



China Medical & HealthCare Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 383)

2017 / 2018
Annual Report

CONTENTS

Corporate Information	2
Chairman's Statement	3
Biographical Details in Respect of Directors	12
Directors' Report	15
Corporate Governance Report	22
Environmental, Social and Governance Report	36
Independent Auditor's Report	49
Consolidated Statement of Profit or Loss	55
Consolidated Statement of Profit or Loss and Other Comprehensive Income	56
Consolidated Statement of Financial Position	57
Consolidated Statement of Changes in Equity	59
Consolidated Statement of Cash Flows	60
Notes to the Consolidated Financial Statements	62
Financial Summary	152

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

Dato' Wong Peng Chong
Mr. Liao Feng

Independent Non-Executive Directors

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

AUDIT COMMITTEE

Mr. Lau Siu Ki (*Chairman*)
Mr. Zhang Jian
Mr. Liao Feng
Dr. Xia Xiaoning

NOMINATION COMMITTEE

Ms. Chong Sok Un (*Chairman*)
Dato' Wong Peng Chong
Mr. Lau Siu Ki
Mr. Zhang Jian
Dr. Xia Xiaoning

REMUNERATION COMMITTEE

Dr. Xia Xiaoning (*Chairman*)
Mr. Kong Muk Yin
Dato' Wong Peng Chong
Mr. Liao Feng
Mr. Lau Siu Ki
Mr. Zhang Jian

COMPANY SECRETARY

Ms. Fung Ching Man, Ada

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

SOLICITORS

Robertsons
P.C. Woo & Co.

PRINCIPAL BANKERS

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

REGISTERED OFFICE

Canon's Court, 22 Victoria Street
Hamilton HM 12, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke, HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

383

WEBSITE

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

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of China Medical & HealthCare Group Limited (the "Company"), I have the pleasure to present the financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30 June 2018.

FINANCIAL RESULTS

For the year ended 30 June 2018, the Group recorded an increased total revenue of HK\$2,318,159,000 (2017: HK\$1,832,194,000) but a loss for the year attributable to shareholders of the Company of HK\$137,110,000 (2017: HK\$71,813,000). This increase in loss for the year attributable to shareholders of the Company was mainly due to the loss in fair value of investments held for trading as compared with a gain recorded in 2017, the reduction in sales of properties under the property development operations, and the reduction in sales of independent living units ("ILUs") under the Eldercare Division, which were partially off-set by the absence of net loss on disposal of subsidiaries in current fiscal year.

Loss per share (basic and diluted) for the year ended 30 June 2018 was HK0.95 cents compared to HK0.50 cents in 2017.

The Group's net asset value per share as at 30 June 2018 amounted to HK\$0.124 (2017: HK\$0.135).

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend (2017: nil) for the year ended 30 June 2018.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "Annual General Meeting") is scheduled to be held on Thursday, 6 December 2018. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Monday, 3 December 2018 to Thursday, 6 December 2018, both dates inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of ordinary shares, duly accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration, no later than 4:30 p.m. on Friday, 30 November 2018.

REVIEW OF OPERATIONS

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

Healthcare Division:

For the year ended 30 June 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\$964,563,000 (2017: HK\$785,162,000) and a profit of HK\$5,226,000 (2017: loss of HK\$18,744,000). Without interest, tax, depreciation and amortization, the Healthcare Division generated an EBITDA, being earnings before interest, tax, depreciation and amortization, of HK\$130,387,000 (2017: HK\$91,444,000) for the year ended 30 June 2018.

CHAIRMAN'S STATEMENT

During the year under review, the Nanjing hospital of the Division ("NJTRH"), a Class III integrated hospital of the Group, achieved a total of 783,706 out-patients visits (2017: 690,370), 26,805 in-patient admissions (2017: 24,903) and 52,314 body-checks (2017: 41,601) while the Kunming hospital of the Division ("KMTRH"), another Class III integrated hospital of the Group, achieved a total of 159,855 out-patients visits (2017: 165,985), 11,177 in-patient admissions (2017: 10,522) and 55,804 body-checks (2017: 52,132). As at 30 June 2018, NJTRH had 411 doctors (2017: 336), 454 nurses (2017: 420) and 710 beds (2017: 657), while KMTRH had 225 doctors (2017: 220), 349 nurses (2017: 330) and 450 beds (2017: 444).

Eldercare Division:

In April 2018, the Group entered into an agreement to acquire the remaining 30% equity interests in Aveo China (Holdings) Limited ("Aveo China") for a consideration of HK\$87,300,000 ("Aveo China Acquisition"). Following the completion of the Aveo China Acquisition in May 2018, Aveo China became a wholly-owned subsidiary of the Company.

For the year ended 30 June 2018, the Group's Eldercare Operations, operated through Aveo China, recorded a decreased revenue of HK\$100,753,000 (2017: HK\$363,126,000) and a loss of HK\$58,154,000 (2017: profit of HK\$2,337,000) inclusive of a loss on fair value changes on investment properties of HK\$18,632,000 (2017: HK\$42,387,000).

As of 30 June 2018, the retirement village project, Tide Health Campus (天地健康城) of the Eldercare Division sold 799 ILUs out of a total inventory of 868 ILUs and among which 30 ILUs (2017: 143 ILUs) were recorded as sales in the year under review with more than 285 residents moved into the retirement community village. In addition, the Division had leased out 27 serviced apartments ("SA") (2017: 25 SAs) out of the available 120 SAs during the year under review.

During the year under review, the Shanghai Deyi Hospital ("SHDYH") of the Division, the elderly nursing hospital in the village, achieved a total of 15,143 out-patients visits, 2,750 in-patient admissions and 175 body-checks. As at 30 June 2018, SHDYH had 13 doctors, 17 nurses and 100 beds.

As at 30 June 2018, the Division's investment properties portfolio comprising the SAs and the retail shopping precinct has a total value amounted to HK\$524,376,000 (2017: HK\$508,873,000).

In April 2018, the Group entered into certain cooperation agreements in relation to the joint investment in the development projects of retirement village over part of the medical, healthcare and charitable use lands of the Group near NJTRH and KMTRH ("Cooperation"). The detailed terms and conditions of the Cooperation are subject to further commercial negotiation and further definitive agreements between the parties. If the parties fail to enter into definitive agreements in relation to the Cooperation within 12 months of the date of the said cooperation agreements, the agreements will cease to have effect save and except certain terms thereof.

CHAIRMAN'S STATEMENT

Property Development:

For the year ended 30 June 2018, the Group recorded a turnover of HK\$18,732,000 (2017: HK\$69,385,000) and a profit of HK\$917,000 (2017: HK\$21,098,000). As at 30 June 2018, 411 units of Kangya Garden (康雅苑) Phase III out of a total inventory of 419 units were sold and among which nil unit (2017: 2) was recorded as sales in the year under review. Further, as at 30 June 2018, 301 units of car park of Kangya Garden Phase III out of a total inventory of 663 units were sold and among which 89 units (2017: 207) were also recorded as sales while 27 units of retail shops of Kangya Garden Phase III out of a total inventory of 27 units were sold and among which 1 unit (2017: 8) was also recorded as sales in the year under review.

As at 30 June 2018, the Group's properties under development for sale of HK\$6,243,000 (2017: HK\$6,110,000) consisted of a parcel of commercial land in Lianyungang, PRC.

Property Investments:

For the year under review, the Group's investment properties portfolio, for leasing, located in Hong Kong and the PRC recorded a rental income of HK\$7,358,000 (2017: HK\$6,711,000) and a profit of HK\$23,621,000 (2017: HK\$11,455,000) mainly due to the gain from fair value changes on investment properties of HK\$17,023,000 (2017: HK\$6,879,000). As at 30 June 2018, the Group's investment properties portfolio increased to HK\$251,300,000 from HK\$233,057,000 in 2017.

Securities Trading and Investments:

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

For the year ended 30 June 2018, the Group's activities in securities trading and investments recorded a turnover of HK\$1,224,445,000 (2017: HK\$594,860,000) but a loss of HK\$24,366,000 (2017: profit of HK\$170,348,000). This was mainly due to (i) the loss in fair value of investments held for trading of HK\$8,716,000 (2017: gain of HK\$167,492,000); (ii) the reduction of gain in fair value of derivative financial instruments to HK\$4,244,000 (2017: HK\$7,806,000); and (iii) net loss in promissory notes receivable of HK\$6,500,000 (2017: nil).

As at 30 June 2018, the Group maintained a portfolio of available-for-sale investments of HK\$23,480,000 (2017: HK\$1,481,000) and a portfolio of investments held for trading of HK\$138,769,000 (2017: HK\$1,155,403,000).

CHAIRMAN'S STATEMENT

Investments Held for Trading:

As at 30 June 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	Carrying	Realized	Fair value	Dividend	% of carrying
	value	value	gain (loss)	gain (loss)	received	value to the
	2018	2017	2018	2018	2018	Group's net
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	assets
						2018
						%
Hong Kong	55,918	951,028	232	(10,133)	6,465	3.1
Australia	77,606	164,077	6,074	(19,343)	410	4.3
Malaysia	–	25,894	2,968	–	–	–
Philippine	1,373	1,048	(1)	328	–	0.1
PRC	–	10,329	4,296	–	52	–
Japan	3,872	3,027	10,096	(3,233)	–	0.2
Total	138,769	1,155,403	23,665	(32,381)	6,927	

As at 30 June 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	Carrying	Realized	Fair value	Dividend	% of carrying
	value	value	gain (loss)	gain (loss)	received	value to the
	2018	2017	2018	2018	2018	Group's net
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	assets
						2018
						%
Banking company	–	5,997	1,237	–	273	–
Consumer services company	–	–	10,099	–	5	–
Entertainment and media company	4,000	36,180	528	(298)	–	0.2
Financial services and investment company	4,273	436,131	1,386	(3,125)	–	0.2
Healthcare services company	46,384	12,971	–	(6,046)	–	2.6
Industrial materials company	290	32,487	(66)	(11)	421	–
Information technology company	–	–	800	–	–	–
Mining and resources company	34,454	128,050	11,879	(8,169)	1,588	1.9
Property company	49,368	503,587	(2,198)	(14,732)	4,640	2.7
Total	138,769	1,155,403	23,665	(32,381)	6,927	

At 30 June 2018, there was no investment held for trading which was material to the Group (exceeded 5% the net assets of the Group).

