or loss.

(v) 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.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the provision matrix basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables are each assessed as a separate group. Loans to a third party is assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (continued)

(v) Measurement and recognition of ECL *(continued)*

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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 other comprehensive income and accumulated in the investment revaluation reserve without reducing the carrying amounts of these instruments. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

Classification and subsequent measurements of financial assets (before application of HKFRS 9 on 1 July 2018)

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

Effective interest method

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 July 2018 to 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Investments held for trading

A financial asset is classified as held for trading if:

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

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

Loans and receivables

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

Available-for-sale financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Available-for-sale financial assets (continued)

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

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

Impairment of financial assets (before application of HKFRS 9 on 1 July 2018)

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

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

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

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

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (before application of HKFRS 9 on 1 July 2018) (continued)

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

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

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

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

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Derecognition of financial assets (continued)

On derecognition of an investment in a debt instrument classified as at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the investment reserve is reclassified to profit or loss.

On derecognition of available-for-sale financial asset, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

Financial liabilities and equity instruments

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

Equity instruments

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments (continued)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Taxation

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

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

Borrowing costs

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset. Other than investment properties measured under fair value model, such costs are recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

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

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

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and building

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

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Prepaid lease payments

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

Intangible assets

Intangible assets acquired in a business combination

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

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

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

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

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual CGUs, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

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

Retirement benefits scheme

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

Inventories

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

Properties under development for sale

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Properties held for sale

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

Foreign currencies

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

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

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

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Equity-settled share-based payment transactions

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

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest taking into account the vesting conditions, other than market conditions with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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

Share-based payment transactions of the acquiree in a business combination

At the acquisition date, when the outstanding equity-settled share-based payment transactions held by the employees of an acquiree are not exchanged by the Group for its share-based payment transactions, the acquiree share-based payment transactions are measured at their market-based measure at the acquisition date. If the share-based payment transactions have vested by the acquisition date, they are included as part of the non-controlling interest in the acquiree. However, if the share-based payment transactions have not vested by the acquisition date, the market-based measure is allocated to the non-controlling interest in the acquiree based on the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of those share options. The balance is recognised as remuneration cost for post-combination service.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

Key sources of estimation uncertainty

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

Fair value of investment properties

At 31 December 2019, the Group's investment properties are stated at fair value of HK$772,520,000 based on an external valuation performed by the independent qualified professional valuer. In determining the fair value, the valuer have applied investment approach, comparison approach or residual approach which involves, interalia, certain estimates, including appropriate capitalisation rates and market rents. Note 15 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of the investment properties.

In relying on the valuation, management of the Group has exercised judgment and made estimation and is satisfied that the method of valuation is reflective of the current market conditions.

Fair value of leasehold land and buildings

At 31 December 2019, the Group's leasehold land and buildings (including leasehold land and buildings in Hong Kong, hospital buildings and other buildings in the PRC) are stated at fair value of HK$941,955,000 based on an external valuation performed by the independent qualified professional valuer. In determining the fair value, the valuer have applied investment approach or depreciated replacement cost approach which involves, interalia, certain estimates, including appropriate depreciated replacement cost and market rents. Note 16 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of the leasehold land and buildings.

In relying on the valuation, management of the Group has exercised judgment and made estimation and is satisfied that the method of valuation is reflective of the current market conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 July 2018 to 31 December 2019

5. REVENUE

	1.7.2018 to 31.12.2019 HK$'000	1.7.2017 to 30.6.2018 HK$'000
Hospital fees and charges	**1,622,141**	964,563
Revenue from provision of eldercare related services and sales of nutritions	**54,993**	18,020
Rental income from eldercare segment	**2,915**	1,828
Revenue from sale of properties related to eldercare segment	**92,364**	80,905
Revenue from sale of properties related to property development segment	**7,326**	18,732
Rental income from property investment segment	**9,266**	7,358
Interest income from loan receivable	**50,966**	2,308
Dividend income from listed investments	**1,375**	6,927
	1,841,346	1,100,641

5. REVENUE *(continued)*

Disaggregation of revenue from contracts with customers

	From 1 July 2018 to 31 December 2019		
Segments	**Healthcare** HK$'000	**Eldercare** HK$'000	**Property development** HK$'000
Types of goods or services			
Healthcare			
Inpatient health services	604,586	–	–
Outpatient healthcare services	414,698	–	–
Other healthcare services	3,169	–	–
Physical examination services	166,029	–	–
Sales of pharmaceutical	433,659	–	–
	1,622,141	–	–
Eldercare			
Eldercare related services	–	46,028	–
Sales of nutritions	–	8,965	–
Sales of properties	–	92,364	–
	–	147,357	–
Property development			
Sales of properties	–	–	7,326
Total	1,622,141	147,357	7,326
Timing of revenue recognition			
A point in time	1,581,901	101,329	7,326
Overtime	40,240	46,028	–
Total	1,622,141	147,357	7,326

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 July 2018 to 31 December 2019

5. REVENUE *(continued)*

Disaggregation of revenue from contracts with customers *(continued)*

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

	From 1 July 2018 to 31 December 2019		
	Healthcare HK$'000	**Eldercare** HK$'000	**Property development** HK$'000
Revenue disclosed in segment information	1,622,141	150,272	7,326
Less: Rental income	–	(2,915)	–
Revenue from contracts with customers	1,622,141	147,357	7,326

Performance obligations for contracts with customers

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 in 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.

Revenue from sales of pharmaceutical and nutritions

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

Revenue from sales of properties

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 consolidated statement of financial position as "Deposits received on sales of properties".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 July 2018 to 31 December 2019

5. REVENUE *(continued)*

Transaction price allocated to the remaining performance obligation for contracts with customers

The Group's all contracts with customers in relation to healthcare services, eldercare related services, sales of pharmaceutical and nutritions and property development are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6. SEGMENT INFORMATION

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

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

Healthcare – operations of hospitals in the PRC.

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

Property development – developing and selling of properties and land 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.

6. SEGMENT INFORMATION *(continued)*

Segment revenues and results

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

For the period from 1 July 2018 to 31 December 2019

	Healthcare HK$'000	Eldercare HK$'000	Property development HK$'000	Property investment HK$'000	Financial services HK$'000	Securities trading and investments HK$'000	Consolidated HK$'000
Gross proceeds from sale of investments held for trading	–	–	–	–	–	200,744	200,744
Revenue	1,622,141	150,272	7,326	9,266	50,966	1,375	1,841,346
Segment profit (loss)	35,733	(44,322)	(5,031)	15,434	46,669	14,474	62,957
Other gains and losses and other income							12,763
Net foreign exchange loss							(5,712)
Central corporate expenses							(95,634)
Finance costs							(3,185)
Loss before taxation							(28,811)

6. SEGMENT INFORMATION *(continued)*

Segment revenues and results *(continued)*

For the year ended 30 June 2018

	Healthcare HK$'000	Eldercare HK$'000	Property development HK$'000	Property investment HK$'000	Financial services HK$'000	Securities trading and investments HK$'000	Consolidated HK$'000
Gross proceeds from sale 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.

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit earned/losses incurred by each segment without allocation of certain other gains and losses and other income, certain net foreign exchange (loss) gain, central corporate expenses and certain finance costs.

6. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities

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

At 31 December 2019

	Healthcare HK$'000	Eldercare HK$'000	Property development HK$'000	Property investment HK$'000	Financial services HK$'000	Securities trading and investments HK$'000	Consolidated HK$'000
Segment assets	1,327,251	872,452	29,264	260,579	91,314	43,301	2,624,161
Corporate assets							678,848
Consolidated assets							3,303,009
Segment liabilities	705,198	371,436	84,973	1,974	–	–	1,163,581
Corporate liabilities							328,967
Consolidated liabilities							1,492,548

At 30 June 2018

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

6. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities *(continued)*

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

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

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

Other segment information

For the period from 1 July 2018 to 31 December 2019

	Healthcare HK$'000	Eldercare HK$'000	Property development HK$'000	Property investment HK$'000	Financial services HK$'000	Securities trading and investments HK$'000	Unallocated HK$'000	Total HK$'000
Amounts (credited) charged included in the measure of segment results or segment assets								
Interest income (include interest income from loans receivable)	–	–	–	–	(50,966)	(1,528)	(7,536)	(60,030)
Finance costs	55,270	19,319	–	–	–	14	3,185	77,788
Depreciation of property, plant and equipment	145,561	9,874	–	46	–	–	2,289	157,770
Additions to property, plant and equipment	136,408	273	–	–	–	–	–	136,681
Additions to investment properties	–	5,353	–	–	–	–	–	5,353
Fair value changes on investment properties	–	(9,025)	–	(9,220)	–	–	–	(18,245)
Gain in fair value change of investments held for trading	–	–	–	–	–	(15,078)	–	(15,078)
Loss in fair value change of derivative financial instruments	–	–	–	–	–	4	–	4
Impairment loss recognised on expected credit loss model	1,101	60	–	–	3,901	–	–	5,062
Release of prepaid lease payments	2,162	–	–	–	–	–	1,973	4,135
Net gain on disposal of property, plant and equipment	–	–	–	–	–	–	(27)	(27)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 July 2018 to 31 December 2019

6. SEGMENT INFORMATION *(continued)*

Other segment information *(continued)*

For the year ended 30 June 2018

	Healthcare HK$'000	Eldercare HK$'000	Property development HK$'000	Property investment HK$'000	Financial services HK$'000	Securities trading and investments HK$'000	Unallocated HK$'000	Total HK$'000
Amounts (credited) charged included in the measure of segment results or segment assets								
Interest income (include interest income from loans receivable)	–	–	–	–	(2,308)	(886)	(5,084)	(8,278)
Finance costs	21,988	17,125	–	–	–	19,712	22,722	81,547
Depreciation of property, plant and equipment	101,650	3,269	–	13	–	–	1,141	106,073
Additions to property, plant and equipment	59,997	4,625	–	–	–	–	35	64,657
Additions to investment properties	–	23,150	–	–	–	–	–	23,150
Fair value changes on investment properties	–	18,632	–	(17,023)	–	–	–	1,609
Loss in fair value change of investments held for trading	–	–	–	–	–	8,716	–	8,716
Gain in fair value change of derivative financial instruments	–	–	–	–	–	4,244	–	4,244
Impairment loss recognised on available-for-sale investments	–	–	–	–	–	383	–	383
Release of prepaid lease payments	1,523	–	–	–	–	–	1,442	2,965
Net loss on disposal of property, plant and equipment	1,113	–	3	–	–	–	12	1,128
Net loss in promissory notes receivable	–	–	–	–	–	6,500	–	6,500

