China Medical & HealthCare Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 383)

2018
Interim Report

UNAUDITED RESULTS OF THE GROUP

The board of directors (the "Board") of China Medical & HealthCare Group Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2018 together with the comparative figures for the corresponding period in 2017 as follows:–

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

	NOTES	Six months ended 31.12.2018 HK$'000 (unaudited)	31.12.2017 HK$'000 (unaudited)
Revenue	3	**594,156**	555,593
Gross proceeds from sales of investments held for trading		**88,549**	1,070,211
Total		**682,705**	1,625,804
Revenue	3		
Goods and services		**575,747**	543,852
Rental		**4,862**	4,614
Interest		**12,304**	2,308
Others		**1,243**	4,819
		594,156	555,593
Cost of goods and services		**(470,124)**	(457,484)
Gross profit		**124,032**	98,109
Other gains and losses, and other income	5	**5,640**	21,678
Selling and distribution costs		**(2,714)**	(7,098)
Administrative expenses		**(131,491)**	(131,867)
Finance costs	6	**(25,717)**	(48,182)

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

FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

	NOTES	Six months ended 31.12.2018	Six months ended 31.12.2017
		HK$'000	*HK$'000*
		(unaudited)	(unaudited)
Loss before taxation		**(30,250)**	(67,360)
Taxation credit (expense)	*7*	**52,416**	(1,762)
Profit (loss) for the period	*8*	**22,166**	(69,122)
Profit (loss) for the period attributable to:			
– Owners of the Company		**22,725**	(62,544)
– Non-controlling interests		**(559)**	(6,578)
		22,166	(69,122)
Earnings (loss) per share	*10*		
– Basic		**HK0.16 cents**	HK (0.43) cents
– Diluted		**HK0.16 cents**	HK (0.43) cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

	Six months ended	
	31.12.2018	31.12.2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit (loss) for the period	**22,166**	(69,122)
Other comprehensive (expense) income		
Items that will be reclassified subsequently to profit or loss:		
Net change on available-for-sale investments	**–**	(208)
Net change on debt instruments at fair value through other comprehensive income	**(409)**	–
Exchange differences arising on translation:		
Exchange (loss) gain arising from translation of foreign operation	**(30,920)**	49,466
Other comprehensive (expense) income for the period	**(31,329)**	49,258
Total comprehensive expense for the period	**(9,163)**	(19,864)
Total comprehensive expense attributable to:		
Owners of the Company	**(7,909)**	(17,913)
Non-controlling interests	**(1,254)**	(1,951)
	(9,163)	(19,864)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	NOTES	31.12.2018 HK$'000 (unaudited)	30.6.2018 HK$'000 (audited)
Non-current assets			
Investment properties	11	**767,396**	775,676
Property, plant and equipment	11	**1,309,926**	1,365,534
Prepaid lease payments		**98,027**	102,733
Financial assets at fair value through profit or loss		**802**	–
Available-for-sale investments		**–**	802
Goodwill		**31,430**	33,207
Deposits for acquisition of property, plant and equipment		**7,558**	7,819
		2,215,139	2,285,771
Current assets			
Inventories		**23,491**	18,168
Properties under development for sale		**6,037**	6,243
Properties held for sale		**229,454**	265,649
Prepaid lease payments		**2,797**	2,894
Debt instruments at fair value through other comprehensive income		**22,161**	–
Financial assets at fair value through profit or loss		**108**	–
Available-for-sale investments		**–**	22,678
Investments held for trading		**102,014**	138,769
Debtors, deposits and prepayments	12	**111,540**	179,361
Loans receivable	13	**229,320**	–
Pledged bank deposits		**23,602**	24,432
Restricted bank deposits		**23,121**	5,073
Bank balances and cash		**367,696**	544,092
		1,141,341	1,207,359

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

AT 31 DECEMBER 2018

	NOTES	**31.12.2018** **HK$'000** **(unaudited)**	30.6.2018 HK$'000 (audited)
Current liabilities			
Creditors and accrued charges	15	**435,946**	453,674
Deposits received on sales of properties		**11,419**	12,055
Other contract liabilities		**41,181**	–
Customers' deposits and receipts in advance		**52,674**	93,175
Consideration payable		**–**	57,300
Amount due to an associate		**6,263**	6,471
Borrowings – due within one year	16	**363,245**	325,330
Obligations under finance leases – due within one year		**10,317**	10,201
Derivative financial instruments		**–**	1,129
Taxation payable		**109,252**	167,033
		1,030,297	1,126,368
Net current assets		**111,044**	80,991
Total assets less current liabilities		**2,326,183**	2,366,762
Non-current liabilities			
Deferred tax liabilities	17	**35,974**	38,237
Borrowings – due after one year	16	**481,784**	500,173
Obligations under finance leases – due after one year		**4,216**	9,511
		521,974	547,921
		1,804,209	1,818,841

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

AT 31 DECEMBER 2018

	NOTES	31.12.2018 HK$'000 (unaudited)	30.6.2018 HK$'000 (audited)
Capital and reserves			
Share capital	18	**7,240**	7,240
Reserves		**1,798,885**	1,789,375
Equity attributable to owners of the Company		**1,806,125**	1,796,615
Non-controlling interests		**(1,916)**	22,226
Total equity		**1,804,209**	1,818,841

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

	Attributable to the owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Properties revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Capital redemption reserve HK$'000	Other reserves HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 July 2017 (audited)	7,240	2,621,374	19,952	–	2,496	(764,901)	21,100	50,151	1,957,412	84,616	2,042,028
Loss for the period	–	–	–	–	–	–	–	(62,544)	(62,544)	(6,578)	(69,122)
Other comprehensive (expense) income for the period	–	–	–	(208)	–	–	44,839	–	44,631	4,627	49,258
Total comprehensive (expense) income for the period	–	–	–	(208)	–	–	44,839	(62,544)	(17,913)	(1,951)	(19,864)
Recognition of equity-settled share-based payments *(note 23)*	–	–	–	–	–	–	–	–	–	2,252	2,252
At 31 December 2017 (unaudited)	7,240	2,621,374	19,952	(208)	2,496	(764,901)	65,939	(12,393)	1,939,499	84,917	2,024,416
At 30 June 2018 (audited)	**7,240**	**2,621,374**	**27,875**	**(1,098)**	**2,496**	**(796,531)**	**22,218**	**(86,959)**	**1,796,615**	**22,226**	**1,818,841**
Adjustment *(see note 2)*	**–**	**–**	**–**	**1,098**	**–**	**–**	**–**	**(6,567)**	**(5,469)**	**–**	**(5,469)**
At 1 July 2018 (restated)	**7,240**	**2,621,374**	**27,875**	**–**	**2,496**	**(796,531)**	**22,218**	**(93,526)**	**1,791,146**	**22,226**	**1,813,372**
Profit (loss) for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**22,725**	**22,725**	**(559)**	**22,166**
Other comprehensive expense for the period	**–**	**–**	**–**	**(409)**	**–**	**–**	**(30,225)**	**–**	**(30,634)**	**(695)**	**(31,329)**
Total comprehensive (expense) income for the period	**–**	**–**	**–**	**(409)**	**–**	**–**	**(30,225)**	**22,725**	**(7,909)**	**(1,254)**	**(9,163)**
Lapse of share options *(note 23)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**22,888**	**22,888**	**(22,888)**	**–**
At 31 December 2018 (unaudited)	**7,240**	**2,621,374**	**27,875**	**(409)**	**2,496**	**(796,531)**	**(8,007)**	**(47,913)**	**1,806,125**	**(1,916)**	**1,804,209**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