CHAIRMAN'S STATEMENT

Derivative Financial Instruments:

As at 30 June 2018, the Group's investments in derivative financial instruments consisted of options linked with equity securities were as follows:

	No. of contracts as at 30.06.2018	Fair value 2018 HK\$'000
Asset		
Option contract linked with equity securities listed in Hong Kong	–	–
		–
Liability		
Option contract linked with equity securities listed in Hong Kong	3	(1,129)
		(1,129)
Net liability		(1,129)

As at 30 June 2018, the respective performance of the Group's investment in derivative financial instruments were as follows:

Derivative financial instruments	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	(1,129)	4,244	–

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.

CHAIRMAN'S STATEMENT

Money Lending:

For the year ended 30 June 2018, the Group's money lending business recorded an interest income of HK\$2,308,000 (2017: HK\$12,950,000) and a profit of HK\$2,247,000 (2017: HK\$34,431,000) mainly due to the absence of reversals of impairment loss recognized on loan receivable (2017: HK\$19,247,000) and outstanding interest (2017: HK\$2,438,000). As at 30 June 2018, there was no outstanding loan receivable (2017: HK\$40,000,000).

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

As at 30 June 2018, the Group's non-current assets of HK\$2,285,771,000 (2017: HK\$2,264,399,000) consisted of investment properties of HK\$775,676,000 (2017: HK\$741,930,000), property, plant and equipment of HK\$1,365,534,000 (2017: HK\$1,377,148,000), prepaid lease payments of HK\$102,733,000 (2017: HK\$103,375,000), available-for-sale investments of HK\$802,000 (2017: HK\$678,000), goodwill of HK\$33,207,000 (2017: HK\$32,500,000) and deposits for acquisition of property, plant and equipment of HK\$7,819,000 (2017: HK\$8,768,000). These non-current assets are principally financed by the Group's shareholders' funds. As at 30 June 2018, the Group's net current assets amounted to HK\$80,991,000 (2017: HK\$296,569,000).

As at 30 June 2018, the total borrowings of the Group amounted to HK\$825,503,000 (2017: HK\$1,826,429,000) consisting of securities margin loans of nil (2017: HK\$370,806,000), unsecured term loans of HK\$262,382,000 (2017: HK\$487,940,000), secured bank borrowings of HK\$253,675,000 (2017: HK\$115,521,000), unsecured bank borrowings of HK\$309,446,000 (2017: HK\$308,262,000), secured other borrowings of nil (2017: HK\$186,546,000), unsecured other borrowings of nil (2017: HK\$152,922,000), discounted bills of nil (2017: HK\$128,970,000) and secured term loan of nil (2017: HK\$75,462,000). Among the total borrowings of the Group, HK\$325,330,000 (2017: HK\$1,371,270,000) was with maturity on demand or within one year, HK\$362,393,000 (2017: HK\$340,007,000) was with maturity over one year but not exceeding two years and HK\$137,780,000 (2017: HK\$115,152,000) was with maturity of over two years but not exceeding five years.

As at 30 June 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, was 13.8% (2017: 51.7%). The Group's gearing ratio would be adjusted to 5.0% (2017: zero) with marketable securities inclusive of available-for-sale investments (current) and investments held for trading deducted from the net borrowings.

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

CHAIRMAN'S STATEMENT

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

As at 30 June 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\$42,793,000 (2017: HK\$76,831,000) and HK\$172,398,000 (2017: HK\$38,479,000) respectively.

As at 30 June 2018, Tongren Healthcare provided no guarantee (2017: RMB50,000,000 (approximately HK\$57,576,000)) to China Huali Holding Group Company Limited (中國華力控股集團有限公司) ("Huali") for its application of a loan while Huali and its subsidiary provided no guarantee (2017: RMB170,000,000 (approximately HK\$195,758,000)) to Tongren Healthcare and its subsidiaries for their application of loans.

In December 2015, the Company and CM International Holding Pte Limited ("CM International") entered into a subscription agreement in which CM International agreed to subscribe for 2,000,000,000 new shares of the Company at the subscription price of HK\$0.45 per share raising gross proceeds of HK\$900,000,000 ("Subscription") for the Company. As at 30 June 2018, details of use of net proceeds from the Subscription were as follows:

Intended 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

Actual use of proceeds

- a) Approximately HK\$75,856,000 was used for construction cost of Block D of NJTRH.
- 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 Zhaohé Industrial Co. Ltd.* (洋浦兆合實業有限公司) ("Yangpu Zhaohé").
- d) HK\$30,000,000 was used to settle part of the acquisition cost of 30% equity interest of Aveo China.
- e) Approximately HK\$44,229,000 was used for purchasing and improvement of medical and healthcare equipment.

CHAIRMAN'S STATEMENT

Intended use of proceeds

- ii. The remaining balance of approximately HK\$299,250,000 will be used for reduction of the borrowings of the Group

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 year under review, the Company did not repurchase any shares (2017: nil) in the capital of the Company.

CHARGE ON GROUP ASSETS

As at 30 June 2018, the Group's investments held for trading of HK\$138,769,000 (2017: HK\$1,150,525,000), buildings (included in property, plant and equipment) of HK\$156,488,000 (2017: HK\$152,565,000), investment properties of HK\$493,681,000 (2017: HK\$478,833,000), properties held for sale of HK\$37,063,000 (2017: HK\$32,673,000) and pledged bank deposits of HK\$24,432,000 (2017: HK\$220,407,000) were pledged to banks and securities houses to secure credit facilities granted to the Group.

At 30 June 2017, the Company's equity interests in certain subsidiaries were pledged to lenders to secure credit facilities granted to the Group.

The Group's obligations under finance leases are secured by the Group's charge over the leased assets. At 30 June 2018, the carrying amount of the Group's medical equipment included an amount of HK\$32,783,000 (2017: HK\$59,879,000) in respect of assets held under finance leases.

As at 30 June 2018, there was no discounted bill (2017: HK\$128,970,000) which was secured by pledged bank deposits.

MATERIAL ACQUISITIONS AND DISPOSAL

Save as disclosed herein, for the year ended 30 June 2018, the Group did not make any material acquisitions and disposal of subsidiaries, significant investments nor capital commitment.

EMPLOYEES

The Group had 2,254 employees as at 30 June 2018 (2017: 2,120). 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.

CHAIRMAN'S STATEMENT

PROSPECTS

The Group believes that the prospect of private healthcare and eldercare sectors in the PRC will be optimistic given the mainland's favourable demographic and macro factors together with supportive central government policies, improved public awareness in healthcare and eldercare, and relative low penetration by private healthcare and eldercare institutions.

Healthcare Division:

As the Healthcare Division has established various research and development centres in eye, neck and throat specialty, and spine treatment in its integrated hospitals, the Division expects that it will strengthen the Group's position in such specialist areas. 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.

Eldercare Division:

Following the operation of the Shanghai Metro Line No. 17 that runs from Hongqiao Railway Station to Zhu Jia Jiao since December 2017, and the addition of SHDYH into the National Health Insurance Coverage's list of panel hospitals, the Division anticipates that more residents of ILUs will move in and tenants for SAs will be attracted to Tide Health Campus given its extensive on-site facilities, medical care facilities and convenient location. The Division will continue focusing its business in China by building, developing and managing more retirement villages with quality care services to elderly people in the PRC.

APPRECIATION

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

Chong Sok Un

Deputy Chairman

Hong Kong, 27 September 2018

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

EXECUTIVE DIRECTORS

Ms. Chong Sok Un, M.H. aged 64, was appointed as executive director and chairman of the Company on 23 August 2002 and has been re-designated as deputy chairman of the Company since 16 December 2015. Ms. Chong was awarded the Medal of Honour (M.H.) by the Government of the Hong Kong Special Administrative Region on 1 July 2011. She is a member of the National Committee of the Chinese People's Political Consultative Conference, Guangdong Province, the Honorary Director of the Chinese Red Cross Foundation, Permanent Honorary Chairman of the Hong Kong Federation of Fujian Associations and Vice Chairman of the Hong Kong Federation of Fujian Associations Ladies' Committee. She is the namer and director of YOT Chong Sok Un Medical Fund (cancer aid) since 2007 and a member of Yan Oi Tong Advisory Board since 2011. Ms. Chong was the chairman of the 31st Term Board of Directors of Yan Oi Tong from 2010 to 2011 and a director of the 27th Term Board of Directors of Yan Oi Tong from 2006 to 2007. She was also a director of Po Leung Kuk from 2009 to 2010. She was an executive director and chairman of APAC Resources Limited from 6 July 2007 to 1 March 2016 and a non-executive director of Alibaba Pictures Group Limited from 25 June 2007 to 23 April 2009.

Mr. Kong Muk Yin, aged 52, was appointed as executive director of the Company on 13 May 2002. He is a non-executive director and company secretary of Manfield Chemical Holdings Limited. From 4 July 2007 to 24 June 2014, he was also an executive director and non-executive director of Alibaba Pictures Group Limited. He was an executive director of Landing International Development Limited from 13 October 2009 to 21 January 2010 and an executive director of APAC Resources Limited from 4 November 2009 to 1 March 2016. During September 2010 to September 2015, he was also a director of Mabuhay Holdings Corporation and IRC Properties, Inc., companies listed on The Philippine Stock Exchange, Inc..

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

Mr. Guo Meibao, aged 45, was appointed as executive director of the Company on 22 September 2018. Mr. Guo was graduated with a major in financial accounting in 1995 and obtained a MBA from the Open University of Macau and a certified public accountant in the People's Republic of China. He has more than 20 years of financial, operational and investment management experience in China's medical, property and other industries. Mr. Guo was the chairman of 深圳市大馬化投資有限公司 from March 2017 to September 2018. He was a financial controller from October 2010 to October 2013, and the chief executive officer and chairman from October 2013 to March 2017 of 同仁醫療產業集團有限公司 (Tongren Healthcare Industry Group Co., Ltd., a wholly-owned subsidiary of the Company). He was a financial controller from June 2006 to October 2010, and general manager and the chairman from January 2014 to March 2017 of 連雲港嘉泰建設工程有限公司 (Lianyungang Jiatai Construction Company Limited, a wholly-owned subsidiary of the Company). He was also a financial controller of 廣東今宇高爾夫球俱樂部 (Long Island Golf & Country Club) from December 1998 to June 2006.