6. SEGMENT INFORMATION *(continued)*

Geographical information

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

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

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

	Revenue from external customers		**Non-current assets (Note)**	
	1.7.2018 to 31.12.2019 HK$'000	1.7.2017 to 30.6.2018 HK$'000	**At 31.12.2019 HK$'000**	At 30.6.2018 HK$'000
Hong Kong	**55,279**	10,794	**240,246**	228,841
PRC	**1,786,067**	1,089,847	**1,981,575**	2,056,128
	1,841,346	1,100,641	**2,221,821**	2,284,969

Note: Non-current assets excluded financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 July 2018 to 31 December 2019

6. SEGMENT INFORMATION *(continued)*

Geographical information *(continued)*

Revenue from major products and services

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

	1.7.2018 to 31.12.2019 HK$'000	1.7.2017 to 30.6.2018 HK$'000
Revenue from medical and consultation services (Note)	**1,473,571**	885,974
Revenue from health screening services	**148,570**	78,589
Revenue from elderly care related services	**54,993**	18,020
Revenue from rendering financial services	**50,966**	2,308
Revenue from rental services from property investment segment	**9,266**	7,358
Revenue from rental services from eldercare segment	**2,915**	1,828
Sales of properties related to property development segment	**7,326**	18,732
Sales of properties related to eldercare segment	**92,364**	80,905
	1,839,971	1,093,714

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

7. OTHER GAINS AND LOSSES, AND OTHER INCOME

	1.7.2018 to 31.12.2019 HK$'000	1.7.2017 to 30.6.2018 HK$'000
Gain (loss) in fair value of investments held for trading	**15,078**	(8,716)
(Loss) gain in fair value of derivative financial instruments	**(4)**	4,244
Fair value changes on investment properties	**18,245**	(1,609)
Net foreign exchange (loss) gain	**(11,303)**	12,307
Impairment loss under expected credit loss model	**(5,062)**	–
Net gain (loss) on disposal of property, plant and equipment	**27**	(1,128)
Government subsidies (Note a)	**4,468**	–
Interest income from:		
– Debt instruments at fair value through profit or loss	**1,528**	–
– Available-for-sale debt instruments	**–**	886
– Bank deposits	**7,536**	5,084
Impairment loss recognised on available-for-sale investments	**–**	(383)
Net loss in promissory notes receivable (Note b)	**–**	(6,500)
Others	**20,556**	18,704
	51,069	22,889

Notes:

(a) The government subsidies mainly represent the subsidies on cost incurred for operation of hospitals and research and development projects with no special and unfulfilled conditions attached.

(b) During the year ended 30 June 2018, the Group entered into an agreement with an independent third party purchaser (the "Purchaser") to dispose of certain investments held for trading with an aggregate consideration of HK$806,213,000 (the "Disposal") satisfied by cash of HK$100,000,000 and the promissory notes receivable with aggregate principal sum of HK$706,213,000 being issued by the Purchaser (the "Promissory Notes"). The transaction has been completed on 19 July 2017.

Pursuant to the Promissory Notes, the Purchaser shall pay the principal sum of HK$706,213,000 on or before 19 January 2018 (the "Maturity Date"). The Purchaser has the right to extend the Maturity Date of the Promissory Notes for a period of 6 months from the Maturity Date by giving 3 business days prior written notice to the Group provided that HK$100,000,000 has been paid to the Group.

In January 2018, the Purchaser repaid HK$101,655,000 to the Group and exercised the Option to extend the Maturity Date of the Promissory Notes to 19 July 2018.

In March 2018, the Purchaser early repaid all the outstanding amount under the Promissory Notes with a discount of HK$6,500,000 and the Group recognised the same amount as loss in profit or loss during the year ended 30 June 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 July 2018 to 31 December 2019

8. FINANCE COSTS

	1.7.2018 to 31.12.2019 HK$'000	1.7.2017 to 30.6.2018 HK$'000
Interest on:		
Bank and other borrowings	**76,247**	79,122
Obligations under finance leases	**1,541**	2,425
	77,788	81,547

9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

	For the period from 1 July 2018 to 31 December 2019				
	Directors' fees HK$'000	Salaries and other benefits HK$'000	Performance related incentive payments HK$'000 (Note a)	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Executive directors (Note b)					
Ms. Chong Sok Un	–	700	–	27	727
Mr. Kong Muk Yin	–	2,897	–	27	2,924
Mr. Guo Meibao (Note e)	–	1,900	–	144	2,044
Mr. Zhou Haiying (Note f)	–	–	–	–	–
Non-executive directors (Note c)					
Mr. Zhou Liye (Note g)	–	–	–	–	–
Dato' Wong Peng Chong (Note h)	208	527	–	3	738
Mr. Ma Jianting (Note i)	60	–	–	–	60
Dr. Luo Guorong (Note j)	63	–	–	–	63
Mr. Liao Feng (Note k)	116	–	–	–	116
Dr. Jonathan Weiyan Seah (Note l)	–	–	–	–	–
Independent non-executive directors (Note d)					
Mr. Zhang Jian	204	–	–	–	204
Dr. Xia Xiaoning	256	–	–	–	256
Dr. Wong Wing Kuen, Albert (Note m)	193	–	–	–	193
Ms. Yang Lai Sum, Lisa (Note n)	161	–	–	–	161
Mr. Lau Siu Ki (Note o)	96	–	–	–	96
	1,357	6,024	–	201	7,582

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

	For the year ended 30 June 2018				
	Directors' fees HK$'000	Salaries and other benefits HK$'000	Performance related incentive payments HK$'000 (Note a)	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Executive directors (Note b)					
Ms. Chong Sok Un	–	455	–	18	473
Dato' Wong Peng Chong (Note h)	–	1,560	240	18	1,818
Mr. Kong Muk Yin	–	1,560	240	18	1,818
Mr. Zhang Yi (Note p)	–	168	–	–	168
Non-executive directors (Note c)					
Dr. Jonathan Weiyan Seah (Note l)	–	3,600	–	18	3,618
Dr. Lim Cheok Peng (Note q)	79	–	–	–	79
Mr. Liao Feng (Note k)	180	–	–	–	180
Independent non-executive directors (Note d)					
Mr. Zhang Jian	100	–	–	–	100
Dr. Xia Xiaoning	220	–	–	–	220
Mr. Lau Siu Ki (Note o)	220	–	–	–	220
	799	7,343	480	72	8,694

Notes:

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

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

(c) The non-executive directors' emoluments shown above were mainly for their services as directors of the Company or its subsidiaries.

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

(e) Mr. Guo Meibao has been appointed as executive director of the Company on 22 September 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 July 2018 to 31 December 2019

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

Notes: *(continued)*

(f) Mr. Zhou Haiying has been appointed as executive director of the Company on 6 December 2018.

(g) Mr. Zhou Liye has been appointed as non-executive director and the Chairman of the Company on 6 December 2018.

(h) Dato' Wong Peng Chong has been re-designated from executive director to non-executive director of the Company on 1 September 2018.

(i) Mr. Ma Jianting has been appointed as non-executive director of the Company on 8 August 2019.

(j) Dr. Luo Guorong has been appointed as non-executive director of the Company on 8 March 2019 and resigned on 8 August 2019.

(k) Mr. Liao Feng resigned as non-executive director of the Company on 8 March 2019.

(l) Dr. Jonathan Weiyan Seah resigned as non-executive director of the Company and ceased as the Chairman of the Company on 22 September 2018 after re-designation from executive director and chief executive officer to non-executive director and the Chairman of the Company on 8 December 2017.

(m) Dr. Wong Wing Kuen, Albert has been appointed as independent non-executive director of the Company on 6 December 2018.

(n) Ms. Yang Lai Sum, Lisa has been appointed as independent non-executive director of the Company on 6 December 2018.

(o) Mr. Lau Siu Ki retired as independent non-executive director of the Company on 6 December 2018.

(p) Mr. Zhang Yi has been appointed as executive director and chief executive officer of the Company on 8 December 2017 and resigned on 17 January 2018.

(q) Dr. Lim Cheok Peng resigned as non-executive director of the Company and ceased as the Chairman of the Company on 8 December 2017.

Dr. Jonathan Weiyan Seah resigned as non-executive director and ceased as the Chairman of the Company on 22 September 2018 after re-designation from executive director and chief executive officer to non-executive director and the Chairman of the Company on 8 December 2017. His emoluments disclosed above include those services rendered by him as chief executive officer and the Chairman of the Company.

Mr. Zhou Liye has been appointed as the Chairman of the Company with effect from 6 December 2018. His emoluments disclosed above include those services rendered by him as the Chairman.

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

10. FIVE HIGHEST PAID INDIVIDUALS

During the period, the five highest paid individuals included two directors of the Company (during the year ended 30 June 2018: two), details of their emoluments are set out in note 9. The emoluments for the remaining three (during the year ended 30 June 2018: three) highest paid individuals of the Group are as follows:

	1.7.2018 to 31.12.2019 HK$'000	1.7.2017 to 30.6.2018 HK$'000
Salaries and other benefits	**7,544**	6,862
Retirement benefits scheme contributions	**331**	341
	7,875	7,203

The emoluments are within the following bands:

	2019 Number of employees	2018 Number of employees
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$2,500,000	**1**	3
HK$3,000,001 to HK$4,000,000	**1**	–

11. TAXATION CREDIT (EXPENSE)

	1.7.2018 to 31.12.2019 HK$'000	1.7.2017 to 30.6.2018 HK$'000
Current tax credit (charge):		
– Enterprise Income Tax ("EIT") in the PRC	**(11,473)**	(3,442)
– Land appreciation tax ("LAT") in the PRC	**(17,608)**	(16,882)
– Deferred tax credit (note 36)	**5,167**	5,945
Overprovision in prior years	**62,525**	–
	38,611	(14,379)

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For the period from 1 July 2018 to 31 December 2019

11. TAXATION CREDIT (EXPENSE) *(continued)*

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. 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 each of the period/year ended 31 December 2019 and 30 June 2018 are wholly absorbed by tax losses brought forward.