	Six months ended	
	31.12.2018	31.12.2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Cash (used in) from operating activities	**(58,952)**	236,989
Interest paid	**(25,717)**	(48,182)
Tax paid	**(2,959)**	(8,271)
Net cash (used in) from operating activities	**(87,628)**	180,536
Investing activities		
Acquisition of available-for-sale investments	**–**	(23,483)
Withdrawal of pledged bank deposits and restricted bank deposits	**–**	187,744
Placement of pledged bank deposits and restricted bank deposits	**(18,196)**	–
Additions of investment properties	**(9,776)**	(6,848)
Deposits paid for acquisition of property, plant and equipment	**(2,350)**	(6,729)
Acquisition of property, plant and equipment	**(42,089)**	(31,071)
Other investing activities	**3,344**	2,758
Net cash (used in) from investing activities	**(69,067)**	122,371

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

	Six months ended	
	31.12.2018	31.12.2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Financing activities		
New borrowings raised	**236,843**	585,499
Repayments of borrowings	**(190,573)**	(935,059)
Repayments of obligations under finance leases	**(4,823)**	(4,670)
Repayment of consideration payable for acquisition of non-controlling interests	**(55,800)**	–
Net cash used in financing activities	**(14,353)**	(354,230)
Net decrease in cash and cash equivalents	**(171,048)**	(51,323)
Cash and cash equivalents at beginning of the period	**544,092**	529,326
Effect of changes in foreign exchange rate	**(5,348)**	4,678
Cash and cash equivalents at end of the period	**367,696**	482,681
Represented by:		
Bank balances and cash	**367,696**	482,681

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

1. BASIS OF PREPARATION

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

During the current interim period, the Group applied certain new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"). The impact of the application is set out in note 2.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standard ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2018.

Application of new and amendments to HKFRSs

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

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

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

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

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

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

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

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

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

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

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

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

Output method

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

The Group recognises revenue from the following major sources.

Revenue from healthcare and eldercare services

For revenue from healthcare services and 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 patients simultaneously received healthcare services and the customers received eldercare related services over time.

Revenue from pharmaceutical sales

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

Revenue from property development

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

2.1.2 Summary of effects arising from initial application of HKFRS 15

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

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

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

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

Note:

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

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

The following table summaries the impacts of apply HKFRS 15 on the condensed consolidated statement of financial position at 31 December 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

	Note	As reported	Adjustments	Amounts without application of HKFRS 15
		HK$'000	*HK$'000*	*HK$'000*
Current assets				
Other contract liabilities	*a*	41,181	(41,181)	–
Customers' deposits and receipts in advance	*a*	52,674	41,181	93,855

Note:

(a) As at 31 December 2018, receipts in advance from customers for services under contracts with customers of HK$41,181,000 would have been stated as Customers' deposits and receipts in advance under HKAS 18. This amount was recorded as other contract liabilities under HKFRS 15.

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

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

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

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

Classification and measurement of financial assets

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

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

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

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

Classification and measurement of financial assets (Continued)

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

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

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

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

Financial assets at FVTPL

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

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

Financial assets at FVTPL (Continued)

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

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

Impairment under ECL model

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

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

Impairment under ECL model (Continued)

The Group always recognises lifetime ECL for 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.

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

Significant increase in credit risk

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

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

Significant increase in credit risk (Continued)

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

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

Measurement and recognition of ECL

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

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

2.2.2 Summary of effects arising from initial application of HKFRS 9

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

	Notes	Available for-sale HK$'000	Debt instruments at FVTOCI HK$'000	Financial assets at FVTPL HK$'000	Debtors, deposits and prepayments HK$'000	Investment revaluation reserve HK$'000	Retained losses HK$'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 (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 retained losses.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

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

Notes: (Continued)

(b) Impairment under ECL model

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

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

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

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

	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. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

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

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

3. REVENUE

	Six months ended	
	31.12.2018	31.12.2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Dividend income from listed investments	**1,243**	4,819
Interest income from loans receivable	**12,304**	2,308
Rental income from property investment segment	**4,015**	3,692
Rental income from eldercare segment	**847**	922
Revenue from provision of elderly care related service	**14,805**	6,439
Hospital fees and charges	**512,705**	479,698
Revenue from sale of properties related to property development segment	**1,287**	11,180
Revenue from sale of properties related to eldercare segment	**46,950**	46,535
	594,156	555,593

3. REVENUE *(Continued)*

Disaggregation of revenue from contracts with customers

	For the six months ended 31 December 2018		
Segments	**Healthcare** *HK$'000*	**Eldercare** *HK$'000*	**Property development** *HK$'000*
Types of goods or services			
Property development			
Sales of properties	–	–	1,287
Healthcare			
Inpatient health services	187,695	–	–
Outpatient healthcare services	133,370	–	–
Other healthcare services	1,186	–	–
Physical examination services	54,651	–	–
Sales of pharmaceutical	135,803	–	–
	512,705	–	–
Eldercare			
Eldercare related services	–	12,350	–
Sales of nutritions	–	2,455	–
Sales of properties	–	46,950	–
	–	61,755	–
Total	512,705	61,755	1,287
Timing of revenue recognition			
A point of time	500,381	49,405	1,287
Over time	12,324	12,350	–
Total	512,705	61,755	1,287

3. REVENUE *(Continued)*

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

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

	For the six months ended 31 December 2018		
	Healthcare	**Eldercare**	**Property development**
	HK$'000	*HK$'000*	*HK$'000*
Revenue disclosed in segment information	512,705	62,602	1,287
Less: Rental income	–	(847)	–
Revenue from contracts with customers	512,705	61,755	1,287

4. SEGMENT INFORMATION

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

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

Healthcare – operations of hospitals in the People's Republic of China (excluding Hong Kong) ("PRC").