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

NON-EXECUTIVE DIRECTORS

Dato' Wong Peng Chong, aged 74, was appointed as executive director of the Company on 15 March 2002 and has been re-designated as a non-executive director of the Company since 1 September 2018. Dato' Wong is a non-executive director of Manfield Chemical Holdings Limited. He is also a director of Asia Development Capital Co., Ltd., a company listed on The Tokyo Stock Exchange, Inc..

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

Mr. Liao Feng, age 47, was appointed as a non-executive director of the Company on 14 June 2016. He holds a Master of Applied Finance degree from Macquarie University in Australia. Mr. Liao is currently a director and the Chief Executive Officer of CM International Holding Pte. Ltd.. From February 2004 to September 2014, Mr. Liao worked at China Minsheng Bank in China, and he was the deputy general manager of the corporate banking at the head office of the bank in Beijing at the time of departure from the bank. He was also a director of New Universe Environmental Group Limited (a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited) (Stock Code: 436) from 5 May 2015 to 8 November 2017.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lau Siu Ki, aged 60, was appointed as independent non-executive director of the Company on 3 June 2004. He has over 35 years of experience in corporate governance, corporate finance, financial advisory and management, accounting and auditing. He is currently working as a consultant in the financial advisory field. Prior to that, Mr. Lau had worked in an international accounting firm for over 15 years. He is a fellow member of both the Association of Chartered Certified Accountants ("ACCA") as well as the Hong Kong Institute of Certified Public Accountants. Mr. Lau was a member of the Council of ACCA and a member of the Committee of the Hong Kong branch of ACCA. He was also the Chairman of ACCA Hong Kong for the year 2000/2001. Mr. Lau is the independent non-executive director of Binhai Investment Company Limited, Comba Telecom Systems Holdings Limited, FIH Mobile Limited, Samson Holding Ltd., Embry Holdings Limited and TCL Electronics Holdings Limited. He was an independent non-executive director of UKF (Holdings) Limited from 16 March 2015 to 15 March 2016 and TCL Communication Technology Holdings Limited from 23 April 2004 to 24 October 2016. Mr. Lau is also the company secretary of Yeebo (International Holdings) Limited, Hung Fook Tong Group Holdings Limited and Expert Systems Holdings Limited. He was also the independent supervisor of Beijing Capital International Airport Co., Ltd. from 30 June 2014 to 28 June 2017.

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

Mr. Zhang Jian, aged 76, was appointed as independent non-executive director of the Company on 16 October 2006. Mr. Zhang is an independent non-executive director of Go Higher Environment Co., Ltd.. He is also a professional senior engineer in PRC and the Chairman of Xian University of Architecture & Technology Peking Alumni Association. He has been awarded National Outstanding Intellect in 1997 and National Top 10 Honest Persons of Outstanding Ability in 2004. Mr. Zhang has been awarded as Influential Person to China Nonferrous Metal Industry in 2005. From 1982 to 1998, he held various senior positions in China Nonferrous Metal Industry Company. From 1998 to 2003, he acted as Chairman and General Manager of China Nonferrous Metal Construction Group Company Ltd.. From 2003 to 2005, he acted as General Manager of China Nonferrous Metal Mining & Construction (Group) Co., Ltd..

Dr. Xia Xiaoning, aged 58, was appointed as independent non-executive director of the Company on 8 December 2016. Dr. Xia is an independent supervisor of Central China Securities Co., Ltd. (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, Stock Code: 1375). He was a non-executive director of Mason Group Holdings Limited (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, Stock Code: 273) from August 2015 to September 2016. Dr. Xia graduated from the Electric Engineering Department of Harbin Institute of Technology in 1982 with a bachelor degree in electric engineering. He earned a doctorate degree from University Paris Dauphine in 1989. Dr. Xia is a Chartered Financial Analyst.

Dr. Xia has over 23 years private equity/investment experience in Asia. Dr. Xia was a Senior Consultant/Responsible Officer (SFC Type 4 and Type 9) to Vision Finance Group Limited from October 2012 to February 2015. From 2008 to 2012, he was the Chief Executive Officer of CIP Advisors (Hong Kong) Limited. Dr. Xia worked for AIF Capital Limited ("AIF"), a pan Asia private equity firm based in Hong Kong from 1995 to 2008 and his last position with AIF was Senior Partner/Managing Director. Dr. Xia also worked for Asian Development Bank in Manila from 1989 to 1995 with his last position as investment officer.

DIRECTORS' REPORT

The directors of the Company (the "Director(s)") present their annual report and the audited consolidated financial statements for the year ended 30 June 2018.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

Further discussion and review on the business activities of the Group as required by Schedule 5 to the Companies Ordinance (Cap. 622) of Hong Kong, including a description of the principal risks and uncertainties facing the Group, material events that have occurred since the year-end date and an indication of likely future development in the Group's business are contained in the preceding Chairman's Statement set out on pages 3 to 11 of this Annual Report. Those relevant contents form part of this Report of the Directors. Details of the Group's financial risk management are disclosed in note 47 to the financial statements.

Discussions on the Group's compliance with the relevant laws and regulations that have a significant impact on the Group are set out in Corporate Governance Report on pages 22 to 35 and Environmental, Social and Governance Report on pages 36 to 48. The Directors were not aware of any non-compliance with the relevant laws and regulations that have a significant impact on the Group during the year.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2018 are set out in the consolidated statement of profit or loss on page 55.

The Directors do not recommend the payment of a final dividend (2017: nil) for the year ended 30 June 2018.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 35 to the consolidated financial statements.

DIRECTORS' REPORT

DIRECTORS AND SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:

Executive Directors:

Ms. Chong Sok Un (*Deputy Chairman*)

Mr. Kong Muk Yin

Mr. Guo Meibao (*appointed on 22 September 2018*)

Mr. Zhang Yi (*appointed as Executive Director and Chief Executive Officer on 8 December 2017 and resigned on 17 January 2018*)

Non-Executive Directors:

Dato' Wong Peng Chong (*re-designated from Executive Director to Non-Executive Director on 1 September 2018*)

Mr. Liao Feng

Dr. Jonathan Weiyan Seah (*resigned on 22 September 2018 and ceased as Chairman on the same date after re-designation from Executive Director and Chief Executive Officer to Non-Executive Director and Chairman on 8 December 2017*)

Dr. Lim Cheok Peng (*resigned on 8 December 2017 and ceased as Chairman on the same date*)

Independent Non-Executive Directors:

Mr. Lau Siu Ki

Mr. Zhang Jian

Dr. Xia Xiaoning

Pursuant to Clause 99 of the Bye-Laws of the Company ("Bye-Laws"), Ms. Chong Sok Un and Mr. Lau Siu Ki shall retire from the office by rotation at the forthcoming Annual General Meeting of the Company (the "Annual General Meeting"). Ms. Chong Sok Un, being eligible, will offer herself for re-election at the Annual General Meeting. The Board has been informed by Mr. Lau Siu Ki that he will not offer for re-election as an Independent Non-Executive Director at the Annual General Meeting.

Pursuant to Clause 102 of the Bye-laws, Mr. Guo Meibao will retire and being eligible, offer himself for re-election at the Annual General Meeting.

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' REPORT

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 30 June 2018, the interests and short positions of the Directors and the chief executive of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Hong Kong (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Long positions in the shares of the Company

Name of Director	Number of ordinary shares of HK\$0.0005 each				Total	Percentage of issued ordinary shares
	Personal interests	Family interests	Corporate interests	Other interests		
Ms. Chong Sok Un ("Ms. Chong")	–	–	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 30 June 2018.

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

Save as disclosed above, as at 30 June 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.

DIRECTORS' REPORT

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

As at 30 June 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:–

Name	Capacity		Number of ordinary shares held	Percentage of issued ordinary shares
Tsinghua Tongfang Co., Ltd. ("THTF")	Held by controlled corporation	(Note 1)	4,000,000,000	27.62%
Resuccess Investments Limited ("Resuccess")	Held by controlled corporation	(Note 1)	4,000,000,000	27.62%
Cool Clouds Limited ("Cool Clouds")	Beneficial owner	(Note 1)	4,000,000,000	27.62%
Ms. Chong Sok Un ("Ms. Chong")	Held by controlled corporation	(Note 2)	2,592,514,140	17.90%
China Spirit Limited ("China Spirit")	Held by controlled corporation	(Note 2)	2,592,514,140	17.90%
Vigor Online Offshore Limited ("Vigor")	Beneficial owner	(Note 2)	2,592,514,140	17.90%
China Minsheng Investment 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 International Capital Limited 中民投國際資本有限公司 ("中民投國際資本")	Held by controlled corporation	(Note 3)	2,000,000,000	13.81%
CM International Capital Limited ("CMIC")	Held by controlled corporation	(Note 3)	2,000,000,000	13.81%
Victor Beauty Investments Limited ("Victor Beauty")	Beneficial owner	(Note 3)	2,000,000,000	13.81%

DIRECTORS' REPORT

Name	Capacity		Number of ordinary shares held	Percentage of issued ordinary shares
Ms. 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 corporations	(Note 5)	1,711,151,708	11.81%
Allied Properties (H.K.) Limited ("Allied Properties")	Held by controlled corporations	(Note 5)	1,711,151,708	11.81%
Mr. Lee Seng Hui	Held by controlled corporations	(Note 5)	1,711,151,708	11.81%
Ms. Lee Su Hwei	Held by controlled corporations	(Note 5)	1,711,151,708	11.81%
Mr. Lee Seng Huang	Held by controlled corporations	(Note 5)	1,711,151,708	11.81%

Notes:

The percentage of shareholding is calculated on the basis of the Company's issued share capital of 14,480,072,773 shares as at 30 June 2018.

1. Cool Clouds, a wholly-owned subsidiary of Resuccess, was interested in 4,000,000,000 ordinary shares of the Company. THTF was the sole shareholder of Resuccess as at 30 June 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.