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

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

The taxation for the period/year can be reconciled to the loss before taxation per the consolidated statement of profit or loss as follows:

	1.7.2018 to 31.12.2019 HK$'000	1.7.2017 to 30.6.2018 HK$'000
Loss before taxation	**(28,811)**	(133,449)
Taxation at the domestic income tax rate of 16.5%	**4,754**	22,019
Tax effect of expenses that are not deductible	**(10,924)**	(8,791)
Tax effect of income that is not taxable	**8,002**	9,300
Tax effect of utilisation of tax losses previously not recognised	**4,442**	3,192
Tax effect of tax losses not recognised	**(22,307)**	(8,383)
LAT	**(17,608)**	(16,882)
Income tax effect of LAT	**4,402**	4,221
Overprovision in prior years	**62,525**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**5,325**	(19,055)
Tax credit (expense) for the period/year	**38,611**	(14,379)

12. PROFIT (LOSS) FOR THE PERIOD/YEAR

	1.7.2018 to 31.12.2019 HK$'000	1.7.2017 to 30.6.2018 HK$'000
Profit (loss) for the period/year has been arrived at after charging (crediting):		
Auditor's remuneration	**3,307**	2,694
Depreciation of property, plant and equipment	**157,770**	106,073
Staff costs, inclusive of directors' emoluments	**546,036**	371,065
Gross rental income from properties	**(12,181)**	(9,186)
Less: Direct operating expenses that generated rental income	**1,116**	841
Direct operating expenses that did not generate rental income	**17**	11
Net rental income	**(11,048)**	(8,334)
Release of prepaid lease payments	**4,135**	2,965
Share-based payment expense (included in staff costs)	**–**	3,003
Cost of inventories and properties held for sale recognised as an expense (included in cost of goods and services)	**732,675**	467,635

13. DIVIDENDS

No final dividend was proposed during the period from 1 July 2018 to 31 December 2019 (for the year ended 30 June 2018: nil), nor has any dividend been proposed since the end of the reporting period.

14. EARNINGS (LOSS) PER SHARE

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

Profit (loss)

	1.7.2018 to 31.12.2019 HK$'000	1.7.2017 to 30.6.2018 HK$'000
Profit (loss) for the purpose of basic and diluted earnings (loss) per share for the period/year attributable to owners of the Company	**2,176**	(137,110)

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For the period from 1 July 2018 to 31 December 2019

14. EARNINGS (LOSS) PER SHARE *(continued)*

Profit (loss) ***(continued)***

	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	**14,480,072,773**	14,480,072,773

The computations of diluted earnings (loss) per share for the period/year ended 31 December 2019 and 30 June 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.

15. INVESTMENT PROPERTIES

	Completed investment properties	**Investment properties under construction**	**Total**
	HK$'000	HK$'000	HK$'000
FAIR VALUE			
At 1 July 2017	501,954	239,976	741,930
Additions	–	23,150	23,150
Net (decrease) increase in fair value recognised in profit or loss	(8,669)	7,060	(1,609)
Exchange difference	7,638	4,567	12,205
At 30 June 2018	500,923	274,753	775,676
Additions	–	5,353	5,353
Net increase (decrease) in fair value recognised in profit or loss	18,371	(126)	18,245
Exchange difference	(12,774)	(13,980)	(26,754)
At 31 December 2019	506,520	266,000	772,520

	31.12.2019	30.6.2018
	HK$'000	HK$'000
Net unrealised profit (loss) on property valuation included in profit or loss (included in other gains and losses)	**18,245**	(1,609)

15. INVESTMENT PROPERTIES *(continued)*

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

The fair values of the Group's investment properties at 31 December 2019 were arrived at on the basis of valuations carried out on that date by Norton Appraisals Holdings Limited ("Norton Appraisals") (30 June 2018: Cushman & Wakefield Limited ("C&W") or Asset Appraisal Limited ("AAL")), independent qualified professional valuer not connected with the Group.

The fair value was arrived at using (i) investment approach where the market rentals are assessed by considering the income derived from existing tenancies with due provision for any reversionary income potential of the properties and discounted at the market yield, (ii) direct comparison approach assuming sale of each of these properties in existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market and adjusted for differences in the nature and location or (iii) residual approach by making reference to recent sales transactions of completed properties or rental information in the relevant market as publicly available to determine the potential rental income of the completed investment properties, less estimated costs to completion and expected developer profit margin so as to determine the value of the proposed development as if these were completed as at the date of valuation.

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

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

There were no transfers into or out of Level 3 during both the period/year.

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For the period from 1 July 2018 to 31 December 2019

15. INVESTMENT PROPERTIES *(continued)*

Information about fair value measurements using significant unobservable inputs

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

	Fair value HK$'000	Fair value hierarchy	Valuation techniques	Unobservable inputs		Range of significant inputs	Relationship of inputs to fair value
As at 31 December 2019							
Industrial property units located in Hong Kong	**205,400**	Level 3	Investment approach	(i)	Capitalisation rate	3.25%	The higher the capitalisation rate, the lower the fair value.
				(ii)	Monthly market rent per square feet	HK$14 – HK$17 per square feet	The higher the market rent, the higher the fair value.
Land in Hong Kong	**12,500**	Level 3	Comparison approach	Market unit rate		HK$230 per square feet	A significant increase in the market unit rate would result in a significant increase in fair value, and vice versa.
Commercial property units located in the PRC	**37,400**	Level 3	Investment approach	(i)	Capitalisation rate	6.5%	The higher the capitalisation rate, the lower the fair value.
				(ii)	Monthly market rent per square metre	RMB150 per square metre	The higher the market rent, the higher the fair value.
Residential property units located in the PRC	**2,330**	Level 3	Comparison approach	Market unit rate		RMB7,500 per square metre	A significant increase in the market unit rate would result in a significant increase in fair value, and vice versa.
Commercial and residential property units located in the PRC	**248,890**	Level 3	Investment approach	(i)	Capitalisation rate	3% – 4.5%	The higher the capitalisation rate, the lower the fair value.
				(ii)	Monthly market rent per square metre	RMB18 to RMB35 per square metre	The higher the market rent, the higher the fair value.
Commercial and residential properties under construction located in the PRC	**266,000**	Level 3	Residual approach	Market unit rate		RMB14,453 per square metre	A significant increase in the market unit rate would result in a significant increase in fair value, and vice versa.
	772,520						

15. INVESTMENT PROPERTIES *(continued)*

	Fair value HK$'000	Fair value hierarchy	Valuation techniques	Unobservable inputs	Range of significant inputs	Relationship of inputs to fair value
As at 30 June 2018						
Industrial property units located in Hong Kong	199,600	Level 3	Investment approach	(i) Capitalisation rate	3.25%	The higher the capitalisation rate, the lower the fair value.
				(ii) Monthly market rent per square feet	HK$16 – HK$18 per square feet	The higher the market rent, the higher the fair value.
Land in Hong Kong	7,400	Level 3	Comparison approach	Market unit rate	HK$131 per square feet	A significant increase in the market unit rate would result in a significant increase in fair value, and vice versa.
Commercial property units located in the PRC	39,100	Level 3	Investment approach	(i) Capitalisation rate	6%	The higher the capitalisation rate, the lower the fair value.
				(ii) Monthly market rent per square metre	RMB176 per square metre	The higher the market rent, the higher the fair value.
Residential property units located in the PRC	2,350	Level 3	Comparison approach	Market unit rate	RMB7,116 per square metre	A significant increase in the market unit rate would result in a significant increase in fair value, and vice versa.
Commercial and residential property units located in the PRC	252,473	Level 3	Investment approach	(i) Capitalisation rate	4.75% – 8%	The higher the capitalisation rate, the lower the fair value.
				(ii) Monthly market rent per square metre	RMB17 to RMB40 per square metre	The higher the market rent, the higher the fair value.
Commercial and residential properties under construction located in the PRC	274,753	Level 3	Residual approach	Market unit rate	RMB14,200 per square metre	A significant increase in the market unit rate would result in a significant increase in fair value, and vice versa.
	775,676					

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16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings in Hong Kong HK$'000	Leasehold improvement HK$'000	Hospital buildings in the PRC HK$'000	Other buildings in the PRC HK$'000	Construction in progress HK$'000	Computer, medical and electronic equipment HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST OR VALUATION										
At 1 July 2017	18,707	448	766,489	107,238	328,185	248,505	23,954	11,912	3,127	1,508,565
Additions	–	–	–	–	38,362	19,665	1,350	5,116	164	64,657
Transfer	–	–	2,966	–	(2,966)	–	–	–	–	–
Disposals	–	–	–	–	–	(6,585)	(75)	(348)	(340)	(7,348)
Revaluation increase (decrease)	1,960	–	(63,878)	(530)	–	–	–	–	–	(62,448)
Exchange differences	–	–	11,296	40	6,324	4,002	535	127	25	22,349
At 30 June 2018	20,667	448	716,873	106,748	369,905	265,587	25,764	16,807	2,976	1,525,775
Additions	–	–	11,388	–	76,075	44,369	474	4,096	279	136,681
Transfer	–	–	93,940	104,206	(198,146)	–	–	–	–	–
Disposals	–	–	–	–	–	(11,901)	(4)	(1,899)	(607)	(14,411)
Revaluation increase (decrease)	1,093	–	(95,456)	22,243	–	–	–	–	–	(72,120)
Exchange differences	–	–	(36,415)	(3,332)	(12,749)	(14,278)	(519)	(910)	(57)	(68,260)
At 31 December 2019	21,760	448	690,330	229,865	235,085	283,777	25,715	18,094	2,591	1,507,665
Comprising:										
At cost – 2019	–	448	–	–	235,085	283,777	25,715	18,094	2,591	565,710
At valuation – 2019	21,760	–	690,330	229,865	–	–	–	–	–	941,955
	21,760	448	690,330	229,865	235,085	283,777	25,715	18,094	2,591	1,507,665
Comprising:										
At cost – 2018	–	448	–	–	369,905	265,587	25,764	16,807	2,976	681,487
At valuation – 2018	20,667	–	716,873	106,748	–	–	–	–	–	844,288
	20,667	448	716,873	106,748	369,905	265,587	25,764	16,807	2,976	1,525,775

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

	Leasehold land and buildings in Hong Kong HK$'000	Leasehold improvement HK$'000	Hospital buildings in the PRC HK$'000	Other buildings in the PRC HK$'000	Construction in progress HK$'000	Computer, medical and electronic equipment HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
DEPRECIATION										
At 1 July 2017	–	448	–	–	–	112,587	12,392	4,463	1,527	131,417
Provided for the year	539	–	63,878	5,954	–	30,936	2,254	1,890	622	106,073
Eliminated on revaluation	(539)	–	(63,878)	(5,954)	–	–	–	–	–	(70,371)
Eliminated on disposal	–	–	–	–	–	(4,753)	(70)	(301)	(323)	(5,447)
Exchange difference	–	–	–	–	–	(1,095)	(258)	(68)	(10)	(1,431)
At 30 June 2018	–	448	–	–	–	137,675	14,318	5,984	1,816	160,241
Provided for the year	912	–	96,241	11,509	–	42,645	2,314	3,528	621	157,770
Eliminated on revaluation	(912)	–	(96,241)	(11,509)	–	–	–	–	–	(108,662)
Eliminated on disposal	–	–	–	–	–	(8,317)	(1,190)	(1,226)	(547)	(11,280)
Exchange difference	–	–	–	–	–	(7,569)	(423)	(336)	(107)	(8,435)
At 31 December 2019	–	448	–	–	–	164,434	15,019	7,950	1,783	189,634
CARRYING VALUES										
At 31 December 2019	21,760	–	690,330	229,865	235,085	119,343	10,696	10,144	808	1,318,031
At 30 June 2018	20,667	–	716,873	106,748	369,905	127,912	11,446	10,823	1,160	1,365,534

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

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

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

A revaluation surplus on leasehold land and buildings of HK$36,542,000 (30 June 2018: HK$7,923,000) has been credited to the properties revaluation reserve.