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

4. SEGMENT INFORMATION *(Continued)*

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

Property investment – leasing of residential and office properties.

Financial services – provision of financial services.

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

Segment revenues and results

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

For the six months ended 31 December 2018

	Healthcare *HK$'000* (unaudited)	Eldercare *HK$'000* (unaudited)	Property development *HK$'000* (unaudited)	Property investment *HK$'000* (unaudited)	Financial services *HK$'000* (unaudited)	Securities trading and investments *HK$'000* (unaudited)	Consolidated *HK$'000* (unaudited)
Gross proceeds from sales of investments held for trading	–	–	–	–	–	88,549	88,549
Revenue	512,705	62,602	1,287	4,015	12,304	1,243	594,156
Segment profit (loss)	8,748	(10,786)	(1,982)	3,065	6,332	1,767	7,144
Other gains and losses and other income							4,610
Net foreign exchange loss							(1,088)
Central corporate expenses							(32,191)
Finance costs							(8,725)
Loss before taxation							(30,250)

4. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

For the six months ended 31 December 2017

	Healthcare	Eldercare	Property development	Property investment	Financial services	Securities trading and investments	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Gross proceeds from sales of investments held for trading	–	–	–	–	–	1,070,211	1,070,211
Revenue	479,698	53,896	11,180	3,692	2,308	4,819	555,593
Segment profit (loss)	2,954	(18,122)	787	2,746	2,247	(4,832)	(14,220)
Other gains and losses and other income							2,163
Net foreign exchange loss							(403)
Central corporate expenses							(37,315)
Finance costs							(17,585)
Loss before taxation							(67,360)

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

Segment profit (loss) represents the profit earned or loss incurred by each segment without allocation of certain other gains and losses and other income, certain foreign exchange loss, central corporate expenses and certain finance costs.

4. SEGMENT INFORMATION *(Continued)*

Segment asset and liabilities

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

At 31 December 2018

	Healthcare *HK$'000* (unaudited)	**Eldercare** *HK$'000* (unaudited)	**Property development** *HK$'000* (unaudited)	**Property investment** *HK$'000* (unaudited)	**Financial services** *HK$'000* (unaudited)	**Securities trading and investments** *HK$'000* (unaudited)	**Consolidated** *HK$'000* (unaudited)
Segment assets	**1,340,093**	**988,846**	**30,335**	**207,003**	**231,631**	**143,452**	**2,941,360**
Corporate assets							**415,120**
Consolidated assets							**3,356,480**
Segment liabilities	**852,701**	**439,220**	**97,771**	**1,935**	**–**	**–**	**1,391,627**
Corporate liabilities							**160,644**
Consolidated liabilities							**1,552,271**

At 30 June 2018

	Healthcare *HK$'000* (audited)	Eldercare *HK$'000* (audited)	Property development *HK$'000* (audited)	Property investment *HK$'000* (audited)	Financial services *HK$'000* (audited)	Securities trading and investments *HK$'000* (audited)	Consolidated *HK$'000* (audited)
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

5. OTHER GAINS AND LOSSES, AND OTHER INCOME

	Six months ended 31.12.2018 HK$'000 (unaudited)	31.12.2017 HK$'000 (unaudited)
Gain (loss) in fair value change of investments held for trading	**914**	(16,232)
(Loss) gain in fair value change of derivative financial instruments	**(4)**	43
Gain on early repayment of consideration payable for acquisition of non-controlling interests	**1,500**	–
Imputed interest income from promissory notes receivable	**–**	24,051
Impairment loss recognised on an available-for-sale investment	**–**	(506)
Impairment loss recognised on financial assets, net	**(4,463)**	–
Net foreign exchange loss	**(4,325)**	(1,845)
Interest income from:		
– Debt instruments at fair value through other comprehensive income	**549**	–
– Available-for-sale debt instruments	**–**	349
– Bank deposits	**2,795**	2,409
Others	**8,674**	13,409
	5,640	21,678

6. FINANCE COSTS

The finance costs represent interest as follows:

	Six months ended 31.12.2018 HK$'000 (unaudited)	31.12.2017 HK$'000 (unaudited)
Interest on:		
Bank and other borrowings	**25,016**	46,782
Obligations under finance leases	**701**	1,400
	25,717	48,182

7. TAXATION (CREDIT) EXPENSE

	Six months ended	
	31.12.2018	31.12.2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax charge – Enterprise Income Tax ("EIT") in the PRC	**711**	140
Land appreciation tax ("LAT") in the PRC	**2,155**	4,594
Deferred taxation credit	**(1,030)**	(2,972)
Overprovision in prior years	**(54,252)**	–
	(52,416)	1,762

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

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

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

8. PROFIT (LOSS) FOR THE PERIOD

	Six months ended	
	31.12.2018	31.12.2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit (loss) for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	**52,507**	52,931
Release of prepaid lease payments	**1,399**	1,451
Cost of inventories recognised as an expense (included in cost of goods and services)	**216,406**	213,061
Cost of properties held for sale recognised as an expense (included in cost of goods and services)	**24,845**	26,434

9. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 31 December 2018 and 2017.

10. EARNINGS (LOSS) PER SHARE

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

Earnings (loss)

	Six months ended	
	31.12.2018	31.12.2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit (loss) for the purposes of basic and diluted earnings (loss) per share attributable to owners of the Company	**22,725**	(62,544)

10. EARNINGS (LOSS) PER SHARE *(Continued)*

	Number of shares	Number of shares
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 six months ended 31 December 2018 and 2017 do not assume the exercise of share options granted by a subsidiary since such assumed exercise would be anti-dilutive.

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

During the six months ended 31 December 2018, additions to the Group's property, plant and equipment amounted to HK$42,089,000 (six months ended 31 December 2017: HK$31,071,000).

During the six months ended 31 December 2018, additions to the Group's investment properties amounted to HK$9,779,000 (six months ended 31 December 2017: HK$6,848,000).

The Group's investment properties and buildings included in property, plant and equipment as at the end of the current interim period were revalued by the directors. At 31 December 2018 and 31 December 2017, the directors considered that the carrying amounts of the investment properties and buildings included in property, plant and equipment carried at fair value revalued amounts did not differ significantly from that what would be determined using fair values at the reporting date.