DIRECTORS' REPORT

3. Victor Beauty, a wholly-owned subsidiary of CMIC, owns 2,000,000,000 ordinary shares of the Company. 中民投國際資本 maintains 100% beneficial interests in CMIC and CMI maintains 100% beneficial interests in 中民投國際資本. Accordingly, CMIC, 中民投國際資本, and CMI are deemed to have interests in 2,000,000,000 ordinary shares of the Company.
4. Greatime, a wholly-owned subsidiary of Excellent Top, owns 1,149,739,208 ordinary shares of the Company. Ms. Luo maintains 100% beneficial interests in Excellent Top. Accordingly, Ms. Luo is deemed to have corporate interests in 1,149,739,208 ordinary shares of the Company.
5. Fareast Global Limited, a wholly-owned subsidiary of Tian An China Investments Company Limited ("Tian An"), owned 411,412,500 ordinary shares of the Company and Tian An was owned as to approximately 48.66% by China Elite Holdings Limited which was in turn wholly-owned by Allied Properties.

Itso Limited, a wholly-owned subsidiary of Shipshape Investments Limited ("Shipshape"), held 1,149,739,208 ordinary shares of the Company as holder of securities and Sun Hung Kai Structured Finance Limited, a wholly-owned subsidiary of Shipshape, held 150,000,000 ordinary shares of the Company as holder of securities. Shipshape was a wholly-owned subsidiary of Sun Hung Kai & Co. Limited ("SHK"). SHK was owned as to approximately 57.29% by Allied Properties which was in turned owned as to approximately 74.99% by Allied Group.

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

Save as disclosed above, as at 30 June 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.

MAJOR CUSTOMERS AND SUPPLIERS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the Independent Non-Executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange. The Company considers all of the Independent Non-Executive Directors are independent.

DIRECTORS' REPORT

EMOLUMENT POLICY

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

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

PRE-EMPTIVE RIGHTS

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

PERMITTED INDEMNITY

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 30 June 2018.

DONATIONS

During the year, the Group made donations amounting to HK\$50,000.

AUDITOR

A resolution will be submitted to the forthcoming Annual General Meeting to re-appoint Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Chong Sok Un
Deputy Chairman

Hong Kong, 27 September 2018

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

Throughout the year ended 30 June 2018, the Company has applied the principles and complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the “CG Code”). As listed out in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”). The current practices will be reviewed and continuously updated.

BOARD OF DIRECTORS

The Board currently comprises eight directors (the “Directors”) in total, with three Executive Directors, two Non-Executive Directors and three Independent Non-Executive Directors.

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

Executive Directors:

Ms. Chong Sok Un (*Deputy Chairman*)

Mr. Kong Muk Yin

Mr. Guo Meibao (*appointed on 22 September 2018*)

Mr. Zhang Yi (*appointed as Executive Director and Chief Executive Officer on 8 December 2017 and resigned on 17 January 2018*)

Non-Executive Directors:

Dato’ Wong Peng Chong (*re-designated from Executive Director to Non-Executive Director on 1 September 2018*)

Mr. Liao Feng

Dr. Jonathan Weiyan Seah (*resigned on 22 September 2018 and ceased as Chairman on the same date after re-designation from Executive Director and Chief Executive Officer to Non-Executive Director and Chairman on 8 December 2017*)

Dr. Lim Cheok Peng (*resigned on 8 December 2017 and ceased as Chairman on the same date*)

Independent Non-Executive Directors:

Mr. Lau Siu Ki

Mr. Zhang Jian

Dr. Xia Xiaoning

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

Throughout the year, the Board has at least one-third in number of its members comprising Independent Non-Executive Directors under Rule 3.10A of the Listing Rules and at least one of the Independent Non-Executive Directors possesses appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

The Board has received from each Independent Non-Executive Director an annual confirmation of his independence and considers that all the Independent Non-Executive Directors are independent under the guidelines set out in Rule 3.13 of the Listing Rules. The biographical details of the Directors are set out in pages 12 to 14 of this Annual Report.

During the year, 6 Board meetings were held and the attendance of each Director at the Board meetings is set out as follows:

Name of Directors	Number of Board meetings attended/held
Ms. Chong Sok Un (<i>Deputy Chairman</i>)	5/6
Mr. Kong Muk Yin	6/6
Dato' Wong Peng Chong	6/6
Mr. Liao Feng	6/6
Mr. Lau Siu Ki	6/6
Mr. Zhang Jian	6/6
Dr. Xia Xiaoning	6/6
Dr. Lim Cheok Peng (<i>resigned on 8 December 2017 and ceased as Chairman on the same date</i>)	2/2
Mr. Zhang Yi (<i>resigned on 17 January 2018</i>)	1/1
Dr. Jonathan Weiyan Seah (<i>resigned on 22 September 2018 and ceased as Chairman on the same date</i>)	6/6

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

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

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

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

The chairman met with the Non-Executive Directors (Including the Independent Non-Executive Directors) without the Executive Directors being present during the year.

CORPORATE GOVERNANCE REPORT

Directors' Continuous Professional Development

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

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

Directors participated the following continuous professional development activities:

Name of Directors	Reading regulatory updates	Attending training/ briefings/ seminars/ conference relevant to Directors' duties
Executive Directors		
Ms. Chong Sok Un (<i>Deputy Chairman</i>)	✓	✓
Mr. Kong Muk Yin	✓	✓
Mr. Zhang Yi (<i>resigned on 17 January 2018</i>)		✓
Non-Executive Directors		
Dato' Wong Peng Chong	✓	✓
Mr. Liao Feng	✓	✓
Dr. Jonathan Weiyan Seah (<i>resigned on 22 September 2018 and ceased as Chairman on the same date</i>)	✓	✓
Dr. Lim Cheok Peng (<i>resigned on 8 December 2017 and ceased as Chairman on the same date</i>)	✓	✓
Independent Non-Executive Directors		
Mr. Lau Siu Ki	✓	✓
Mr. Zhang Jian	✓	✓
Dr. Xia Xiaoning	✓	✓

Directors' and Officers' Liabilities Insurance

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

CORPORATE GOVERNANCE REPORT

Roles of Chairman and Chief Executive Officer

The code provision A.2.1 of the CG Code requires that the roles of the Chairman and the chief executive officer are segregated and performed by separate individuals who have no relationship with each other, except as fellow Directors, to strike a balance of power and authority so that the job responsibilities are not concentrated on any one individual.

During the year, the Chairman or the Deputy Chairman of the Board, were responsible for the leadership and effective running of the Board. The Chief Executive Officer and the Executive Directors of the Company were in charge of day-to-day business operations in PRC and Hong Kong respectively. Mr. Kong Muk Yin, an Executive Director of the Company, is in charge of finance and accounts aspect. Mr. Guo Meibao, an Executive Director of the Company, appointed on 22 September 2018, is in charge of day-to-day operation of healthcare and eldercare business in PRC. The functions and responsibilities between the Chairman or the Deputy Chairman and the Executive Directors performing function of chief executive are clearly segregated.

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

Appointment and Re-election of Directors

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

Board Diversity Policy

The Board has adopted a board diversity policy on 30 August 2013 which sets out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company under A.5.6 of the CG Code.

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

Corporate Governance Function

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

CORPORATE GOVERNANCE REPORT

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

- i) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- ii) to review and monitor the training and continuous professional development of Directors and senior management;
- iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- v) to review the Company's compliance with the code provisions as set out in the CG Code and its disclosure requirements in the Corporate Governance Report.

BOARD COMMITTEES

The Board has established various committees to assist it in carrying out its responsibilities. The Board has appointed 5 Board committees, viz, the Executive Committee, Investment Committee, Remuneration Committee, Nomination Committee and Audit Committee to oversee particular aspects of the Group's affairs. Each of the committees has defined terms of reference setting out its duties, powers and functions. The committees report regularly to the Board and, where appropriate, make recommendations on matters discussed.

Executive Committee

The Executive Committee was established on 23 May 1998 with its written terms of reference adopted on 21 July 2005. The Committee is composed of three Executive Directors of the Board. The Executive Committee is responsible for approving and monitoring the daily operations of the Group. The Executive Committee held 3 meetings during the year.

Investment Committee

The Investment Committee was established on 2 February 2000 with its written terms of reference adopted on 19 December 2005. The Committee is composed of three Executive Directors and one Non-Executive Director of the Board. The Investment Committee is responsible for approving and monitoring the Group's investment related activities. The investment committee held 2 meetings during the year.

Remuneration Committee

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

The Committee comprises one Executive Director, two Non-Executive Directors and three Independent Non-Executive Directors. The composition of the Remuneration Committee has complied with the requirements as set out in Rule 3.25 of the Listing Rules that a majority of the members of the Remuneration Committee should be Independent Non-Executive Directors and chaired by an Independent Non-Executive Director.

CORPORATE GOVERNANCE REPORT

The meeting of the Remuneration Committee shall be held at least once a year. 2 meetings were held during the year and the attendance of each member is set out as follows:

Name of members	Number of meeting attended/held
Dr. Xia Xiaoning (<i>Chairman</i>)	2/2
Mr. Kong Muk Yin	2/2
Dato' Wong Peng Chong	2/2
Mr. Liao Feng	2/2
Mr. Lau Siu Ki	2/2
Mr. Zhang Jian	2/2

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

At the meeting held during the year, the overall pay trend in Hong Kong of 2017/2018 was reviewed and noted.

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

- i) to review annually and recommend to the Board the overall remuneration policy and structure for the Directors and senior management;
- ii) to review annually the performance of the Executive Directors and senior management and recommend to the Board specific adjustments in remuneration and/or reward payments;
- iii) to review and recommend the compensation payable to Executive Directors relating to any loss or termination of their office or appointment;
- iv) to review and recommend compensation arrangements relating to dismissal or removal of Directors for misconduct; and
- v) to responsible for establishing formal and transparent procedures for developing remuneration policy and structure to ensure no Director or any of his/her associates is involved in deciding his/her own remuneration.

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

CORPORATE GOVERNANCE REPORT

Nomination Committee

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

The Nomination Committee of the Company comprises five members including one Executive Director, one non-executive director and three Independent Non-Executive Directors.

The meeting of the Nomination Committee shall be held at least once a year. 2 meetings were held during the year and the attendance of each member is set out as follows:

Name of members	Number of meeting attended/held
Ms. Chong Sok Un (<i>Chairman</i>)	2/2
Dato' Wong Peng Chong	2/2
Mr. Lau Siu Ki	2/2
Mr. Zhang Jian	2/2
Dr. Xia Xiaoning	2/2

The Nomination Committee is responsible for formulating nomination policy for the Board's consideration and implement the Board's approved nomination policy.