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

If the leasehold land and buildings in Hong Kong and in the PRC had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation of HK$520,000 (30 June 2018: HK$544,000) and HK$655,731,000 (30 June 2018: HK$778,124,000) respectively at 31 December 2019.

Details of pledged property, plant and equipment are set out in note 40.

Leasehold land and buildings in Hong Kong and hospital buildings and other buildings in the PRC were valued on 31 December 2019 by Norton Appraisals (2018: C&W and AAL respectively). The fair value was arrived using comparison approach as described in note 15 and where appropriate, depreciated replacement cost approach by reference to the construction costs required to rebuild the buildings and deducting for physical deterioration and all relevant forms of obsolescence and optimisations.

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

There were no transfers into or out of Level 3 during both the period/year.

Fair value measurements using significant unobservable inputs

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

	Fair value HK$'000	Fair value hierarchy	Valuation techniques	Unobservable inputs	Range of significant inputs	Relationship of inputs to fair value
As at 31 December 2019						
Industrial property units located in Hong Kong	**21,760**	Level 3	Comparison approach	Market unit rate	HK$2,400 – HK$4,800 per square feet	A significant increase in the market unit rate would result in a significant increase in fair value, and vice versa.
Hospital buildings located in the PRC	**690,330**	Level 3	Depreciated replacement cost approach	Depreciated replacement cost per square metre	RMB7,185 – RMB9,147 per square metre (Note)	The higher the depreciated replacement cost per square metre, the higher the fair value
Other buildings located in the PRC	**229,865**	Level 3	Depreciated replacement cost approach	Depreciated replacement cost per square metre	RMB4,699 – RMB12,500 per square metre (Note)	The higher the depreciated replacement cost per square metre, the higher the fair value
	941,955					

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

Fair value measurements using significant unobservable inputs *(continued)*

	Fair value HK$'000	Fair value hierarchy	Valuation techniques	Unobservable inputs	Range of significant inputs	Relationship of inputs to fair value
As at 30 June 2018						
Industrial property units located in Hong Kong	20,667	Level 3	Comparison approach	Market unit rate	HK$2,180 – HK$4,500 per square feet	A significant increase in the market unit rate would result in a significant increase in fair value, and vice versa.
Hospital buildings located in the PRC	716,873	Level 3	Depreciated replacement cost approach	Depreciated replacement cost per square metre	RMB4,910 – RMB5,780 per square metre (Note)	The higher the depreciated replacement cost per square metre, the higher the fair value
Other buildings located in the PRC	106,748	Level 3	Depreciated replacement cost approach	Depreciated replacement cost per square metre	RMB2,007 – RMB10,070 per square metre (Note)	The higher the depreciated replacement cost per square metre, the higher the fair value
	844,288					

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

17. PREPAID LEASE PAYMENTS

	31.12.2019 HK$'000	30.6.2018 HK$'000
The Group's prepaid lease payments being analysed for reporting purpose as:		
Non-current assets	**93,418**	102,733
Current assets	**2,746**	2,894
	96,164	105,627

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

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18. INTERESTS IN ASSOCIATES

	31.12.2019	30.6.2018
	HK$'000	HK$'000
Cost of investments in associates		
Unlisted	**199,197**	199,197
Share of post-acquisition losses and other comprehensive income, net of dividends received	**(126,180)**	(126,180)
Less: Impairment loss	**(73,017)**	(73,017)
	–	–

As at 31 December 2019 and 30 June 2018, the Group had interests in the following associates:

Name of entities	Form of business structure	Country/ place of incorporation/ registration	Principal place of operation	Class of share held	Number of shares/paid-up capital held by the Group as at 31 December 2019	Proportion of nominal value of issued capital held by the Group 31.12.2019 %	Proportion of nominal value of issued capital held by the Group 30.6.2018 %	Proportion of voting power held 31.12.2019 %	Proportion of voting power held 30.6.2018 %	Principal activities
Essence International Holdings Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	4,500,000 (30 June 2018: 4,500,000)	**30**	30	**30**	30	Ceased business
Printronics Electronics Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	2 (30 June 2018: 2)	**40**	40	**40**	40	Inactive
Jiaozuo Tongren Medical Industry Co., Ltd. (焦作同仁醫療產業投資有限公司)	Incorporated	PRC	PRC	Registered	RMB13,000,000 (30 June 2018: RMB13,000,000)	**21.67**	21.67	**21.67**	21.67	Operation of a hospital in Jiaozuo

Aggregate information of associates that are not individually material

	1.7.2018 to 31.12.2019	1.7.2017 to 30.6.2018
	HK$'000	HK$'000
The Group's share of loss and total comprehensive expense	**–**	–

	31.12.2019	30.6.2018
	HK$'000	HK$'000
Aggregate carrying amount of the Group's interest in these associates	**–**	–

18. INTERESTS IN ASSOCIATES *(continued)*

Unrecognised share of losses of associates

	1.7.2018 to 31.12.2019 HK$'000	1.7.2017 to 30.6.2018 HK$'000
The unrecognised share of loss of the associates for the period/year	**2,931**	1,359

	31.12.2019 HK$'000	30.6.2018 HK$'000
Cumulative share of loss of the associates	**36,356**	33,425

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31.12.2019 HK$'000
Financial assets designated at FVTPL:	
Club debentures	802
Investments in unlisted unit trusts, with fixed distribution per share	98
	900
Analysed for reporting purposes as:	
Current assets	98
Non-current assets	802
	900

20. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31.12.2019 HK$'000
Listed bonds with fixed interest of 4.65% and maturity date on September 2022	4,634

Details of impairment assessment are set out in note 47.

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21. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	30.6.2018 HK$'000
Listed investments:	
– Listed fixed rate bonds	22,562
Unlisted investments:	
– Unit trusts	116
– Other investments	802
	918
Total	23,480
Analysed for reporting purposes as:	
Current assets	22,678
Non-current assets	802
	23,480

As at 30 June 2018, the unlisted unit trusts and listed fixed rate bonds are denominated in United States Dollars ("USD").

As at 30 June 2018, unlisted investments of HK$116,000 and listed fixed rate bonds of HK$22,562,000 were classified as current assets as the directors of the Company determine that these investments were highly probable to be recovered within twelve months.

22. GOODWILL

	COST
	HK$'000
At 1 July 2017	32,500
Exchange adjustments	707
At 30 June 2018	33,207
Exchange adjustments	(2,386)
At 31 December 2019	30,821

Goodwill of HK$30,821,000 (30 June 2018: HK$33,207,000) as at 31 December 2019 has been allocated to the Group's business of the provision of elderly care and health services on the retirement community. The recoverable amount has been determined based on value in use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period and a discount rate of 7% (2018: 9%). Cashflows for further five years are extrapolated at 3% (2018: 3%). This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculation is the budgeted revenue and gross margin, which is determined based on management's expectation for the market development.

23. INVENTORIES

	31.12.2019	30.6.2018
	HK$'000	HK$'000
Medical consumables	**6,393**	6,908
Medicines	**14,745**	11,260
	21,138	18,168

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Properties under development for sale

	31.12.2019 HK$'000	30.6.2018 HK$'000
Cost		
At the beginning of the period/year	**6,243**	6,110
Exchange adjustments	**(316)**	133
At the end of the period/year	**5,927**	6,243
Properties under development for sales of which:		
– expected to be realised within 12 months	**–**	–
– expected to be realised over 12 months	**5,927**	6,243
	5,927	6,243

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

Properties held for sale

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

25. INVESTMENTS HELD FOR TRADING

Investments held for trading include:

	31.12.2019 HK$'000	30.6.2018 HK$'000
Listed securities:		
– Equity securities listed in Australia	**2,215**	77,606
– Equity securities listed in Hong Kong	**30,058**	55,918
– Equity securities listed elsewhere (Note)	**4,178**	5,245
	36,451	138,769

Note: The equity securities listed elsewhere are mainly denominated in Philippine Peso ("PHP") of HK$1,322,000 (30 June 2018: HK$1,373,000) and Japanese Yen ("JPY") of HK$2,856,000 (30 June 2018: HK$3,872,000).

26. DEBTORS, DEPOSITS AND PREPAYMENTS

	31.12.2019	30.6.2018
	HK$'000	HK$'000
Trade receivables		
Debtors from securities trading	**877**	10,136
Trade receivables arising from hospital operation and eldercare related services operation	**94,744**	132,756
	95,621	142,892
Less: Allowance for credit losses	**(6,630)**	–
	88,991	142,892
Deposits with and receivables from the financial institutions	**439**	7,596
Prepayments, other debtors and deposits	**7,376**	28,873
	96,806	179,361

As at 31 December 2019 and 1 July 2018, trade receivables from contracts with customers amounted to HK$94,744,000 and HK$132,756,000 respectively.

The settlement terms of debtors from securities trading are 2-3 days after trade date and they are aged within 2-3 days as at 31 December 2019 and 30 June 2018.

The customers of hospital operation and eldercare related services 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.

26. DEBTORS, DEPOSITS AND PREPAYMENTS *(continued)*

The following is an aged analysis of trade receivables from hospital operation and eldercare related services operation presented based on the invoice date (approximate the date of revenue recognition) as at 31 December 2019 and 30 June 2018:

	31.12.2019	30.6.2018
	HK$'000	HK$'000
0 – 30 days	**69,222**	90,639
31 – 60 days	**15,263**	38,265
61 – 90 days	**5,589**	1,184
91 – 365 days	**2,704**	2,285
More than 365 days	**1,966**	383
	94,744	132,756

As at 31 December 2019, included in the Group's trade receivables balance are receivables with aggregate carrying amount of HK$10,259,000 which are past due as at the reporting date. Out of the past due balances, HK$4,670,000 has been past due 90 days or more and is not considered as in default because the receivables were related to a number of independent customers that have good repayment records with the Group.

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

Details of impairment assessment of debtors are set out in note 47.

27. LOAN RECEIVABLE

	31.12.2019	30.6.2018
	HK$'000	HK$'000
Fixed-rate loan	**95,215**	–
Less: Allowance for credit losses	**(3,901)**	–
	91,314	–

The loans receivable had contractual maturity dates within 1 year as at 31 December 2019. As at 31 December 2019, the effective interest rates for the fixed rate loans receivable of 16% per annum.