12. DEBTORS, DEPOSITS AND PREPAYMENTS

	31.12.2018	30.6.2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Debtors from securities trading	**–**	10,136
Trade receivables arising from hospital operation and elderly care related services operation	**80,524**	132,756
Deposits with and receivables from the financial institutions	**18,367**	7,596
Prepayments	**1,152**	518
Prepaid business taxes and other PRC taxes	**–**	7,799
Other debtors and deposits	**11,497**	20,556
	111,540	179,361

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

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

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

The following is an aged analysis of trade receivables from hospital operation and elderly care related services presented based on the invoice date as at 31 December 2018 and 30 June 2018:

	31.12.2018	30.6.2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 30 days	**67,178**	90,639
31 – 60 days	**567**	38,265
61 – 90 days	**290**	1,184
91 – 365 days	**10,695**	2,285
More than 365 days	**1,794**	383
	80,524	132,756

13. LOANS RECEIVABLE

	31.12.2018	30.6.2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Fixed-rate loans	**235,000**	–
Less: Impairment loss allowance	**(5,680)**	–
	229,320	–

The loans receivable had contractual maturity dates within 1 year as at 31 December 2018. As at 31 December 2018, the effective interest rates for the fixed rate loans receivable range from 18% to 21% per annum.

Pursuant to the loan agreement 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 carrying amount of HK$175,000,000 as at 31 December 2018 ("Loan 1") is secured by (i) a deed 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 1") in favour of the Subsidiary by way of a first fixed and floating charge over all the undertaking, property and assets of the Chargor 1 and (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 1.

The remaining loans receivable of HK$60,000,000 as at 31 December 2018 was granted under a participation agreement ("Participation Agreement") with a financial institution ("Financial Institution"). Pursuant to the Participation Agreement, the Subsidiary has agreed to participate without recourse to the Financial Institution in the first drawdown amount of a loan facility between the Financial Institution and a borrower ("FI's Loan"). The Financial Institution agrees and undertakes to apply any amounts receipts from the FI's Loan to repay to the Group in accordance with the proportion of the Group's participation ratio to the FI's Loan. The FI's Loan is secured by (i) the fixed and floating charges over the undertaking, property and assets of a chargor, a company incorporated in Hong Kong (the "Chargor 2") (ii) certain share mortgages on the entire issued shares of the borrower and the Chargor 2 and (iii) deed of assignment of amount owed by the borrower to its beneficial owner and is guaranteed by the beneficial owner of the borrower. As at 31 December 2018, there is no further commitment of the Subsidiary to participate in other drawdown of the FI's Loan.

14. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO ECL MODEL

Debt instruments at FVTOCI

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

Trade receivables

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

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

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

During the current interim period, the Group reversed HK$1,217,000 impairment allowance.

Allowance for impairment

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

	Trade receivables *HK$'000*
Balance at 1 July 2018*	5,469
Net remeasurement of loss allowance	(1,217)
Balance at 31 December 2018	4,252

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

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

Loans receivable

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

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

	Loans receivable *HK$'000*
Balance at 1 July 2018	–
Net remeasurement of loss allowance	5,680
Balance at 31 December 2018	5,680

15. CREDITORS AND ACCRUED CHARGES

	31.12.2018	30.6.2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade payables of hospital operation, of elderly care related services operation and to construction contractors	**247,948**	253,532
Accrued compensation for late delivery of properties held for sale	**5,902**	6,099
Accrued construction cost for properties under development for sale	**32,849**	33,942
Construction cost payable for hospital buildings classified as property, plant and equipment	**12,939**	6,514
Other creditors and accrued charges	**136,308**	153,587
	435,946	453,674

Trade payables of hospital operation and elderly care related services operation principally comprise amounts outstanding for trade purchases. Trade payables to construction contractors comprise construction costs for property development and other projects. The normal credit period taken for these trade payables is 30 – 90 days.

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

	31.12.2018	30.6.2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 30 days	**144,301**	141,032
31 – 60 days	**30,334**	36,717
61 – 90 days	**20,316**	28,797
91 – 365 days	**44,883**	40,343
Over 1 year but not exceeding 2 years	**4,788**	4,253
Over 2 years but not exceeding 5 years	**3,326**	2,390
	247,948	253,532

16. BORROWINGS

	31.12.2018	30.6.2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Unsecured term loans	**253,929**	262,382
Secured bank borrowings	**285,927**	253,675
Unsecured bank borrowings	**305,173**	309,446
	845,029	825,503

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

	31.12.2018	30.6.2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
On demand or within one year	**363,245**	325,330
Over one year but not exceeding two years	**253,929**	362,393
Over two years but not exceeding five years	**227,855**	137,780
	845,029	825,503
Less: Amount due within one year shown under current liabilities	**(363,245)**	(325,330)
Amount shown under non-current liabilities	**481,784**	500,173

During the current period, the Group obtained new borrowings amounting to HK$236,843,000 (six months ended 31 December 2017: HK$585,499,000) and repaid borrowings amounting to HK$190,573,000 (six months ended 31 December 2017: HK$935,059,000).

17. DEFERRED TAXATION

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

	Withholding tax in respect of undistributed earnings of PRC subsidiaries *HK$'000*	Fair value adjustment on business combination *HK$'000*	Total *HK$'000*
At 30 June 2018 (audited)	7,327	30,910	38,237
Credit to profit or loss for the period	(59)	(971)	(1,030)
Exchange difference	(237)	(996)	(1,233)
At 31 December 2018 (unaudited)	7,031	28,943	35,974

18. SHARE CAPITAL

	Number of shares	Share capital *HK$'000*
Ordinary shares of HK$0.0005 each		
Authorised:		
At 31 December 2018 and 30 June 2018	600,000,000,000	300,000
Issued and fully paid:		
At 31 December 2018 and 30 June 2018	14,480,072,773	7,240

19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

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

	Financial assets/financial liabilities in the condensed consolidated statement of financial position	Fair value as at 31.12.2018	Fair value as at 30.6.2018	Fair value hierarchy	Valuation techniques and key inputs
1)	Investments in listed equity securities classified as investments held for trading	**Listed equity securities:** **– Hong Kong HK$44,660,000** **– Overseas HK$57,354,000**	Listed equity securities: – Hong Kong HK$55,919,000 – Overseas HK$82,850,000	Level 1	Quoted bid prices in active markets.
2)	Investments in listed bond classified as debt instruments at FVTOCI/available-for-sales investments	**Assets - HK$22,161,000**	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-sales investments	**Assets - HK$108,000**	Assets - HK$116,000	Level 3	Quoted prices from financial institution.

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

Financial assets/financial liabilities in the condensed consolidated statement of financial position	Fair value as at 31.12.2018	Fair value as at 30.6.2018	Fair value hierarchy	Valuation techniques and key inputs
4) Other investments classified as financial assets at FVTPL	**Assets - HK$802,000**	Assets - nil *(note)*	Level 1	Quoted bid prices in active markets.
5) Gross-settled option contracts linked with listed equity securities	**Liabilities - nil**	Liabilities - HK$1,129,000	Level 3	Quoted from financial institution.