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

- i) to review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- ii) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- iii) to assess the independence of Independent Non-Executive Directors;
- iv) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the chief executive; and
- v) to review and monitor policy concerning diversity of Board members and make recommendations on any proposed changes to the Board.

Audit Committee

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

CORPORATE GOVERNANCE REPORT

The Audit Committee comprises one Non-Executive Director and three Independent Non-Executive Directors. The composition of the Audit Committee has complied with the requirements as set out in Rule 3.21 of the Listing Rules that majority of the members of the Audit Committee should be Independent Non-Executive Director.

The Audit Committee shall meet at least twice a year. 4 meetings were held during the year, the minutes of the Audit Committee meetings were tabled to the Board for noting and for action by the Board where appropriate, the attendance of each member is set out as follows:

Name of members	Number of meetings attended/held
Mr. Lau Siu Ki (<i>Chairman</i>)	4/4
Mr. Zhang Jian	4/4
Mr. Liao Feng	4/4
Dr. Xia Xiaoning	4/4

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

- i) reviewed the financial reports for the six months period ended 31 December 2017 and for the year ended 30 June 2018;
- ii) reviewed the effectiveness of internal control system;
- iii) reviewed the external auditor's statutory audit plan and engagement letter;
- iv) reviewed the management letter from the external auditor in relation to the audit of the Group for the year ended 30 June 2018; and
- v) reviewed and recommended for approval the audit scope and fees for the year ended 30 June 2018 by the Board.

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

- i) to consider the appointment, re-appointment and removal of the external auditor, the audit fees, and any questions of resignation or dismissal of the external auditor of the Group;
- ii) to discuss the nature and scope of the audit with the external auditor;
- iii) to review the interim and annual financial statements before submission to the Board;
- iv) to discuss problems and reservations arising from the interim review and final audit, and any matters the external auditor may wish to discuss;
- v) to review the external auditor's management letters and management's response; and to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

CORPORATE GOVERNANCE REPORT

- vi) to review the Group's financial controls, internal controls and risk management systems to ensure that they are appropriate and functioning properly; and
- vii) to consider any findings of major investigations of internal control and risk management matters and management's response.

AUDITOR'S REMUNERATION

During the year ended 30 June 2018 under review, the remuneration paid or payable to the Group's external auditor, Messrs Deloitte Touche Tohmatsu, is set out as follows:

Services rendered	Fees paid/payable HK\$'000
Audit services	3,287
Non-audit services	468
	3,755

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

- a) The Executive Committee was established to ensure the effectiveness of the Group's daily operations and that the Group's operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved.
- b) The Audit Committee reviews internal control issues identified by external auditor, regulatory authorities and management, and evaluates the adequacy and effectiveness of the Group's risk management and internal control systems. To further enhance control awareness, the Group has also approved launching a whistleblowing policy for employees to raise any concerns about possible improprieties in any matter related to the Group.
- c) The Investment Committee was established to monitor the Group's investment related activities and respective operating and financial policies.
- d) The Remuneration Committee was established to ensure all the Directors and the senior management of the Group are remunerated in line with market terms and individual performance.
- e) The corporate reporting functions are delegated to the accounting department in terms of proper and regular reviews on the deployment of resources and financial reporting systems. The corporate governance practices and compliance with the Listing Rules, the Securities and Futures Ordinance, (Chapter 571 of the Laws of Hong Kong) (the "SFO") and other applicable regulations are delegated to the company secretarial department. The Management reviews the system of internal controls and briefs the reporting systems with the Executive Directors regularly and the Audit Committee annually.
- f) Every newly appointed director was provided with a comprehensive handout detailing the responsibilities and duties of being a director of the Company. In particular highlighting the respective applicable rules and regulation, including the Listing Rules, which a director should aware and be informed on the first occasion of his/her appointment with the Company.
- g) The Company has adopted the code of conduct regarding Directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules (the "Model Code"). A copy of the Model Code was sent to each Director and the relevant employees of the Group who are required to be provided under the Model Code. Enquiries have been made with Directors and all the Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 30 June 2018.

CORPORATE GOVERNANCE REPORT

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

The Board is of the view that the systems of risk management and internal control in place for the year ended 30 June 2018 under review and up to the date of issuance of the annual report and financial statements are effective and sufficient to safeguard the interests of Shareholders, employees, and the Group's assets.

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

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

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

ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the accounts for the year ended 30 June 2018, the Directors have selected suitable accounting policies and have applied them consistently, adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards which are pertinent to its operations and relevant to the financial statements, made judgments and estimates that are prudent and reasonable, and have prepared the accounts on the going concern basis.

SHAREHOLDERS' COMMUNICATION

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

CORPORATE GOVERNANCE REPORT

During the year ended 30 June 2018, an AGM was held and the attendance of each Director at the AGM is set out as follows:

Name of Directors	Number of AGM attended/held
Ms. Chong Sok Un (<i>Deputy Chairman</i>)	1/1
Mr. Kong Muk Yin	1/1
Dato' Wong Peng Chong	1/1
Mr. Liao Feng	0/1
Mr. Lau Siu Ki	1/1
Mr. Zhang Jian	1/1
Dr. Xia Xiaoning	0/1
Dr. Jonathan Weiyan Seah (<i>Chairman</i>) (<i>resigned on 22 September 2018 and ceased as Chairman on the same date</i>)	1/1
Dr. Lim Cheok Peng (<i>resigned on 8 December 2017 and ceased as Chairman on the same date</i>)	1/1

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

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

The Company's last AGM was held on 7 December 2017 and the Securities Repurchase Circular was sent to Shareholders at least 20 clear business days prior to the meeting, setting out details of each proposed resolution, voting procedures (including the procedures for conducting a poll) and other relevant information. The Chairman explained the procedures for conducting a poll again at the beginning of the meeting and revealed the level of proxies voted in respect of each resolution. All Shareholders are encouraged to attend the general meetings or to appoint proxies to attend and vote at the meetings on their behalf if they are unable to attend the meetings.

The next AGM will be held on 6 December 2018, the notice of which will be sent to Shareholders at least 20 clear business days before the meeting. An explanation of the detailed procedures for conducting a poll will be provided to the Shareholders at the commencement of the meeting. The Chairman will answer any questions from Shareholders regarding voting by way of a poll. The poll results will be published in accordance with the requirements of the Listing Rules.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Right to put enquiries to the Board

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Other shareholders' enquiries can be directed to the head office and principal place of business of the Company in Hong Kong as set out in the Corporation Information section of this Annual Report for the attention of the Company Secretary.

Right to convene special general meeting

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

The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda for the attention of the Company Secretary and may consist of several documents in like form each signed by one or more requisitionists.

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

Right to put forward proposals at general meetings

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

- a) to give to Shareholders entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and
- b) to circulate to Shareholders entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

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

CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS

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

There was no significant change in the Company's constitutional documents during the year ended 30 June 2018.

COMPANY SECRETARY

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

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

On behalf of the Board

China Medical & HealthCare Group Limited

Chong Sok Un

Deputy Chairman

Hong Kong, 27 September 2018

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This Report is prepared in accordance with the Environmental, Social and Governance (“ESG”) Reporting Guide as set out in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”) and summarized our ESG-related policies, initiatives and performances of our principal business segments of hospital operations, property development and project management of health campus with focus on elderly care and retirement community in the People’s Republic of China (“PRC”), for the period from 1 July 2017 to 30 June 2018 (the “Reporting Period”).

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

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

ESG aspects as set out in ESG Guide

A. Environmental

A1 Emissions

A2 Use of Resources

A3 The Environment and Natural Resources

B. Social

B1 Employment

B2 Health and Safety

B3 Development and Training

B4 Labour Standards

B5 Supply Chain Management

B6 Product Responsibility

B7 Anti-corruption

B8 Community Investment

Material ESG issues for the Company

- Sewage Treatment
- Medical Wastes Treatment
- General Wastes Management
- Greenhouse Gas Emissions

- Energy Consumption
- Water Consumption

- Renovation Work Management

- Employment Practices and Relations
- Workplace Health and Safety
- Professional Training
- Anti-Child and Forced Labour
- Supplier Identification, Evaluation and Selection
- Supplier Monitoring
- Supplier Relationship Management

- Products Safety
- Services Quality
- Eldercare Services
- Data Privacy

- Anti-Bribery and Corruption and Anti-Money Laundering

- Corporate Responsibility

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL

A1 Emissions

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

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

Sewage Treatment

During the Reporting Period, medical sewage generated by the hospitals of the Group was about 237,047 m³, 11% less compared to the previous financial year (265,423 m³).

Our hospitals follow three major principles in sewage treatment:

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

Medical Waste Treatment

The hospitals of the Group generate certain biological and chemical waste which are regarded as hazardous and require special handling to reduce risks to the public health and the environment. About 182.91 tonnes of such wastes were generated during the Reporting Period, which was 21% more as compared to the previous financial year (150.62 tonnes). The increase in medical waste was resulted from the official commencement of nursing hospital operations in our eldercare segment.

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

General Wastes Management

Besides medical waste, another major type of waste generated by the Group was paper, which was amounted to 10.35 tonnes during the Reporting Period, 11% less compared to the previous financial year (11.58 tonnes).

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

<i>Type</i>	<i>Unit</i>	<i>2018 Amount</i>	<i>2017 Amount</i>
<i>Plastic bag</i>	tonnes	6.66	3.68
<i>Plastic bottle</i>	tonnes	18.25	18.25
<i>Paper box</i>	tonnes	18.55	10.95

Total packaging materials used was 43.46 tonnes, which was 32% more than the previous financial year (32.88 tonnes). The main reason was the official commencement of nursing hospital operations in our eldercare segment which consumed more plastic bags for containing the drugs.

We promote waste classification to facilitate recycling, especially used papers and packaging boxes. About 5.9 tonnes of paper was recycled through qualified contractors during the Reporting Period.

Greenhouse Gas Emissions

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

In total there were 8,474 tonnes of the energy-related carbon dioxide equivalent (CO₂e) generated from our direct operations during the Reporting Period, which was similar to the previous financial year of 8,552 tonnes, with the intensity of 0.027 tonnes CO₂e per gross floor area (GFA) in m². We have a series of initiatives in place to help reduce our carbon footprint. Please refer to the A2 Use of Resources section below.