27. LOAN RECEIVABLE *(continued)*

Pursuant to the loan agreement dated 10 September 2018 entered by a subsidiary of the Company (the "Subsidiary") and the borrower, the shares of which are listed on the Stock Exchange (the "Borrower"), a loan with principal amount of HK$95,215,000 as at 31 December 2019 ("Loan") is secured by (i) a deed remaining of assignment of a promissory note receivable as hold by the Borrower, (ii) a debenture created by the chargor, a wholly owned subsidiary of the Borrower (the "Chargor") in favour of the Subsidiary by way of a first fixed and floating charge over all the undertaking, property and assets of the Chargor, (iii) a share mortgage in favour of the Subsidiary by way of a first fixed mortgage of the 75% of the entire issued share capital of the Chargor, (iv) an additional deed of assignment of shareholder's loan held by the Borrower and (v) a deed of assignment of shareholder's loan owed by Chargor and hold by the Borrower.

Details of impairment assessment are set out in note 47.

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

Pledged bank deposits

Pledged bank deposits amounting to HK$9,119,000 (30 June 2018: HK$24,432,000) are used to secure the short-term general banking facilities granted to the Group. Accordingly, the pledged bank deposits are classified as current assets. During the period, the pledged bank deposits carried interest with a range from 0.3% to 4.5% per annum (for the year ended 30 June 2018: 0.3% to 4.5%).

Restricted bank deposits

As at 31 December 2019, in accordance with the applicable government regulations, HK$5,607,000 (for the year ended 30 June 2018: HK$5,073,000) were placed in bank deposits which could only be used in the designated property development projects. During the period, the deposits carried interest at average market rates of 0.35% per annum (for the year ended 30 June 2018: 0.35%).

Bank balances and cash

Bank balances and cash comprise cash and bank balances held by the Group with original maturity of three months or less. During the period, they carried interest at a range from 0.001% to 1.5% per annum (for the year ended 30 June 2018: 0.001% to 1.5%).

Details of impairment assessment are set out in note 47.

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29. CREDITORS AND ACCRUED CHARGES

	31.12.2019	30.6.2018
	HK$'000	HK$'000
Trade payables of hospital operation, of eldercare related services operation and to construction contractors	**194,441**	253,532
Accrued compensation for late delivery of properties held for sale	**5,790**	6,099
Accrued construction cost for properties under development for sale	**31,584**	33,942
Construction cost payable for hospital buildings classified as property, plant and equipment	**1,508**	6,514
Other payables and accrued charges	**160,850**	153,587
	394,173	453,674

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

Trade payables of hospital operation and eldercare 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.

The following is an aged analysis of trade payables of hospital operations, of eldercare related services operation and to construction contractors presented based on the invoice date as at 31 December 2019 and 30 June 2018:

	31.12.2019	30.6.2018
	HK$'000	HK$'000
0 – 30 days	**105,076**	141,032
31 – 60 days	**38,713**	36,717
61 – 90 days	**12,881**	28,797
91 – 365 days	**28,081**	40,343
Over 1 year but not exceeding 2 years	**4,839**	4,253
Over 2 years but not exceeding 5 years	**4,851**	2,390
	194,441	253,532

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30. OTHER CONTRACT LIABILITIES

	31.12.2019 HK$'000	1.7.2018* HK$'000
Healthcare and eldercare services	**55,812**	37,114
Current	**50,374**	37,114
Non-current	**5,438**	–
	55,812	37,114

* The amounts in this column are after the adjustments from the application of HKFRS 15.

Out of HK$37,114,000 as at 1 July 2018, all amount has been recognised as revenue in the current period.

Typical payment term which impacts on the amount of contract liabilities recognised is as follows:

– Healthcare and eldercare services

When the Group receives the advance payment before the healthcare and eldercare service commences, this will give rise to contract liabilities at the start of inpatient services, until the revenue recognised on the relevant patients have been discharged from the hospital. The Group typically receives the advance payment based on the estimated fee quote on admission of patients.

31. CONSIDERATION PAYABLE

During the year ended 30 June 2018, the Group acquired the non-controlling interests of AVEO China (Holdings) Limited ("Aveo China") for a consideration of HK$87,300,000. Details of the acquisition are set out in the note 44. Pursuant to the agreement of the acquisition, consideration of HK$57,300,000 is payable within six to eleven months from the date of completion and payable at 30 June 2018. During the period from 1 July 2018 to 31 December 2019, the consideration payable was fully settled.

32. AMOUNT DUE TO AN ASSOCIATE

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

33. BORROWINGS

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

	31.12.2019 HK$'000	30.6.2018 HK$'000
Unsecured term loans (Note a)	**177,598**	262,382
Secured bank borrowings (Note b)	**191,972**	253,675
Unsecured bank borrowings (Note b)	**423,793**	309,446
	793,363	825,503

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33. BORROWINGS *(continued)*

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

	31.12.2019	30.6.2018
	HK$'000	HK$'000
On demand or within one year	**444,068**	325,330
Over one year but not exceeding two years	**320,641**	362,393
Over two years but not exceeding five years	**28,654**	137,780
	793,363	825,503
Less: Amount due within one year shown under current liabilities	**(444,068)**	(325,330)
Amount shown under non-current liabilities	**349,295**	500,173

Notes:

(a) Unsecured term loans

As at 31 December 2019, included in unsecured term loans is an amount of HK$177,598,000 (equivalent to RMB159,000,000) (30 June 2018: HK$262,382,000 (equivalent to RMB223,000,000), which is denominated in RMB, which is the foreign currency of respective entities of the Group. The unsecured term loans bear fixed interest ranged from 5.65% to 8% (30 June 2018: fixed at 8%) per annum.

(b) Bank borrowings

Bank borrowings are denominated in RMB, which is the functional currency of respective entities of the Group. As at 31 December 2019, bank borrowings of HK$240,199,000 (30 June 2018: HK$23,532,000) bear variable interest based on RMB benchmark interest rate ranged from 4.79% to 5.27% (30 June 2018: 5.28%) per annum. The interest rates (which are also equal to contracted interest rates) of the remaining fixed rate bank borrowings are ranged from 3.92% to 5.89% (30 June 2018: 4.75% to 6%) per annum.

The secured borrowings are secured by the Group's assets as disclosed in note 40.

34. OBLIGATIONS UNDER FINANCE LEASES

	31.12.2019	30.6.2018
	HK$'000	HK$'000
Analysed for reporting purpose as:		
Current liabilities	**5,405**	10,201
Non-current liabilities	**–**	9,511
	5,405	19,712

	minimum lease payments		Present value of minimum lease payments	
	31.12.2019	30.6.2018	**31.12.2019**	30.6.2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amount payable under finance leases:				
Within one year	**5,560**	11,541	**5,405**	10,201
In more than one year but not more than two years	**–**	11,677	**–**	9,511
	5,560	23,218	**5,405**	19,712
Less: Future finance charges	**(155)**	(3,506)	**N/A**	N/A
Present value of lease obligations	**5,405**	19,712	**5,405**	19,712
Less: Amount due for settlement within one year (shown under current liabilities)			**(5,405)**	(10,201)
Amount due for settlement after one year			**–**	9,511

The Group leased certain of its medical equipment under finance leases. The lease term is five years (30 June 2018: five years). Interest rates underlying all obligations under finance leases was fixed at 7.62% per annum (30 June 2018: 7.62%). No arrangement was entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets (note 40).

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35. DERIVATIVE FINANCIAL INSTRUMENTS

As at 30 June 2018, derivative financial instruments comprise gross-settled option contracts linked with equity securities listed in Hong Kong.

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

36. DEFERRED TAX LIABILITIES

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

	Revaluation of leasehold land and buildings HK$'000	Withholding tax in respect of undistributed earnings of PRC subsidiaries HK$'000	Fair value adjustment on business combination HK$'000	Total HK$'000
At 1 July 2017	–	7,327	37,849	45,176
Credit to profit or loss for the year	–	–	(5,945)	(5,945)
Exchange difference	–	–	(994)	(994)
At 30 June 2018	–	7,327	30,910	38,237
Credit to profit or loss for the period	–	(1,514)	(3,653)	(5,167)
Change to property revaluation reserve	9,136	–	–	9,136
Exchange difference	–	(213)	(843)	(1,056)
At 31 December 2019	9,136	5,600	26,414	41,150

At 31 December 2019, the Group had estimated unused tax losses of approximately HK$2,509 million (30 June 2018: HK$2,401 million) for offset against future profits. No deferred tax asset has been recognised in respect of estimated tax losses due to the unpredictability of future profit streams. The estimated tax losses of HK$1,921 million (30 June 2018: HK$1,924 million) may be carried forward indefinitely. Unused tax losses of HK$588 million (30 June 2018: HK$477 million) will expire between 2020 and 2023 (30 June 2018: between 2019 and 2022).

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$31 million (30 June 2018: HK$86 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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37. SHARE CAPITAL

	Number of shares		Carrying value	
	31.12.2019	30.6.2018	**31.12.2019**	30.6.2018
			HK$'000	HK$'000
Ordinary shares of HK$0.0005 (30 June 2018: HK$0.0005) each				
Authorised:				
At beginning of the period/year and at end of the period/year	**600,000,000,000**	600,000,000,000	**300,000**	300,000
Issued and fully paid:				
At beginning of the period/year and at end of the period/year	**14,480,072,773**	14,480,072,773	**7,240**	7,240

38. RESERVES

Properties revaluation reserve

	HK$'000	HK$'000
Items that will not be reclassified to profit or loss:		
At 1 July 2018/1 July 2017	27,875	19,952
Gain on revaluation of leasehold land and buildings	36,542	7,923
Deferred tax liability arising on revaluation of leasehold land and buildings	(9,136)	–
At 31 December 2019/30 June 2018	55,281	27,875

At 31 December 2019, the balance of properties revaluation reserve included surplus of, net of tax, HK$5,456,000 (30 June 2018: HK$5,456,000), arising from revaluation of leasehold land and buildings on transfer of leasehold land and buildings to investment properties carried at fair value in prior years.