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

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

	Derivative financial instruments *HK$'000*
At 1 July 2017	(5,373)
Total gain in profit or loss	1,998
Settlement	(1)
At 31 December 2017	(3,376)
At 1 July 2018	**(1,129)**
Total loss in profit or loss	**(4)**
Settlement	**1,133**
At 31 December 2018	**–**

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

20. PLEDGE OF ASSETS

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

	31.12.2018	30.6.2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Investments held for trading	**102,014**	138,769
Building (included in property, plant and equipment)	**151,266**	156,488
Investment properties	**486,361**	493,681
Properties held for sale	**35,869**	37,063
Pledged bank deposits	**23,602**	24,432
	799,112	850,433

The Group's obligations under finance leases are secured by the Group's charge over the leased assets. At 31 December 2018, the carrying amount of the Group's medical equipment included an amount of HK$29,212,000 (30 June 2018: HK$32,783,000) in respect of assets held under finance leases.

21. COMMITMENT

	31.12.2018	30.6.2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Capital expenditure contracted for but not provided		
– Property, plant and equipment	**41,548**	42,793
– Investment properties	**166,713**	172,398
	208,261	215,191

22. RELATED PARTY TRANSACTIONS

(a) Other than amount due to an associate, which is unsecured, interest-free and repayable on demand, the Group has entered into the following related party transactions during the period:

	Six months ended	
	31.12.2018	31.12.2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest expense to borrowings from related parties of the Company *(Note)*	**–**	1,853

Note: A director of a subsidiary of the Group was a director of the related party. The director of a subsidiary resigned during the six months ended 31 December 2017.

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

	Six months ended	
	31.12.2018	31.12.2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Salaries and other short-term employee benefits	**2,539**	3,666
Retirement benefit costs	**21**	36
	2,560	3,702

23. SHARE-BASED PAYMENT TRANSACTIONS

In March 2013, Lianyungang Jiatai Construction Co., Ltd. 連雲港嘉泰建設有限公司 ("Jiatai Construction") signed a cooperative agreement ("Cooperative Agreement") with a doctor so as to employ the doctor to be the hospital incharge in Group's hospital in Nanjing ("Nanjing Hospital") for ten years. At the same time, Jiatai Construction has granted a call option to the doctor so as to provide an incentive to the doctor to serve the Group for the benefit of the development of Nanjing Hospital. The call option can be exercised within six months upon the completion of five years employment and the satisfaction of performance targets. The performance targets are based on: i) revenue amounting of RMB600 million; and ii) profit excluding finance costs of RMB90 million in Nanjing Hospital in the fifth year commencing on the date of the employment of the doctor (i.e. from May 2018 to April 2019) as per the management account of Nanjing Hospital from May 2018 to April 2019.

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

1. If both performance targets reach 90%, 100% of call option can be exercised;

2. If both performance targets reach 80%, 90% of call option can be exercised;

3. If both performance targets reach 70%, 80% of call option can be exercised;

4. If either one of both performance targets reach below 70%, no call option can be exercised.

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.

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

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

24. NON-CONTROLLING INTERESTS

	Share of net assets of subsidiaries	Share options reserve of subsidiaries	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 July 2017 (audited)	64,731	19,885	84,616
Share of loss for the period	(6,578)	–	(6,578)
Share of other comprehensive income for the period	4,627	–	4,627
Share of total comprehensive expense for the period	(1,951)	–	(1,951)
Recognition of equity-settled share-based payments *(note 23)*	–	2,252	2,252
At 31 December 2017 (unaudited)	62,780	22,137	84,917
At 1 July 2018 (audited)	**(662)**	**22,888**	**22,226**
Share of loss for the period	**(559)**	**–**	**(559)**
Share of other comprehensive expense for the period	**(695)**	**–**	**(695)**
Share of total comprehensive expense for the period	**(1,254)**	**–**	**(1,254)**
Lapse of share options *(note 23)*	**–**	**(22,888)**	**(22,888)**
At 31 December 2018 (unaudited)	**(1,916)**	**–**	**(1,916)**

CHANGE OF FINANCIAL YEAR END DATE

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the six months ended 31 December 2018, the Group recorded a reduced total revenue of HK$682,705,000 (2017: HK$1,625,804,000) but a profit attributable to shareholders of the Company of HK$22,725,000 (2017: loss of HK$62,544,000) mainly due to (i) a gain in fair value change of investments held for trading compared with a loss recorded in 2017; (ii) the decrease in finance costs; and (iii) an overall tax credit, which were partially off-set by the absence of imputed interest income from promissory notes receivables in the period under review.

Earnings per share (basic and diluted) for the six months ended 31 December 2018 was HK0.16 cents compared to a loss per share of HK0.43 cents in 2017.

The Group's net asset value per share as at 31 December 2018 amounted to HK$0.12 (2017: HK$0.13).

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend (2017: nil) for the six months ended 31 December 2018.

REVIEW OF OPERATIONS

During the six months ended 31 December 2018, the operating environment of the Group remained challenging as there was no sign of improvement in the geopolitical tensions and the global economy and that the consumers' sentiment and investors' confidence were weak and volatile.

REVIEW OF OPERATIONS *(Continued)*

Healthcare Division:

For the six months ended 31 December 2018, 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$512,705,000 (2017: HK$479,698,000) and a profit of HK$8,748,000 (2017: HK$2,954,000). Without interest, tax, depreciation and amortization, the Healthcare Division generated an EBITDA, being earnings before interest, tax, depreciation and amortization, of HK$67,778,000 (2017: HK$66,707,000) for the six months ended 31 December 2018. During the second half of 2018, the Healthcare Division has embarked on a restructuring exercise aiming to reduce its operating overheads and streamline its management structure.

For the period under review, the Nanjing hospital of the Division (“NJH”), a Class III integrated hospital of the Group, achieved a total of 390,187 out-patients visits (2017: 385,543), 13,746 in-patient admissions (2017: 13,264) and 24,174 body-checks (2017: 24,549) while the Kunming hospital of the Division (“KMH”), another Class III integrated hospital of the Group, achieved a total of 95,195 out-patients visits (2017: 87,858), 6,421 in-patient admissions (2017: 5,980) and 42,579 body-checks (2017: 39,794). As at 31 December 2018, NJH had 430 doctors (2017: 403), 499 nurses (2017: 438) and 710 beds (2017: 705), while KMH had 232 doctors (2017: 221), 347 nurses (2017: 345) and 486 beds (2017: 450).