A2 Use of Resources

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Energy Consumption

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

<i>Type of Energy</i>	<i>Unit</i>	<i>2018 Amount</i>	<i>2017 Amount</i>	<i>2018 Intensity (unit per GFA in m²)</i>
<i>Electricity</i>	kWh	12,433,112	11,662,831	39.22
<i>Petrol</i>	Litre	32,376	16,900	0.10
<i>Natural gas</i>	m ³	139,086	152,006	0.44

Compared to the previous financial year, electricity consumption increased by 7%, due to the official commencement of nursing hospital operations in our eldercare segment, whereas petrol consumption increased by 92%, from 16,900 litres to 32,376 litres. Such difference was caused by an increase in usage of vehicles for congenital cardiac disease screening in Yunnan province. On the other hand, natural gas consumption decreased by 8%, from 152,006 m³ to 139,086 m³.

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

<i>Healthcare Segment</i>	<i>Eldercare Segment</i>
<ul style="list-style-type: none"> • Installation of energy efficient lighting systems which use LED lights and voice controlled switches • Use of notices and signs to advocate energy saving and reduce idle consumption by unused electrical appliances • Setting air-conditioners to 26 degree Celsius • Green design to utilize natural light and facilitate air ventilation • Turning off non-essential lights during lunch breaks • Replacement of light bulbs with LED lights and utilize natural sunlight as feasible 	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

<i>Healthcare Segment</i>	<i>Eldercare Segment</i>
<ul style="list-style-type: none"> • Replacement of old medical equipment with high energy efficient ones • Installation of solar powered water heater for hot water supply • Deployment of smart water heating and air-conditioning systems which can adjust its output corresponding to the environment to reduce energy wastage 	<ul style="list-style-type: none"> • Lighting, telecommunication, water and electricity systems are installed in public pipelines for repair and maintenance's convenience, which in turn reduce energy use • Special design of grounding network which reduces electricity loss • Use of heat insulating materials and designs on roof tops and walls to reduce energy usage for air-conditioning • Use of smart lighting system at car park which can adjust lights operation based on car distribution • Installation of light sensor switches for street lights which can adjust operating time and intensity automatically based on actual light intensity

Water Consumption

During the Reporting Period, 308,718 m³ of water was consumed for business operations in our healthcare and eldercare segments, with intensity of 0.97 m³ per GFA in m², 14% less as compared with the previous financial year (359,220 m³) .

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

<i>Healthcare Segment</i>	<i>Eldercare Segment</i>
<ul style="list-style-type: none"> Regular check for leakage of water pipes Use of notices and signs to advocate water saving and reduce idle running by unused water faucets 	
<ul style="list-style-type: none"> Use of electronic water valves to improve water efficiency Installation of electronic water taps to prevent excessive water use Reuse condensed water from steam Installation of RFID shower usage system in order to control the water usage in shower rooms 	<ul style="list-style-type: none"> Use of water efficient faucets Implementation of high-efficiency sprinkler irrigation Use of river water for irrigation and cleaning instead of municipal water

A3 The Environment and Natural Resources

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

Renovation Work Management

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL

B1 Employment

Employment Practices and Relations

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

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

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

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

B2 Health and Safety

Workplace Health and Safety

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

Safety policies have been established based on relevant laws and regulations for specific positions (such as radiotherapists), and we require all our frontline nursing staff to equip with sufficient knowledge and qualifications. On-boarding training and regular courses have been provided to raise their safety awareness. During the Reporting Period, the Group has organized first-aid courses with Red Cross and 42 employees have been certified as ambulance workers.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B3 Development and Training

Professional Training

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

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

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

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

B4 Labour Standards

Anti-Child and Forced Labour

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

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

B5 Supply Chain Management

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Supplier Identification, Evaluation and Selection

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

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

Supplier Monitoring

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

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

Supplier Relationship Management

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B6 Product Responsibility

Products Safety

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

Services Quality

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

Eldercare Services

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

Data Privacy

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

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

B7 Anti-corruption

Anti-Bribery and Corruption and Anti-Money Laundering

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B8 Community Investment

Corporate Responsibility

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

<i>Healthcare Segment</i>	<i>Eldercare Segment</i>
<ul style="list-style-type: none"> Organized Artificial cochlea implant surgery, Cleft lip and cleft palate repair surgery and Congenital heart disease surgery projects for the patients in need The Congenital heart disease surgery project has conducted screening for more than 349,000 children in the poverty area in Yunnan, China and offered free surgery to 657 children Participated in a clinical study on treatment of spinal cord injury launched by Hong Kong Spinal Cord Injury Fund which helped 30 patients to receive free treatments Offered free medical and health consultations and body check-ups on a regular basis to the surrounding neighbourhoods Organized blood donation events periodically to collect blood from hundreds of people every year for medical use 	<ul style="list-style-type: none"> Coordinated with local community to organize poverty alleviation activities with Xinjian Village (新建村) in Qingpu district (青浦区) Provided venues for Communist Party members to hold public and social welfare activities for local community.

INDEPENDENT AUDITOR'S REPORT

Deloitte.

德勤

TO THE SHAREHOLDERS OF CHINA MEDICAL & HEALTHCARE GROUP LIMITED

中國醫療網絡有限公司

(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of China Medical & HealthCare Group Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 55 to 151, which comprise the consolidated statement of financial position as at 30 June 2018, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(continued)*

Key audit matter

Valuation of investment properties

We identified the valuation of investment properties as a key audit matter due to significance of the balance to the consolidated financial statements, combined with the fact that significant judgment and estimation are required by management in determining the fair value.

As disclosed in Note 15 to the consolidated financial statements, the fair value of the investment properties amounted to approximately HK\$775,676,000 as at 30 June 2018 with net decrease in fair value of approximately HK\$1,609,000 recorded in profit or loss for the year.

The investment properties are stated at fair value based on the valuations carried out by the independent qualified professional valuers. Details of the valuation techniques and inputs are disclosed in Note 15 to the consolidated financial statements.

The valuations of investment properties are dependent on certain assumptions and inputs, including capitalisation rates and market rents.

How our audit addressed the key audit matter

Our procedures in relation to the valuation of investment properties included:

- Evaluating the professional competence, capabilities and objectivity of the independent qualified professional valuers;
- Obtaining an understanding from the independent qualified professional valuer about the valuation methodologies used and the assumptions adopted in the valuation model and assess their appropriateness with reference to market data; and
- Checking the inputs used in the valuation, including rental income, tenancy schedules, capital expenditure details, acquisition cost schedules and square meter details to source documents on a sample basis.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(continued)*

Key audit matter

Valuation of leasehold land and buildings

We identified the valuation of leasehold land and buildings (including leasehold land and buildings in Hong Kong, hospital buildings and other buildings in the People's Republic of China (excluding Hong Kong)) as included in property, plant and equipment as a key audit matter due to the significance of the balance to the consolidated financial statements, combined with the fact that significant judgment and estimation are required by management in determining the fair value.

As disclosed in Note 16 to the consolidated financial statements, the fair value of the leasehold land and buildings amounted to approximately HK\$844,288,000 as at 30 June 2018 with the revaluation increase of the leasehold land and buildings for the year of approximately HK\$7,923,000 recorded in other comprehensive income.

The leasehold land and buildings are stated at fair value based on the valuations carried out by the independent qualified professional valuers. Details of the valuation technique and inputs are disclosed in Note 16 to the consolidated financial statements.

The valuations of leasehold land and buildings are dependent on certain assumptions and inputs, including depreciated replacement cost and market rents.

How our audit addressed the key audit matter

Our procedures in relation to the valuation of leasehold land and buildings included:

- Evaluating the professional competence, capabilities and objectivity of the independent qualified professional valuers;
- Obtaining an understanding from the independent qualified professional valuer about the valuation methodologies used and the assumptions adopted in the valuation model and assess their appropriateness with reference to market data; and
- Checking the inputs used in the valuation, including replacement cost schedules and square meter details to source documents on a sample basis.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 September 2018



CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2018

	NOTES	2018 HK\$'000	2017 HK\$'000
Revenue	5	1,100,641	1,284,342
Gross proceeds from sale of investments held for trading		<u>1,217,518</u>	<u>547,852</u>
Total		<u>2,318,159</u>	<u>1,832,194</u>
Revenue	5	1,100,641	1,284,342
Cost of goods and services		<u>(927,376)</u>	<u>(1,003,956)</u>
Gross profit		173,265	280,386
Other gains and losses, and other income	7	22,889	63,127
Selling and distribution costs		<u>(7,797)</u>	<u>(18,577)</u>
Administrative expenses		<u>(240,259)</u>	<u>(222,505)</u>
Finance costs	8	<u>(81,547)</u>	<u>(118,564)</u>
Loss before taxation		(133,449)	(16,133)
Taxation expense	11	<u>(14,379)</u>	<u>(65,371)</u>
Loss for the year	12	<u>(147,828)</u>	<u>(81,504)</u>
Loss for the year attributable to:			
– Owners of the Company		(137,110)	(71,813)
– Non-controlling interests		<u>(10,718)</u>	<u>(9,691)</u>
		<u>(147,828)</u>	<u>(81,504)</u>
Loss per share	14		
– Basic		<u>HK(0.95) cents</u>	<u>HK(0.50) cents</u>
– Diluted		<u>HK(0.95) cents</u>	<u>HK(0.50) cents</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2018

	2018 HK\$'000	2017 HK\$'000
Loss for the year	(147,828)	(81,504)
Other comprehensive (expense) income		
Items that may be reclassified subsequently to profit or loss:		
Net change on available-for-sale investments:		
(Loss) gain on fair value changes	(1,098)	1,076
Reclassification adjustment for the cumulative gain included in profit or loss upon disposal of available-for-sale investments	—	(1,082)
	(1,098)	(6)
Exchange difference arising on translation:		
Exchange gain (loss) arising from translation of foreign operations	2,113	(1,427)
Reclassification to profit or loss upon disposal of a subsidiary	—	28,353
	2,113	26,926
Item that will not be reclassified to profit or loss:		
Gain on revaluation of leasehold land and buildings	7,923	3,525
Other comprehensive income for the year	8,938	30,445
Total comprehensive expense for the year	(138,890)	(51,059)
Total comprehensive expense for the year attributable to:		
Owners of the Company	(129,167)	(35,741)
Non-controlling interests	(9,723)	(15,318)
	(138,890)	(51,059)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