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38. RESERVES *(continued)*

Investment revaluation reserve

	HK$'000	HK$'000
Items that will be reclassified subsequently to profit or loss:		
At 30 June 2018/1 July 2017	(1,098)	–
Adjustments on adoption of HKFRS 9	1,098	–
At 1 July 2018 (restated)/1 July 2017	–	–
Loss on fair value changes of available-for-sale investments	–	(1,098)
Net change on debt instruments at fair value through other comprehensive income	854	–
At 31 December 2019/30 June 2018	854	(1,098)

Translation reserve

	HK$'000	HK$'000
Items that will be reclassified subsequently to profit or loss:		
At 1 July 2018/1 July 2017	22,218	21,100
Exchange (loss) gain arising from translation of foreign operations	(39,844)	1,118
At 31 December 2019/30 June 2018	(17,626)	22,218

39. NON-CONTROLLING INTERESTS

	Share of net assets of subsidiaries HK$'000	Share options reserve of subsidiaries HK$'000	Total HK$'000
At 1 July 2017	64,731	19,885	84,616
Share of loss for the year	(10,718)	–	(10,718)
Share of other comprehensive income for the year	995	–	995
Share of total comprehensive expense for the year	(9,723)	–	(9,723)
Recognition of equity-settled share-based payment (note 45)	–	3,003	3,003
Acquisition of non-controlling interest of a subsidiary without a change in control (note 44)	(55,670)	–	(55,670)
At 30 June 2018	(662)	22,888	22,226
Share of profit for the period	7,624	–	7,624
Share of other comprehensive expense for the period	(1,127)	–	(1,127)
Share of total comprehensive income for the period	6,497	–	6,497
Cancellation of share options (note 45)	–	(22,888)	(22,888)
At 31 December 2019	5,835	–	5,835

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40. PLEDGE OF ASSETS

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

	31.12.2019	30.6.2018
	HK$'000	HK$'000
Investments held for trading	**36,451**	138,769
Buildings (included in property, plant and equipment)	**169,000**	156,488
Investment properties	**484,054**	493,681
Properties held for sale	**35,189**	37,063
Pledged bank deposits	**9,119**	24,432
	733,813	850,433

The Group's obligations under finance leases are secured by the Group's charge over the leased assets. At 31 December 2019, the carrying amount of the Group's medical equipment included an amount of HK$23,721,000 (30 June 2018: HK$32,783,000) in respect of assets held under finance leases.

41. COMMITMENTS

Lease commitments

The Group as lessee

	31.12.2019	30.6.2018
	HK$'000	HK$'000
Minimum lease payments paid under operating leases in respect of premises	**33,815**	23,127

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

	31.12.2019	30.6.2018
	HK$'000	HK$'000
Within one year	**18,522**	16,686
In the second to fifth year inclusive	**5,944**	24,854
	24,466	41,540

41. COMMITMENTS *(continued)*

Lease commitments *(continued)*

The Group as lessee (continued)

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated and rentals are fixed for a lease term of one to three years (30 June 2018: from one to three years).

The Group as lessor

Property rental income earned during the period was HK$12,181,000 (for the year ended 30 June 2018: HK$9,186,000). The properties held have committed tenants for a lease term ranging from one to three years (30 June 2018: from one to three years).

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

	31.12.2019	30.6.2018
	HK$'000	HK$'000
Within one year	**8,420**	7,785
In the second to fifth year inclusive	**10,951**	7,091
	19,371	14,876

Capital commitments

	31.12.2019	30.6.2018
	HK$'000	HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statement in respect of:		
– Property, plant and equipment	**51,203**	42,793
– Investment properties	**69,732**	172,398
	120,935	215,191

42. RETIREMENT BENEFITS SCHEMES

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

According to the relevant laws and regulations in the PRC, the Group are required to participate in defined contribution retirement schemes administered by the local municipal governments. The Group contributes funds which are calculated on certain percentage of the average employees salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees. The principal obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the scheme.

During the period from 1 July 2018 to 31 December 2019, the retirement benefits scheme contributions charged to consolidated statement of profit or loss were HK$24,095,000 (for the year ended 30 June 2018: HK$18,171,000).

43. RELATED PARTY TRANSACTIONS

Other than amount due to an associate as set out in note 32, the Group had the following related party transactions:

	1.7.2018 to 31.12.2019 HK$'000	1.7.2017 to 30.6.2018 HK$'000
Interest expense to borrowing from a related party (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 year ended 30 June 2018.

43. RELATED PARTY TRANSACTIONS *(continued)*

Compensation of key management personnel

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

	1.7.2018 to 31.12.2019 HK$'000	1.7.2017 to 30.6.2018 HK$'000
Salaries and other short-term employee benefits	**7,381**	8,622
Retirement benefits costs	**201**	72
	7,582	8,694

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

44. ACQUISITION OF NON-CONTROLLING INTERESTS OF SUBSIDIARIES WITHOUT A CHANGE IN CONTROL

Acquisition of non-controlling interests of Aveo China

In May 2018, the Company completed the acquisition of an aggregate of 30% equity interests in Aveo China. (the "Aveo China Acquisition")

The fair value of the aggregated consideration for the Aveo China Acquisition is HK$87,300,000. The difference of HK$31,630,000 between the 30% non-controlling interests of HK$55,670,000 and the fair value of the aggregate considerations of HK$87,300,000 had been debited to other reserves during the year ended 30 June 2018.

Aveo China became a wholly owned subsidiary of the Group upon the completion of Aveo China Acquisition. Details of the Aveo China Acquisition are set out in the Company's announcements dated 13 April 2018 and 11 May 2018.

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45. SHARE-BASED PAYMENT TRANSACTIONS

In March 2013, Lianyungang Jiatai Construction Co., Ltd. 連雲港嘉泰建設工程有限公司 ("Jiatai Construction"), signed a cooperative agreement with a doctor so as to employ the doctor to be the hospital in-charge in 南京同仁醫院 ("Nanjing Tongren Hospital") for ten years. At the same time, Jiatai Construction has granted a call option to the doctor so as to provide an incentive to the doctor to serve the Group for the benefit of the development of Nanjing Tongren Hospital. The call option can be exercised within six months upon the completion of five years employment and the satisfaction of the performance targets. The performance targets are based on: i) revenue amounting of RMB600 million; and ii) profit excluding finance costs of RMB90 million in Nanjing Tongren Hospital in the fifth year commencing on the date of the employment of the doctor (i.e. from May 2018 to April 2019) as per the management account of Nanjing Tongren Hospital from May 2018 to April 2019.

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

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

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

During the year ended 30 June 2018, share-based payment expense of HK$3,003,000 was recognised in the 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. Accordingly, the option was cancelled. No call option can be exercised as the conditions for exercising the call option have not been satisfied.

46. MAJOR NON-CASH TRANSACTION

During the year ended 30 June 2018, the Disposal was completed and partially satisfied by the Promissory Notes with principal sum of HK$706,213,000 as detailed in note 7.

47. FINANCIAL INSTRUMENTS

Capital risk management

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

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

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

Categories of financial instruments

	31.12.2019 **HK$'000**	30.6.2018 HK$'000
Financial assets		
Investments held for trading	**36,451**	138,769
Financial assets at amortised cost	**843,268**	–
Loans and receivables (including cash and cash equivalents)	**–**	744,641
Financial assets at FVTPL	**900**	–
Debt instruments at FVTOCI	**4,634**	–
Available-for-sale financial assets	**–**	23,480
Financial liabilities		
Amortised cost	**1,142,584**	1,342,948
Obligations under finance leases	**5,405**	19,712
Derivative financial instruments	**–**	1,129

47. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies

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

Market risk

Currency risk

Foreign exchange risk is the risk of loss due to adverse movement in foreign exchange rate relating to foreign currency denominated loan receivable, bank balances, other debtors, other borrowings from financial institution and foreign currency denominated unlisted investments in unit trusts for the period/year. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

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

	Assets		Liabilities	
	31.12.2019	30.6.2018	**31.12.2019**	30.6.2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
RMB	**2,279**	34,375	**177,598**	262,382
Australian Dollars ("AUD")	**–**	377	**–**	–

The carrying amounts of inter-company balances of certain group entities which are foreign currency denominated monetary assets at the end of the reporting period are as follows:

	Assets		Liabilities	
	31.12.2019	30.6.2018	**31.12.2019**	30.6.2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
RMB	**494,386**	736,800	**–**	40,637

47. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

Currency risk (continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 10% (30 June 2018: 10%) increase and decrease in HK$ against relevant foreign currencies and all other variables were held constant. 10% (30 June 2018: 10%) is the sensitivity rate used by management in the assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items and adjusts its translation at the period end for a 10% (30 June 2018: 10%) change in foreign currencies rates. A positive number below indicates a increase in post-tax profit (30 June 2018: a decrease in post-tax loss) for the period where foreign currencies strengthen 10% (for the year ended 30 June 2018: 10%) against HK$. For a 10% (30 June 2018: 10%) weakening of foreign currencies against HK$ there would be an equal and opposite impact on the result for the period.

	AUD Impact		**RMB Impact**	
	31.12.2019	30.6.2018	**31.12.2019**	30.6.2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Profit or loss	**–**	31	**26,642**	39,091

Other price risk

(i) *Equity price risk*

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

47. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

Other price risk (continued)

(i) Equity price risk (continued)

Sensitivity analysis

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

If the prices of the respective equity instruments had been 30% (30 June 2018: 30%) higher/lower and all other variables were held constant, the Group's:

- post-tax profit (for the year ended 30 June 2018: post-tax loss) for the period from 1 July 2018 to 31 December 2019 would increase/decrease (30 June 2018: decrease/increase) by HK$10,935,000 (for the year ended 30 June 2018: HK$41,630,000) as a result of the changes in fair value of held for trading investments;

- post-tax profit (for the year ended 30 June 2018: post-tax loss) for the period from 1 July 2018 to 31 December 2019 would increase/decrease (for the year ended 30 June 2018: decrease/increase) by nil/nil (30 June 2018: HK$339,000/HK$339,000) as a result of changes in fair value of derivative instruments on gross-settled option contracts linked with equity securities listed in Hong Kong.

47. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

Other price risk (continued)

(ii) Foreign currencies risk on non-monetary items

The Group is engaged in securities trading and investments which are denominated in foreign currencies and is therefore exposed to foreign currency price risk. Approximately 26% (30 June 2018: 65%) of the Group's equity investments are denominated in currencies other than the functional currency of the group entities.

The carrying amounts of the Group's foreign currency denominated equity investments held for trading and financial assets at FVTPL (30 June 2018: available-for-sale investments) at the reporting date are as follows:

	Assets	
	31.12.2019	30.6.2018
	HK$'000	HK$'000
USD	**4,732**	23,481
AUD	**2,215**	77,606
JPY	**2,856**	3,872
PHP	**1,322**	1,373

Sensitivity analysis

The following table details the Group's sensitivity to a 10% (30 June 2018: 10%) increase and decrease in HK$ against foreign currencies and all other variables were held constant. USD is not included in sensitivity analysis, as HK$ is pegged to USD, the Group does not expect any significant movements in the USD/HK$ exchange rate. 10% (30 June 2018: 10%) is the sensitivity rate used by management in the assessment of the reasonably possible change in foreign exchange rates. A positive number below indicates a increase in post-tax profit (for the year ended 30 June 2018: a decrease in post-tax loss) for the period where foreign currencies strengthen 10% (for the year ended 30 June 2018: 10%) against HK$. For a 10% (for the year ended 30 June 2018: 10%) weakening of foreign currencies against HK$ there would be an equal and opposite impact on the result for the period.