For NJH, after the commencement of operations of Block D, a new 12-storey tower adjacent to the existing operating facility, in late 2018, its in-patient capacity will be increased by 400 beds.

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

Eldercare Division:

For the six months ended 31 December 2018, the Group's Eldercare Operations, operated through its wholly-owned subsidiary, Aveo China (Holdings) Limited (“Aveo China”), recorded an increased revenue of HK$62,602,000 (2017: HK$53,896,000) and a loss of HK$10,786,000 (2017: HK$18,122,000). 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.

REVIEW OF OPERATIONS *(Continued)*

Eldercare Division: *(Continued)*

As of 31 December 2018, Tide Health Campus （天地健康城） of the Eldercare Division, a retirement community village that integrates community eldercare, institutional eldercare, home eldercare and eldercare nursing hospital, sold 810 independent living units ("ILU"s) out of a total inventory of 868 ILUs and among which 16 ILUs (2017: 18) were recorded as sales in the period under review with more than 303 residents (2017: 271) moved into the retirement community village. In addition, the Division had leased out 25 serviced apartments ("SA") (2017: 26) out of the available 120 SAs during the period under review.

During six months ended 31 December 2018, the Shanghai Deyi Hospital (上海德頤醫院) ("DYH"), the eldercare nursing hospital in the village, achieved a total of 13,359 out-patients visits, 2,976 in-patient admissions and 62 body-checks. As at 31 December 2018, DYH had 24 doctors, 18 nurses and 100 beds.

Following the admission into the List of Hospitals under the National Health Insurance （國家醫保） coverage in September 2017, the DYH further obtained the license for provision of home care services establishing the health self-management team with the home care service officially launched in October 2018.

As at 31 December 2018, the Division's investment properties portfolio comprising the SAs and the retail shopping precinct has a total value amounted to HK$516,096,000 (2017: HK$532,652,000).

Property Development:

For the six months ended 31 December 2018, the Group's property development business recorded a turnover of HK$1,287,000 (2017: HK$11,180,000) and a loss of HK$1,982,000 (2017: profit of HK$787,000). As at 31 December 2018, 309 units of car park of Kangya Garden （康雅苑） Phase III out of a total inventory of 663 units were sold and among which 8 units (2017: 81) were also recorded as sales in the period under review.

As at 31 December 2018, the Group's properties under development for sale of HK$6,037,000 (2017: HK$6,383,000) consisted of a parcel of commercial land in Lianyungang, PRC.

REVIEW OF OPERATIONS *(Continued)*

Property Investments:

For the six months ended 31 December 2018, the Group's investment properties portfolio, for leasing, located in Hong Kong and the PRC recorded a rental income of HK$4,015,000 (2017: HK$3,692,000) and a profit of HK$3,065,000 (2017: HK$2,746,000). As at 31 December 2018, the Group's investment properties portfolio amounted to HK$251,300,000 (2017: HK$233,057,000).

Money Lending:

For the period under review, the Group's money lending business recorded an interest income of HK$12,304,000 (2017: HK$2,308,000) and a profit of HK$6,332,000 (2017: HK$2,247,000) after the expected credit loss allowance of HK$5,680,000 (2017: nil) upon the adoption of new financial reporting standard. As at 31 December 2018, the Group's loan portfolio amounted to HK$229,320,000 (2017: nil).

Securities Trading and Investments:

For the period under review, the Group's activities in securities trading and investments recorded a reduced total revenue of HK$89,792,000 (2017: HK$1,075,030,000) and a profit of HK$1,767,000 (2017: loss of HK$4,832,000). This was mainly due to the gain in fair value change of investments held for trading of HK$914,000 compared with a loss of HK$16,232,000 recorded in 2017 which were partially off-set by the absence of imputed interest income from promissory notes receivables (2017: HK$24,051,000).

As at 31 December 2018, the Group maintained a portfolio of financial assets at fair value through profit or loss ("FVTPL") and other comprehensive income ("FVTOCI") of HK$23,071,000 and a portfolio of investments held for trading of HK$102,014,000 (2017: HK$305,309,000).

REVIEW OF OPERATIONS *(Continued)*

Investments Held for Trading:

As at 31 December 2018, 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 2018 HK$'000	Carrying value 2017 HK$'000	Realized gain (loss) 2018 HK$'000	Fair value gain (loss) 2018 HK$'000	Dividend received 2018 HK$'000	% of carrying value to the Group's net assets 2018 %
Hong Kong	44,660	177,179	(256)	(17,673)	244	2.5
Australia	53,231	123,211	18,960	1,006	999	3.0
Philippine	2,001	773	–	628	–	0.1
Japan	2,122	4,146	–	(1,751)	–	0.1
Total	102,014	305,309	18,704	(17,790)	1,243	

As at 31 December 2018, 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 2018 HK$'000	Carrying value 2017 HK$'000	Realized gain (loss) 2018 HK$'000	Fair value gain (loss) 2018 HK$'000	Dividend received 2018 HK$'000	% of carrying value to the Group's net assets 2018 %
Entertainment and media company	3,240	3,340	–	(760)	–	0.2
Financial services and investment company	2,528	16,974	–	(1,746)	–	0.1
Healthcare services company	–	58,927	19,663	–	999	–
Industrial materials company	277	306	–	(11)	–	–
Information technology company	–	8,120	–	–	–	–
Mining and resources company	23,128	124,250	(1,027)	1,707	229	1.3
Property company	72,841	93,392	68	(16,980)	15	4.0
Total	102,014	305,309	18,704	(17,790)	1,243	

At 31 December 2018, there was no investment held for trading which was material to the Group (exceeded 5% the net assets of the Group).

REVIEW OF OPERATIONS *(Continued)*

Derivative Financial Instruments:

As at 31 December 2018, there was no investment in derivative financial instrument (linked with equity securities).

As at 31 December 2018, the performance of the Group's investment in derivative financial instruments were as follows:

	Fair value 2018 *HK$'000*	Realized gain (loss) 2018 *HK$'000*	Fair value gain (loss) 2018 *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 and derivative financial instruments is generally affected by economic, political and financial market environments, globally and regionally, and is susceptible to the volatility of the financial markets.

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

As at 31 December 2018, the Group's non-current assets of HK$2,215,139,000 (2017: HK$2,321,066,000) consisted of investment properties of HK$767,396,000 (2017: HK$765,709,000), property, plant and equipment of HK$1,309,926,000 (2017: HK$1,406,203,000), prepaid lease payments of HK$98,027,000 (2017: HK$106,526,000), financial assets at FVTPL of HK$802,000, goodwill of HK$31,430,000 (2017: HK$33,955,000) and deposits for acquisition of property, plant and equipment of HK$7,558,000 (2017: HK$7,995,000). These non-current assets are principally financed by the Group's shareholders' funds. As at 31 December 2018, the Group's net current assets amounted to HK$111,044,000 (2017: HK$264,927,000).