At 30 June 2018

	NOTES	2018 HK\$'000	2017 HK\$'000
Non-current assets			
Investment properties	15	775,676	741,930
Property, plant and equipment	16	1,365,534	1,377,148
Prepaid lease payments	17	102,733	103,375
Interests in associates	18	–	–
Available-for-sale investments	19	802	678
Intangible assets	20	–	–
Goodwill	21	33,207	32,500
Deposits for acquisition of property, plant and equipment		7,819	8,768
		2,285,771	2,264,399
Current assets			
Inventories	22	18,168	19,980
Properties under development for sale	23	6,243	6,110
Properties held for sale	23	265,649	329,805
Prepaid lease payments	17	2,894	2,832
Available-for-sale investments	19	22,678	803
Investments held for trading	24	138,769	1,155,403
Debtors, deposits and prepayments	25	179,361	135,818
Loans receivable	26	–	40,000
Derivative financial instruments	33	–	96
Pledged bank deposits	27	24,432	220,407
Restricted bank deposits	27	5,073	21,267
Bank balances and cash	27	544,092	529,326
		1,207,359	2,461,847
Current liabilities			
Creditors and accrued charges	28	453,674	517,839
Deposits received on sales of properties		12,055	24,023
Customers' deposits and receipts in advance		93,175	81,834
Consideration payable	29	57,300	–
Amount due to an associate	30	6,471	6,289
Borrowings – due within one year	31	325,330	1,371,270
Obligations under finance leases – due within one year	32	10,201	9,878
Derivative financial instruments	33	1,129	5,469
Taxation payable		167,033	148,676
		1,126,368	2,165,278
Net current assets		80,991	296,569
Total assets less current liabilities		2,366,762	2,560,968

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	NOTES	2018 HK\$'000	2017 HK\$'000
Non-current liabilities			
Deferred tax liabilities	34	38,237	45,176
Borrowings – due after one year	31	500,173	455,159
Obligations under financial leases – due after one year	32	9,511	18,605
		<u>547,921</u>	<u>518,940</u>
		1,818,841	2,042,028
Capital and reserves			
Share capital	35	7,240	7,240
Reserves	36	1,789,375	1,950,172
		<u>1,796,615</u>	<u>1,957,412</u>
Equity attributable to owners of the Company			
Non-controlling interests	37	22,226	84,616
		<u>1,818,841</u>	<u>2,042,028</u>
Total equity		1,818,841	2,042,028

The financial statements on pages 55 to 151 were approved and authorised for issue by the Board of Directors on 27 September 2018 and are signed on its behalf by:

Ms. Chong Sok Un
DIRECTOR

Mr. Kong Muk Yin
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Properties revaluation reserve HK\$'000 (note 36)	Investment revaluation reserve HK\$'000 (note 36)	Capital redemption reserve HK\$'000	Other reserve HK\$'000 (Note)	Translation reserve HK\$'000 (note 36)	Retained profits (losses) HK\$'000	Subtotal HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 July 2016	7,240	2,621,374	17,127	6	2,496	(761,910)	(12,153)	119,027	1,993,207	85,104	2,078,311
Loss for the year	-	-	-	-	-	-	-	(71,813)	(71,813)	(9,691)	(81,504)
Other comprehensive income (expenses) for the year	-	-	2,825	(6)	-	-	33,253	-	36,072	(5,627)	30,445
Total comprehensive income (expenses) for the year	-	-	2,825	(6)	-	-	33,253	(71,813)	(35,741)	(15,318)	(51,059)
Recognition of equity-settled share-based payments (note 44(b))	-	-	-	-	-	-	-	-	-	4,504	4,504
Capital contribution from non-controlling interest of a subsidiary	-	-	-	-	-	-	-	-	-	10,272	10,272
Acquisition of non-controlling interest of a subsidiary without a change in control (note 42(b))	-	-	-	-	-	(2,991)	-	-	(2,991)	2,991	-
Transfer upon the expiration of share option scheme of a subsidiary (note 44(a))	-	-	-	-	-	-	-	2,937	2,937	(2,937)	-
At 30 June 2017	7,240	2,621,374	19,952	-	2,496	(764,901)	21,100	50,151	1,957,412	84,616	2,042,028
Loss for the year	-	-	-	-	-	-	-	(137,110)	(137,110)	(10,718)	(147,828)
Other comprehensive income (expenses) for the year	-	-	7,923	(1,098)	-	-	1,118	-	7,943	995	8,938
Total comprehensive income (expenses) for the year	-	-	7,923	(1,098)	-	-	1,118	(137,110)	(129,167)	(9,723)	(138,890)
Recognition of equity-settled share-based payment (note 44(b))	-	-	-	-	-	-	-	-	-	3,003	3,003
Acquisition of non-controlling interest of a subsidiary without a change in control (note 42(a))	-	-	-	-	-	(31,630)	-	-	(31,630)	(55,670)	(87,300)
At 30 June 2018	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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

	2018 HK\$'000	2017 HK\$'000
OPERATING ACTIVITIES		
Loss before taxation	(133,449)	(16,133)
Adjustments for:		
Interest income	(5,970)	(8,112)
Depreciation of property, plant and equipment	106,073	99,019
Loss on disposal of property, plant and equipment	1,128	850
Interest expense	81,547	118,564
Cumulative gain reclassified from equity on disposal of available-for-sale investments	–	(1,082)
Net unrealised loss (gain) on fair value of investments held for trading	32,381	(120,105)
Fair value changes on investment properties	1,609	35,508
Net loss on disposal of subsidiaries	–	116,107
Net loss in promissory notes receivables	6,500	–
Net unrealised loss on derivative financial instruments	1,129	5,373
Release of prepaid lease payments	2,965	2,806
Amortisation of intangible assets	–	834
Reversal of impairment loss recognised on loan receivable	–	(19,247)
Reversal of impairment loss recognised on other debtor	–	(2,438)
Share-based payment expense	3,003	4,504
Impairment loss recognised on available-for-sale investments	383	68
Impairment loss recognised on intangible assets	–	12,106
Operating cash flow before movements in working capital	97,299	228,622
Decrease in inventories	2,303	4,711
Decrease in properties under development for sale and properties held for sale	72,327	223,309
Decrease in investments held for trading	984,253	125,836
Decrease in derivative financial instruments	(5,373)	(51,071)
(Increase) decrease in debtors, deposits and prepayments	(52,168)	4,156
Decrease in loans receivable	40,000	19,247
Decrease in creditors and accrued charges	(76,057)	(95,082)
Decrease in deposits received on sale of properties	(12,800)	(21,460)
Increase in customers' deposits and receipts in advance	9,846	39,321
Cash from operating activities	1,059,630	477,589
Interest paid	(79,122)	(116,030)
Tax paid	(7,138)	(177,391)
NET CASH FROM OPERATING ACTIVITIES	973,370	184,168



CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

	NOTES	2018 HK\$'000	2017 HK\$'000
INVESTING ACTIVITIES			
Proceeds from disposal of available-for-sale investments		–	10,463
Purchase of available-for-sale investments		(23,480)	–
Placement of pledged bank deposits/restricted bank deposits		(24,811)	(241,674)
Withdrawal of pledged bank deposits/restricted bank deposits		236,091	589,931
Interest received		5,970	8,112
Additions of investment properties		(23,150)	(74,223)
Additions of property, plant and equipment		(55,586)	(115,256)
Deposits paid for acquisition of property, plant and equipment		(4,438)	(8,768)
Proceeds from disposal of property, plant and equipment		773	1,339
Net cash flow from disposal of subsidiaries	43	–	237,982
NET CASH FROM INVESTING ACTIVITIES		111,369	407,906
FINANCING ACTIVITIES			
New borrowings raised		774,801	820,933
Repayments of borrowings		(1,808,601)	(1,600,048)
Repayment to an associate		–	(1,141)
Acquisition of additional interest in subsidiaries	42(a)	(30,000)	–
Settlement of consideration payable on acquisition of non-controlling interests of subsidiaries		–	(102,645)
Capital contribution from non-controlling interests of a subsidiary	46(b)	–	3,522
Repayments of obligations under finance leases		(12,048)	(13,892)
NET CASH USED IN FINANCING ACTIVITIES		(1,075,848)	(893,271)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		8,891	(301,197)
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES		5,875	(5,492)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		529,326	836,015
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		544,092	529,326

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

1. GENERAL

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

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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle

Amendments to HKAS 7 “Disclosure Initiative”

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 49. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 49, the application of these amendments has had no impact on the Group’s consolidated financial statements.

Except for the above, the application of the other amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

New and revised HKFRSs and interpretations in issue but not yet effective

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

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance Contracts ⁴
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ²
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ²
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle ¹
Amendments to HKAS 40	Transfers of Investment Property ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle ²

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

HKFRS 9 “Financial Instruments”

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 relevant to the Group are described below:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (“FVTOCI”). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group’s financial instruments and risk management policies as at 30 June 2018, the Directors anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement:

- Listed debt instruments classified as available-for-sale investments carried at fair value as disclosed in note 19: these are held within a business model whose objective is achieved both by collecting contractual cash flows and selling the listed debt instruments in the open market, and the contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding. Accordingly, the listed debt instruments will continue to be subsequently measured at FVTOCI upon the application of HKFRS 9, and the fair value gains or losses accumulated in the investments revaluation reserve will continue to be subsequently reclassified to profit or loss when the listed debentures are derecognised or reclassified.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

HKFRS 9 “Financial Instruments” (continued)

Classification and measurement: (continued)

- Investments classified as available-for-sale investments carried at fair value as disclosed in note 19: these investments qualified for designation as measured at FVTOCI under HKFRS 9, however, the Group plans not to elect the option for the designation and will measure these investments at fair value with subsequent fair value gains or losses to be recognised in profit or loss. Upon initial application of HKFRS 9, investment revaluation reserve of HK\$1,098,000 related to these available-for-sale investments will be transferred to retained losses at 1 July 2018.
- Except for financial assets that are subject to expected credit loss measurement, all other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

Impairment

In general, the Directors anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group’s financial assets measured at amortised costs and other items, including contract assets, that are subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the Directors, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 July 2018 would be increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on debtors from securities trading, trade receivables arising from hospital operation, deposits with and receivables from the financial institutions and other debtors and deposits. Such further impairment recognised under expected credit loss model would increase the opening retained losses and increase in deferred tax assets at 1 July 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