	1.7.2018 to 31.12.2019	1.7.2017 to 30.6.2018
	HK$'000	HK$'000
Increase in post-tax profit for the period/decrease in post-tax loss for the year	**534**	8,285

47. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

Interest rate risk

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

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

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

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

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

If the interest rate of variable-rate borrowings had been 100 basis point higher/lower and all other variables were held constant, the Group's post-tax profit (for the year ended 30 June 2018: post-tax loss) for the period would decrease/increase (for the year ended 30 June 2018: increase/decrease) by HK$2,402,000 (for the year ended 30 June 2018: HK$235,000).

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

47. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group as at 31 December 2019. The Group's credit risk exposures are primarily attributable to trade receivables arising from contracts with customers, other receivables and deposits, pledged/restricted bank deposits, bank balances, loan receivables and debt instruments at FVTOCI. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risks associated with loans receivable is mitigated because they are secured over the equities of 75% issued shares of the pledged company.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group in the event of the counterparties' failure to perform their obligations as at 30 June 2018 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2018: incurred loss model) on not credit impaired trade balances based on provision matrix and individual assessment for debtors with significant balances. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Other than concentration of credit risk on trade receivables from top 4 clients of HK$67,520,000, 71% (2018: top 4 clients of HK$92,442,000, 65%) located in PRC, the Group does not have any other significant concentration of credit risk. Management closely monitors the subsequent settlement of the clients and all of these trade receivables are pledged by clients towards the Group. In this regards, the directors of the Company consider that the credit risk is significantly reduced.

Other receivables and deposits

The management of the Group makes periodic collective assessment as well as individual assessment for debtors with significant balances on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable, supportive and forward looking information that is available without under cost or effect. The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balance of deposits and other receivables. ECL on deposits and other receivables is insignificant at 1 July 2018 and 31 December 2019 as the exposure of deposits and other receivables is insignificant.

47. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

Debt instruments at FVTOCI

The Group only invests in debt securities with low credit risk. The Group's debt instruments at FVTOCI mainly comprise listed bonds that are graded in the top investment grade as per globally understood definitions and therefore are considered to be low credit risk investments. During the period ended 31 December 2019, expected credit losses on debt instruments at FVTOCI is insignificant.

Loan receivable

The Group has a policy for assessing the impairment on loan receivable on an individual basis. The assessment includes evaluation of collectability and aged analysis of the loans receivable and on management's judgement on creditworthiness, collateral and past collection history of each borrower.

In determining the recoverability of the loan receivables, the Group will consider the change in the credit quality of the loan receivable, if any, from the date the loan was initially granted up to the reporting date. This includes assessing the credit history of the borrowers, such as past experience of financial difficulties or default in payments, and current market conditions.

The total carrying amount of the loan receivable amounted to HK$91,314,000 (2018: nil) at the reporting date. The Group considered the secured and guaranteed loan of HK$91,314,000 (2018: nil), is recoverable as the loan borrowed by borrower with good credit history.

The Group is exposed to credit risk in respect of its loan receivable. At 31 December 2019, the carrying amount of loan receivable was HK$91,314,000 (2018: nil), the Group had concentration of credit risk as 100% (2018: nil) of the total loan receivables at 31 December 2019 was due from one borrower (2018: nil). Subsequent to the end of the reporting period, the Borrower did not settle the interest receivable due on 11 March 2020 amounting to approximately HK$3.8 million. The Group has issued demand letter and final notice to the Borrower and has been in discussion with the Borrower and its joint provisional liquidators as appointed after the end of the reporting period for the settlement of the total outstanding amount. Nevertheless, the remaining amount is considered recoverable given there are sufficient collaterals to cover the entire balance. The Group seeks to maintain strict control over its outstanding loan receivable to minimise credit risk. The management has a credit policy in place and the exposures to the credit risk are monitored on an ongoing basis. Impairment allowances on outstanding loan receivables are determined by an evaluation of financial background, as well as financial condition of the borrower and the anticipated receipts for that individual loan, at the end of the reporting period.

During the period ended 31 December 2019, the group has recognised impairment allowance of HK$3,901,000 for loans receivable.

47. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

Pledged bank deposits, restricted bank deposits and bank balances

The credit risks on pledged bank deposits, restricted bank deposits and bank balances are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. No loss allowance provision for pledged bank deposits, restricted bank deposits and bank balances was recognised upon application of HKFRS 9 as the amount is insignificant. The Group has limited exposure to any single financial institution.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	**Description**	**Trade receivables**	**Other financial assets**
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL-not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL-not credit-impaired	12m ECL
Doubtful	There have been significant increase in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL-not credit-impaired	Lifetime ECL-not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL-credit-impaired	Lifetime ECL-credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

47. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

Pledged bank deposits and bank balances (continued)

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

2019	Notes	External credit rating	Internal credit rating	12 month or lifetime ECL	Gross carrying amounts HK$'000
Debt instruments at FVTOCI					
Investments in listed bonds	20	A1	N/A	12m ECL	4,634
Financial assets at amortised cost					
Debtors from securities trading	26	Baa3	N/A	Lifetime ECL	877
Debtors arising from contracts with customers	26	N/A	(Note (ii))	Lifetime ECL	67,520
				Lifetime ECL (provision matrix)	27,224
Loan receivable	27	N/A	low risk	12m ECL	95,215
Other receivables and deposits	26	N/A	(Note (i))	12m ECL	5,060
Pledged bank deposits	28	Ba2 – Baa1	N/A	12m ECL	9,119
Restricted bank deposits	28	Ba2 – A1	N/A	12m ECL	5,607
Bank balances	28	Ba2 – A1	N/A	12m ECL	643,177

For the purpose of ECL assessment, the Group considers the gross principal amount and the related contractual interests of the debt instruments. As at 31 December 2019, the gross principal amount of these debt instruments amounted to HK$4,680,000.

Notes:

(i) For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

(ii) For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance on lifetime ECL basis. Except for debtors with significant outstanding balances, the Group determines the expected credit losses on these items by using a provision matrix, grouped by internal credit rating.

47. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its hospital and eldercare related services operation. The following table provides information about the exposure to credit risk for trade receivables from hospital operation which are assessed based on provision matrix as at 31 December 2019 within lifetime ECL (not credit impaired).

Gross carrying amount

Internal credit rating	Trade receivables from hospital and eldercare related services operation HK$'000
Low risk	17,141
Doubtful	10,083
	27,224

The estimated loss rate is 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. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the period ended 31 December 2019, the Group recognised impairment allowance for trade receivables of HK$1,161,000, based on the provision matrix.

The following table shows the movement in lifetime ECL that has been recognised for debtors under the simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000
As at 30 June 2018 under HKAS 39	–
Adjustment upon application of HKFRS 9	5,469
As at 1 July 2018 – As restated	5,469
Changes due to financial instruments recognised as at 1 July:	
– Impairment losses reversed	(4,120)
New financial assets originated	5,281
As at 31 December 2019	6,630

47. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

Gross carrying amount (continued)

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. No trade receivables was written off by the Group during the period ended 31 December 2019 (for the year ended 30 June 2018: nil).

The following tables show reconciliation of loss allowances that has been recognised for loan receivable.

	12m ECL for loan receivable HK$'000
As at 1 July 2018	–
New financial assets originated	3,901
As at 31 December 2019	3,901

Liquidity risk

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

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

For derivative financial instruments, the Group has nil (30 June 2018: HK$3,777,000) and contractual cash inflow (30 June 2018: inflow) in return with listed securities within 1 year respectively. The nature of the derivative financial instruments is disclosed in note 35.

47. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

	Weighted average interest rate %	Repayable on demand HK$'000	Less than 3 months HK$'000	3 months to 1 year HK$'000	1 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at the end of the reporting period HK$'000
As at 31 December 2019							
Non-derivative financial liabilities							
Creditors and accrued charges	–	–	343,077	–	–	343,077	343,077
Amount due to an associate	–	6,144	–	–	–	6,144	6,144
Borrowings							
– variable rates	4.79 – 5.27	–	73,555	171,965	–	245,520	240,199
– fixed rates	3.92 – 8	–	4,620	214,761	372,850	592,231	553,164
Obligations under finance leases	7.62	–	2,723	2,783	–	5,506	5,405
		6,144	423,975	389,509	372,850	1,192,478	1,147,989
As at 30 June 2018							
Non-derivative financial liabilities							
Creditors and accrued charges	–	–	453,674	–	–	453,674	453,674
Consideration payable	–	–	–	57,300	–	57,300	57,300
Amount due to an associate	–	6,471	–	–	–	6,471	6,471
Borrowings							
– variable rates	5.28	–	23,745	–	–	23,745	23,532
– fixed rates	4.75 – 8	–	18,505	326,190	523,387	868,082	801,971
Obligations under finance leases	7.62	–	2,873	7,410	11,677	21,960	19,712
		6,471	498,797	390,900	535,064	1,431,232	1,362,660

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

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47. FINANCIAL INSTRUMENTS *(continued)*

Fair values measurements of financial instruments

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

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/financial liabilities in the consolidation statement of financial position	Fair value as at 31 December 2019	Fair value as at 30 June 2018	Fair value hierarchy	Valuation techniques and key inputs
1) Investments in listed equity securities classified as investments held for trading	Listed equity securities: – Hong Kong HK$30,058,000 – Overseas HK$6,393,000	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-sale investments	Assets – HK$4,634,000	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-sale investments	Assets – HK$900,000	Assets – HK$116,000 (Note)	Level 2	Quoted prices from financial institutions
4) Gross-settled option contracts linked with listed equity securities	Liabilities-nil	Liabilities- HK$1,129,000	Level 3	Quoted prices from financial institutions

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

47. FINANCIAL INSTRUMENTS *(continued)*

Fair values measurements of financial instruments *(continued)*

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

There are no transfers between level 1 and level 2 for the period/year.