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

As at 31 December 2018, the total borrowings of the Group decreased to HK$845,029,000 (2017: HK$1,510,774,000) consisting of securities margin loans of nil (2017: HK$269,539,000), secured term loans of nil (2017: HK$75,462,000), unsecured term loans of HK$253,929,000 (2017: HK$486,742,000), secured bank borrowings of HK$285,927,000 (2017: HK$240,620,000), unsecured bank borrowings of HK$305,173,000 (2017: HK$210,544,000), unsecured other borrowings of nil (2017: HK$177,818,000) and discounted bills of nil (2017: HK$50,049,000). Among the total borrowings of the Group, HK$363,245,000 (2017: HK$1,006,708,000) was with maturity within one year, HK$253,929,000 (2017: HK$323,601,000) was with maturity over one year but not exceeding two years and HK$227,855,000 (2017: HK$180,465,000) was with maturity over two years but not exceeding five years.

As at 31 December 2018, 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, decreased to 23.9% (2017: 47.6%). The Group's gearing ratio would be adjusted to 17.0% (2017: 31.4%) with marketable securities inclusive of financial assets at FVTOCI and FVTPL (both current) and investments held for trading deducted from the net borrowings.

During the period under review, the Group's assets, liabilities and transactions were mainly denominated in Hong Kong Dollar, Renminbi, Australian Dollar, US Dollar and Japanese Yen. Because of the short term nature, the Group did not actively hedge risks arising from its Australian Dollar, US Dollar and Japanese Yen denominated assets and transactions. As the substantial portion of the Group's assets and operations are located in the PRC and its transactions, related working capital and borrowings are primarily denominated in Renminbi and Hong Kong Dollars, the Group will closely monitor its foreign exchange exposure in this regard and will actively consider hedging the currency exposure should the need arise.

As at 31 December 2018, the Group had capital commitment contracted for but not provided relating to the acquisition of property, plant and equipment, and investment properties of HK$41,548,000 (2017: HK$68,383,000) and HK$166,713,000 (2017: HK$40,202,000) respectively.

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

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 2018, details of use of net proceeds from the Subscription were as follows:

Intended use of proceeds	Actual use of proceeds
i. An amount of approximately HK$600,000,000 will be used for working capital and for expansion of the Group's hospital and healthcare, and aged care businesses	a) Approximately HK$84,773,000 was used for construction cost of Block D of NJH.
	b) Approximately HK$80,569,000 was used for working capital of the healthcare business.
	c) Approximately HK$100,287,000 (RMB90,000,000) was used to settle the acquisition costs of 18.36% equity interests of Yangpu Zhaohe Industrial Co., Ltd. （洋浦兆合實業有限公司） ("Yangpu Zhaohe")*.
	d) HK$85,800,000 was used to settle the acquisition cost of 30% equity interest of Aveo China.
	e) Approximately HK$59,275,000 was used for purchasing and improvement of medical and healthcare equipment.
ii. The remaining balance of approximately HK$299,250,000 will be used for reduction of the borrowings of the Group	a) HK$299,250,000 was used for reduction of the borrowings of the Group.

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

Note:

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

During the period under review, the Company did not repurchase any shares (2017: 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 Company will convene a general meeting of the Company for the purposes of, among other things, seeking approval from the shareholders of the Company for the adoption of the scheme. A circular containing, inter alia, (i) information regarding the proposed adoption of the scheme and other related matters; and (ii) a notice convening the general meeting, has been despatched to the shareholders of the Company on 18 February 2019.

CHARGE ON GROUP ASSETS

As at 31 December 2018, the Group's investments held for trading of HK$102,014,000 (2017: HK$305,309,000), building (included in property, plant and equipment) of HK$151,266,000 (2017: HK$158,208,000), investment properties of HK$486,361,000 (2017: HK$501,061,000), properties held for sale of HK$35,869,000 (2017: HK$37,898,000) and pledged bank deposits of HK$23,602,000 (2017: HK$63,591,000) were pledged to securities houses and banks to secure credit facilities granted to the Group.

The Group's obligations under finance leases are secured by the Group's charge over the leased assets. At 31 December 2018, the carrying amount of the Group's medical equipment included an amount of HK$29,212,000 (2017: HK$48,124,000) in respect of assets held under finance leases.

MATERIAL ACQUISITIONS AND DISPOSAL

Save as disclosed herein, for the six months ended 31 December 2018, the Group did not make any material acquisitions and disposal of subsidiaries, significant investments nor capital commitment.

EMPLOYEES

The Group had 2,321 employees as at 31 December 2018 (2017: 2,212). 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

The Group considers that the outlook of private healthcare and eldercare sectors in the PRC is optimistic given its favourable demographic and macro factors, supportive central government policies and the relatively low penetration of private healthcare and eldercare institutions.

Healthcare Division:

The Division will continue to improve the efficiency of its hospital operation and management, and to focus on developing its integrated hospitals and specialist services.

For NJH, being the flagship integrated hospital of the Division with an in-patient capacity of 1,200 beds and more than 37 specialty centres offering quality clinical diagnosis and therapeutic services at national standards, it will focus on improving its research and development centres and developing its high-end services such as optometry services, oral and dental services, medical beauty and health management.

For KMH, being one of the largest private, integrated hospital in Kunming, PRC, it will continue to develop its VIP and international clientele in the Southeast Asia, VIP maternity services as well as its cerebrospinal centre. The Division aims to develop KMH as one of the most competitive private, integrated hospital in the southwest part of the PRC.

Eldercare Division:

The Eldercare Division expects more residents will move into the Tide Health Campus as the retail shopping precinct and DYH becoming operational and offering comprehensive services. The management believes that new residents will be encouraged to become members of the retirement community to enjoy the community facilities and services.

PROSPECTS *(Continued)*

Eldercare Division: *(Continued)*

For the SAs, construction of the first building was completed in November 2016 with 120 SAs available for lease. The Division plans to modify the second building to increase the number of SAs from 80 to 100 to meet the market needs.

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

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at 31 December 2018, the interests and short positions of the directors and chief executives of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Hong Kong (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:–

Long positions in the shares of the Company

	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 1)*	–	2,592,514,140	17.90%

Note:

The percentage of shareholding is calculated on the basis of the Company's issued share capital of 14,480,072,773 shares as at 31 December 2018.

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

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES *(Continued)*

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

Save as disclosed above, as at 31 December 2018, none of the directors, the chief executives of the Company nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 31 December 2018, the following parties had interests or short positions in the shares or underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO:–

Long positions in the shares of the Company

Name	Capacity		Number of ordinary shares held	Percentage of issued ordinary shares
Tsinghua Tongfang Co., Ltd. ("THTF")	Held by controlled corporation	*(Note 1)*	4,000,000,000	27.62%
Resuccess Investments Limited ("Resuccess")	Held by controlled corporation	*(Note 1)*	4,000,000,000	27.62%
Cool Clouds Limited ("Cool Clouds")	Beneficial owner	*(Note 1)*	4,000,000,000	27.62%

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

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

Name	Capacity		Number of ordinary shares held	Percentage of issued ordinary shares
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%

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

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

Name	Capacity		Number of ordinary shares held	Percentage of issued ordinary shares
Ms. Luo Qiongying ("Ms. Luo")	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%
Allied Group Limited ("Allied Group")	Held by controlled corporation	*(Note 5)*	1,904,031,708	13.14%
Allied Properties (H.K.) Limited ("Allied Properties")	Held by controlled corporation	*(Note 5)*	1,904,031,708	13.14%
Mr. Lee Seng Hui	Held by controlled corporation	*(Note 5)*	1,904,031,708	13.14%
Ms. Lee Su Hwei	Held by controlled corporation	*(Note 5)*	1,904,031,708	13.14%
Mr. Lee Seng Huang	Held by controlled corporation	*(Note 5)*	1,904,031,708	13.14%

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 2018.

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

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

Notes: (Continued)

1. Cool Clouds, a wholly-owned subsidiary of Resuccess, was interested in 4,000,000,000 ordinary shares of the Company. THTF was the sole shareholder of Resuccess as at 31 December 2018. Accordingly, Resuccess and THTF were deemed to be interested in 4,000,000,000 ordinary shares of the Company in which Cool Clouds was interested.

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

3. Victor Beauty, a wholly-owned subsidiary of CMIC, owns 2,000,000,000 ordinary shares of the Company. CMIC is a wholly-owned subsidiary of 中民投國際資本 which in turn is a wholly-owned subsidiary of CMI held directly as to 31.5% interests and indirectly as to 68.5% interests through CMIF and CMIG. CMIF is a wholly-owned subsidiary of CMIG, which in turn is a wholly-owned subsidiary of CMI. Accordingly, CMIC, 中民投國際資本, CMIF, CMIG and CMI are deemed to have interests in 2,000,000,000 ordinary shares of the Company.

4. Greatime, a wholly-owned subsidiary of Excellent Top, owns 1,149,739,208 ordinary shares of the Company. Ms. Luo maintains 100% beneficial interests in Excellent Top. Accordingly, Ms. Luo is deemed to have corporate interests in 1,149,739,208 ordinary shares of the Company.

5. Fareast Global Limited, a wholly-owned subsidiary of Tian An China Investments Company Limited ("Tian An"), owned 604,292,500 ordinary shares of the Company and Tian An was owned as to approximately 48.66% by China Elite Holdings Limited which was in turn wholly-owned by Allied Properties.

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

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

Notes: (Continued)

5. *(Continued)*

   Itso Limited, a wholly-owned subsidiary of Shipshape Investments Limited ("Shipshape"), held 1,149,739,208 ordinary shares of the Company as holder of securities and Sun Hung Kai Structured Finance Limited, a wholly-owned subsidiary of Shipshape, held 150,000,000 ordinary shares of the Company as holder of securities. Shipshape was a wholly-owned subsidiary of Sun Hung Kai & Co. Limited ("SHK"). SHK was owned as to approximately 61.43% by Allied Properties which was in turn owned as to approximately 74.99% by Allied Group.

   Mr. Lee Seng Hui together with Ms. Lee Su Hwei and Mr. Lee Seng Huang are the trustees of Lee and Lee Trust, being a discretionary trust. The Lee and Lee Trust controlled approximately 74.95% of the total number of issued shares of Allied Group (inclusive of Mr. Lee Seng Hui's personal interests) and was therefore deemed to have an interest in the shares in which Allied Group was interested.

Save as disclosed above, as at 31 December 2018, there were no other parties who had interests or short positions in the shares or underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

CORPORATION GOVERNANCE AND OTHER INFORMATION

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with the management of the Company (the "Management") the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a general review of the interim report (including unaudited interim condensed consolidated financial statements for the six months ended 31 December 2018). In carrying out this review, the Audit Committee has relied on a review conducted by the Group's external auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA as well as reports obtained from the Management. The Audit Committee has not undertaken detailed independent audit checks.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the applicable code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 31 December 2018.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the directors of the Company (the "Directors"). Having made specific enquiry with all Directors, they have confirmed their compliance with the required standard as set out in the Model Code throughout the six months ended 31 December 2018.

CHANGES IN DIRECTORS' INFORMATION

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

i) Mr. Kong Muk Yin has resigned as company secretary of Manfield Chemical Holdings Limited with effect from 31 December 2018.

ii) Dato' Wong Peng Chong has resigned as a non-executive director of Manfield Chemical Holdings Limited with effect from 31 December 2018.

iii) Dr. Wong Wing Kuen, Albert has been appointed as independent non-executive director of Dexin China Holdings Limited with effect from 11 January 2019.

Change in Directors' Emoluments

i) The monthly salary of Mr. Kong Muk Yin has been adjusted to HK$150,000 with effect from 22 September 2018.

CHANGES IN DIRECTORS' INFORMATION *(Continued)*

Change in Directors' Emoluments *(Continued)*

ii) The directors' fees of the following non-executive directors and independent non-executive directors of the Company have been adjusted with effect from 6 December 2018:-

– The remuneration of Dato' Wong Peng Chong, Mr. Liao Feng, Mr. Zhang Jian and Dr. Xia Xiaoning have been adjusted to HK$150,000 per annum.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51 (B) of the Listing Rules.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the six months ended 31 December 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board
China Medical & HealthCare Group Limited
Zhou Liye
Chairman

Hong Kong, 27 February 2019

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

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

Non-Executive Directors
Mr. Zhou Liye (Chairman), Dato' Wong Peng Chong and Mr. Liao Feng

Independent Non-Executive Directors
Mr. Zhang Jian, Dr. Xia Xiaoning, Dr. Wong Wing Kuen, Albert and
Ms. Yang Lai Sum, Lisa

* On 8 March 2019, Mr. Liao Feng has resigned as non-executive director and Dr. Luo Guorong has been appointed as non-executive director of the Company.

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