Fair value hierarchy as at 31 December 2019

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets at FVTPL				
Held for trading-listed equity securities	**36,451**	**–**	**–**	**36,451**
Unlisted unit trusts	**–**	**98**	**–**	**98**
Club debentures	**–**	**802**	**–**	**802**
Debt instruments at FVTOCI				
Listed bonds	**4,634**	**–**	**–**	**4,634**
Total	**41,085**	**900**	**–**	**41,985**

Fair value hierarchy as at 30 June 2018

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets				
Held for trading-listed equity securities	138,769	–	–	138,769
Available-for-sale investments				
Listed bonds	22,562	–	–	22,562
Unlisted unit trusts	–	116	–	116
Total	161,331	116	–	161,447
Financial liabilities				
Derivative financial liabilities	–	–	1,129	1,129

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

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47. FINANCIAL INSTRUMENTS *(continued)*

Fair values measurements of financial instruments *(continued)*

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

	Derivative financial instruments	
	HK$'000	HK$'000
At 1 July 2018/1 July 2017	**(1,129)**	(5,373)
Total (loss) gain in profit or loss	**(4)**	4,244
Settlement	**1,133**	–
At 31 December 2019/30 June 2018	**–**	(1,129)

Of the total gains or losses for the period included in profit or loss, nil (for the year ended 30 June 2018: HK$1,129,000) relates to derivative financial instruments held at the end of the reporting period. Fair value gains or losses on derivative financial instruments are included in 'other gains and losses, and other income' in the consolidated statement of profit or loss.

48. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group has financial assets and financial liabilities that:

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

48. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(continued)*

As at 31 December 2019, the Group has disposed all the derivatives.

As at 30 June 2018, the Group has entered certain derivative transactions that are covered by the netting agreements signed with various financial institutions. These derivative instruments are not offset in the consolidated statement of financial position as the netting agreements are in place with a right of set off only in the event of default, insolvency or bankruptcy so that the Group currently has no legally enforceable right to set off the recognised amounts.

	Gross amounts of recognised financial assets and liabilities HK$'000	Net amounts presented in consolidated statement of financial position HK$'000	Related amounts not offset in consolidated statement of financial position recognised assets and liabilities HK$'000	Net amount HK$'000
At 30 June 2018				
Financial assets				
– Receivables from financial institutions	10,136	10,136	(1,129)	9,007
– Pledged bank deposits	118	118	–	118
	10,254	10,254	(1,129)	9,125
Financial liabilities				
– Derivative financial instruments	1,129	1,129	(1,129)	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 July 2018 to 31 December 2019

49. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities is that for which cash flows were, or future cash flow will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Consideration payable HK$'000	Borrowings HK$'000	Obligations under finance leases HK$'000	Total HK$'000
As at 1 July 2017	–	1,826,429	28,483	1,854,912
Financing cash flows	–	(1,033,800)	(12,048)	(1,045,848)
Finance cost	–	–	2,425	2,425
Acquisition of the non-controlling interests of a subsidiary (note 31)	57,300	–	–	57,300
Exchange realignment	–	32,874	852	33,726
As at 30 June 2018	57,300	825,503	19,712	902,515
Financing cash flows	(55,318)	9,769	(15,075)	(60,624)
Finance cost	–	–	1,541	1,541
Exchange realignment	(1,982)	(41,909)	(773)	(44,664)
As at 31 December 2019	–	793,363	5,405	798,768

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2019 and 30 June 2018 are as follows:

Name of subsidiaries	Country/ place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Proportion of capital/registered capital held by the Group		Principal activities
			31 December 2019	30 June 2018	
Directly held by the Company					
Jiatai Construction*	PRC	Registered US$116,790,000	**100%**	100%	Investment holding
Indirectly held by the Company					
Forepower Limited	British Virgin Islands ("BVI")	Ordinary US$1	**100%**	100%	Property investment in Hong Kong
Focus Clear Limited	BVI	Ordinary US$1	**100%**	100%	Securities trading and investment in Hong Kong
Fortune Team Investment Limited	Hong Kong	Ordinary HK$1	**100%**	100%	Money lending
Future Rise Investments Limited	BVI	Ordinary US$1	**100%**	100%	Trading of securities listed in overseas exchange
Genwo Limited	Hong Kong	Ordinary HK$200,000	**100%**	100%	Property investment
Honest Opportunity Limited	BVI	Ordinary US$1	**100%**	100%	Securities trading and investment in Hong Kong and overseas
Join Capital Limited	Hong Kong	Ordinary HK$2	**100%**	100%	Investment holding
Kintic Limited	Hong Kong	Ordinary HK$2	**100%**	100%	Property investment
Sparkling Summer Limited	BVI	Ordinary US$6,500,000	**100%**	100%	Securities trading in Hong Kong
Star Telecom Properties Limited	Hong Kong	Ordinary HK$200	**100%**	100%	Investment and property holding
Widerich Limited	Hong Kong	Ordinary HK$2	**100%**	100%	Property investment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 July 2018 to 31 December 2019

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiaries	Country/ place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Proportion of capital/registered capital held by the Group 31 December 2019	30 June 2018	Principal activities
Indirectly held by the Company *(continued)*					
Nanjing Tongren Industrial Co., Ltd.** (南京同仁實業有限公司) ("Nanjing Tongren Industrial")	PRC	Registered RMB80,000,000	**80%#**	80%#	Property development
Nanjing Tongren Hospital Co., Ltd.** (南京同仁醫院有限公司) ("Nanjing Tongren Hospital")	PRC	Registered RMB50,000,000	**80%#**	80%#	Operation of a hospital in Nanjing
Kunming Tongren Industrial Development Co., Ltd.** (昆明同仁實業開發有限公司) ("Kunming Tongren Industrial")	PRC	Registered RMB80,000,000	**100%**	100%	Property development
Kunming Tongren Hospital Co., Ltd.** (昆明同仁醫院有限公司) ("Kunming Tongren Hospital")	PRC	Registered RMB80,000,000	**100%**	100%	Operation of a hospital in Kunming
Aveo China	BVI	Ordinary US$4,000	**100%**	100%	Investment holding
Tide Properties Development (Shanghai) Co., Ltd.** (德地置業發展(上海)有限公司) ("Tide Properties")	PRC	Registered RMB388,000,000	**100%**	100%	Property development and property investment for eldercare operation
Shanghai Tide Healthcare Management Co., Ltd.** (上海德地健康管理有限公司)** ("Tide Healthcare")	PRC	Registered RMB2,000,000	**100%**	100%	Elderly house operation and provision of healthcare
Shanghai Tide Nursing Hospital Co., Ltd.** (上海德頤護理院有限公司) ("Tide Nursing Hospital")	PRC	Registered RMB100,000	**100%**	100%	Provision of healthcare
Nanjing Banmi Cosmetic & Plastic Surgery Clinic Co., Ltd.** (南京博安美醫療美容診所有限公司)("Nanjing Banmi Cosmetic")	PRC	Registered RMB3,000,000	**65%##**	0%##	Provision of healthcare

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

* Wholly foreign-owned enterprise.

** Domestic owned enterprise.

\# These companies are held indirectly by Jiatai Construction. The Company has effective interests of 80% and 80%, in Nanjing Tongren Industrial and Nanjing Tongren Hospital respectively as at 31 December 2019 and 30 June 2018.

\#\# This Company is held indirectly by Jiatai Construction. The Company has effective interests of 65% and 0% in Nanjing Banmi Cosmetic as at 31 December 2019 and 30 June 2018 respectively.

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

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

None of the subsidiaries had any debts securities subsisting at 31 December 2019 and 30 June 2018 or at any time during the respective period/year.

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

Principal activities	Principal place of business	Number of subsidiaries	
		31.12.2019	30.6.2018
Securities trading and investments	Hong Kong	**2**	2
Property development	PRC	**1**	1
Investing holding	Hong Kong/PRC/BVI	**52**	51
		55	54

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 July 2018 to 31 December 2019

51. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	31.12.2019 HK$'000	30.6.2018 HK$'000
Non-current Asset		
Interests in subsidiaries	**1,337,771**	1,337,771
Current Assets		
Debtors and prepayments	**1,007**	759
Amounts due from subsidiaries	**3,034,499**	496,240
Bank balances and cash	**453,175**	422,899
	3,488,681	919,898
Current Liabilities		
Creditors and accruals	**5,376**	4,541
Amounts due to subsidiaries	**3,051,936**	474,095
	3,057,312	478,636
Net Current Assets	**431,369**	441,262
Total Assets less Current Liabilities	**1,769,140**	1,779,033
Capital and Reserves		
Share capital (note 37)	**7,240**	7,240
Reserves (Note)	**1,761,900**	1,771,793
Total equity	**1,769,140**	1,779,033

Note: As at 31 December 2019, reserves of the Company included share premium of HK$2,621,374,000 (30 June 2018: HK$2,621,374,000), capital redemption reserve of HK$2,496,000 (30 June 2018: HK$2,496,000) and accumulated losses of HK$861,970,000 (30 June 2018: HK$852,077,000). Movements of the Company's share capital, share premium and capital redemption reserve are disclosed in the consolidated statement of changes in equity. The movements of the Company's accumulated losses is attributable to losses for the respective financial period.

52. EVENTS AFTER THE REPORTING PERIOD

The outbreak of the novel coronavirus in late December 2019, has adversely impacted global economic activity in the period subsequent to the reporting date. Given the widespread nature of the outbreak, the relative impact to the Group's operation cannot be reliably quantified or estimated as at the date of this report. The Company may adjust its business and investment strategies, operations and investment portfolio to suit the prevailing challenging 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.

Other than this and matters outlined in these financial statements, there have been no matters that have occurred subsequent to the reporting date which have significantly affected, or may significantly affect the Group's operations, results or state of affairs in future years.

FINANCIAL SUMMARY

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

RESULTS

	For the year ended 30 June				For the period from 1 July 2018 to 31 December
	2015	2016	2017	2018	**2019**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	715,017	2,399,736	1,284,342	1,100,641	**1,841,346**
Gross proceeds from sale of investments held for trading	1,254,723	586,191	547,852	1,217,518	**200,744**
	1,969,740	2,985,927	1,832,194	2,318,159	**2,042,090**
Profit (loss) before taxation	155,545	(774,649)	(16,133)	(133,449)	**(28,811)**
Taxation (charge) credit	(15,335)	(115,651)	(65,371)	(14,379)	**38,611**
Profit (loss) for the period	140,210	(890,300)	(81,504)	(147,828)	**9,800**
Attributable to:					
Owners of the Company	228,443	(783,160)	(71,813)	(137,110)	**2,176**
Non-controlling interests	(88,233)	(107,140)	(9,691)	(10,718)	**7,624**
	140,210	(890,300)	(81,504)	(147,828)	**9,800**

ASSETS AND LIABILITIES

	As at 30 June				As at 31 December
	2015	2016	2017	2018	**2019**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	5,426,438	5,947,249	4,726,246	3,493,130	**3,303,009**
Total liabilities	(3,415,013)	(3,868,938)	(2,684,218)	(1,674,289)	**(1,492,548)**
	2,011,425	2,078,311	2,042,028	1,818,841	**1,810,461**
Equity attributable to owners of the Company	1,654,387	1,993,207	1,957,412	1,796,615	**1,804,626**
Non-controlling interests	357,038	85,104	84,616	22,226	**5,835**
	2,011,425	2,078,311	2,042,028	1,818,841	**1,810,461**

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