HKFRS 15 “Revenue from Contracts with Customers”

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- 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 entity satisfies a performance obligation

Under HKFRS 15, an entity 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. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15. In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15, in particular, may result in change of the identification of performance obligations on the Group’s contracts with customers in respect of sales of properties, the allocation total consideration to the respective performance obligations based on relative fair values and whether these contracts contain significant financing components. Furthermore, revenue on sales of properties may be recognised when customers obtain control over the properties under HKFRS 15 as compared to upon transfer of significant risks and rewards of ownership under HKAS 18. These impacts may potentially affect the timing and amounts of revenue recognition. The application of HKFRS 15 in the future may also result in more disclosures in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

HKFRS 16 “Leases”

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

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

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

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

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 30 June 2018, the Group has non-cancellable operating lease commitments of HK\$41,540,000 as disclosed in note 39. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short term leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

HKFRS 16 “Leases” (continued)

In addition, the Group currently considers refundable rental deposits paid of HK\$1,944,000 and refundable rental deposits received of HK\$33,225,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

The directors of the Company anticipate that the application of the other new and revised HKFRSs and interpretations will have no material impact on the consolidated financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. A fair value measurement of a nonfinancial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based Payment”, leasing transactions that are within the scope of HKAS 17 “Lease”, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of Assets”.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Changes in the Group's ownership interests in existing subsidiaries

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

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

Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations *(continued)*

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

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

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Goodwill

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates

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

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

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

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates (continued)

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

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

Revenue recognition

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

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

Government subsidies

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

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

Investment properties

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

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

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

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

Property, plant and equipment

Property, plant and equipment (other than construction in progress) are stated in the consolidated statement of financial position at cost or fair value less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

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

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

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

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

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

Buildings under development for future owner-occupied purpose

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

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

Effective interest method

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

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

Investments held for trading

A financial asset is classified as held for trading if:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

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

Available-for-sale financial assets

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

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

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

Impairment of financial assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets *(continued)*

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (continued)

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

Financial liabilities and equity instruments

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

Equity instruments

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition

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

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

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Taxation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Borrowing costs

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

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

Leasing

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

The Group as lessor

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

The Group as lessee

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing (continued)

Leasehold land and building

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

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

Prepaid lease payments

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

Intangible assets

Intangible assets acquired in a business combination

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised as an expense immediately in profit or loss.

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

Retirement benefits scheme

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

Inventories

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Properties under development for sale

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

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

Properties held for sale

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

Foreign currencies

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Equity-settled share-based payment transactions

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

Key sources of estimation uncertainty

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

Fair value of investment properties

At 30 June 2018, the Group's investment properties are stated at fair value of HK\$775,676,000 based on an external valuation performed by the independent qualified professional valuers. In determining the fair value, the valuers have applied investment approach, comparison approach or residual approach which involves, inter alia, certain estimates, including appropriate capitalisation rates and market rents. Note 15 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of the investment properties.

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

Fair value of leasehold land and buildings

At 30 June 2018, the Group's leasehold land and buildings (including leasehold land and buildings in Hong Kong, hospital buildings and other buildings in the People's Republic of China (excluding Hong Kong) ("PRC")) are stated at fair value of HK\$844,288,000 based on an external valuation performed by the independent qualified professional valuers. In determining the fair value, the valuers have applied investment approach or depreciated replacement cost approach which involves, inter alia, certain estimates, including appropriate depreciated replacement cost and market rents. Note 16 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of the leasehold land and buildings.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

5. REVENUE

	2018 HK\$'000	2017 HK\$'000
Hospital fees and charges	964,563	785,162
Revenue from provision of elderly care related services	18,020	7,312
Rental income from eldercare segment	1,828	842
Revenue from sale of properties related to eldercare segment	80,905	354,972
Revenue from sale of properties related to property development segment	18,732	69,385
Rental income from property investment segment	7,358	6,711
Interest income from loans receivable	2,308	12,950
Dividend income from listed investments	6,927	47,008
	1,100,641	1,284,342

6. SEGMENT INFORMATION

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

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

Healthcare – operations of hospitals in the PRC.

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

Property development – developing and selling of properties and land 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

6. SEGMENT INFORMATION (continued)

Segment revenues and results

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

For the year ended 30 June 2018

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

6. SEGMENT INFORMATION (continued)

Segment revenues and results (continued)

For the year ended 30 June 2017

	Healthcare HK\$'000	Eldercare HK\$'000	Property development HK\$'000	Property investment HK\$'000	Financial services HK\$'000	Securities trading and investments HK\$'000	Consolidated HK\$'000
Gross proceeds from sale of investments held for trading	-	-	-	-	-	547,852	547,852
Revenue	785,162	363,126	69,385	6,711	12,950	47,008	1,284,342
Segment (loss) profit	(18,744)	2,337	21,098	11,455	34,431	170,348	220,925
Other gains and losses and other income							25,734
Net foreign exchange loss							(8,415)
Net loss on disposal of subsidiaries (note 43)							(116,107)
Central corporate expenses							(86,597)
Finance costs							(51,673)
Loss before taxation							(16,133)

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

The accounting policies of the operating and reportable segments are same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit earned/losses incurred by each segment without allocation of certain other gains and losses and other income, certain net foreign exchange gain, central corporate expenses and certain finance costs. (2017: without allocation of certain other gains and losses and other income, certain net foreign exchange loss, central corporate expenses, net loss on disposal of subsidiaries and certain finance costs). This is the measure reported to the executive directors of the Company for the purpose of resource allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

AT 30 JUNE 2018

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

AT 30 JUNE 2017

	Healthcare HK\$'000	Eldercare HK\$'000	Property development HK\$'000	Property investment HK\$'000	Financial services HK\$'000	Securities trading and investments HK\$'000	Consolidated HK\$'000
Segment assets	1,424,779	987,024	86,032	233,057	41,018	1,175,630	3,947,540
Corporate assets							778,706
Consolidated assets							<u>4,726,246</u>
Segment liabilities	800,905	539,333	155,450	2,022	-	609,318	2,107,028
Corporate liabilities							577,190
Consolidated liabilities							<u>2,684,218</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

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

- all assets are allocated to operating and reportable segments other than certain property, plant and equipment, interests in associates, deposits and prepayments, pledged and restricted bank deposits and bank balances and cash.
- all liabilities are allocated to operating and reportable segments other than certain creditors and accrued charges, consideration payable, certain borrowings, deferred tax liabilities, taxation payable and amount due to an associate.

Other segment information

For the year ended 30 June 2018

	Healthcare HK\$'000	Eldercare HK\$'000	Property development HK\$'000	Property investment HK\$'000	Financial services HK\$'000	Securities trading and investments HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts (credited) charged included in the measure of segment results or segment assets								
Interest income (include interest income from loans receivable)	-	-	-	-	(2,308)	(886)	(5,084)	(8,278)
Finance costs	21,988	17,125	-	-	-	19,712	22,722	81,547
Depreciation of property, plant and equipment	101,650	3,269	-	13	-	-	1,141	106,073
Additions to property, plant and equipment	59,997	4,625	-	-	-	-	35	64,657
Additions to investment properties	-	23,150	-	-	-	-	-	23,150
Fair value changes on investment properties	-	18,632	-	(17,023)	-	-	-	1,609
Loss in fair value change of investments held for trading	-	-	-	-	-	8,716	-	8,716
Net foreign exchange gain	-	-	-	-	-	(101)	(12,206)	(12,307)
Gain in fair value change of derivative financial instruments	-	-	-	-	-	(4,244)	-	(4,244)
Impairment loss recognised on available- for-sale investments	-	-	-	-	-	383	-	383
Release of prepaid lease payments	1,523	-	-	-	-	-	1,442	2,965
Net loss on disposal of property, plant and equipment	1,113	-	3	-	-	-	12	1,128
Net loss in promissory notes receivable	-	-	-	-	-	6,500	-	6,500

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

6. SEGMENT INFORMATION (continued)

Other segment information (continued)

For the year ended 30 June 2017

	Healthcare HK\$'000	Eldercare HK\$'000	Property development HK\$'000	Property investment HK\$'000	Financial services HK\$'000	Securities trading and investments HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts (credited) charged included in the measure of segment results or segment assets								
Interest income (include interest income from loans receivable)	-	-	-	-	(12,950)	-	(8,112)	(21,062)
Finance costs	13,430	11,355	-	-	92	42,014	51,673	118,564
Depreciation of property, plant and equipment	94,483	3,411	-	19	-	-	1,106	99,019
Additions to property, plant and equipment	98,538	20,829	-	-	-	-	359	119,726
Additions to investment properties	-	74,223	-	-	-	-	-	74,223
Fair value changes on investment properties	-	42,387	-	(6,879)	-	-	-	35,508
Gain in fair value change of investments held for trading	-	-	-	-	-	(167,492)	-	(167,492)
Net foreign exchange loss (gain)	-	-	-	(5)	-	3,424	8,415	11,834
Gain in fair value change of derivative financial instruments	-	-	-	-	-	(7,806)	-	(7,806)
Net gain on disposal of available- for-sale investments	-	-	-	-	-	(1,082)	-	(1,082)
Impairment loss recognised on available- for-sale investments	-	-	-	-	-	68	-	68
Release of prepaid lease payments	1,441	-	-	-	-	-	1,365	2,806
Net loss on disposal of property, plant and equipment	529	-	-	-	-	-	321	850
Amortisation of intangible assets	834	-	-	-	-	-	-	834
Reversal of impairment loss recognised on loan receivable	-	-	-	-	(19,247)	-	-	(19,247)
Reversal of impairment loss recognised on other debtor	-	-	-	-	(2,438)	-	-	(2,438)
Impairment loss recognised on intangible assets	12,106	-	-	-	-	-	-	12,106

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

6. SEGMENT INFORMATION (continued)

Geographical information

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

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

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

	Revenue from external customers		Non-current assets	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Hong Kong	10,794	61,349	228,841	243,310
The PRC	1,089,847	1,222,993	2,056,128	2,020,411
	1,100,641	1,284,342	2,284,969	2,263,721

Note: Non-current assets excluded financial instruments.

Revenue from major products and services

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

	2018 HK\$'000	2017 HK\$'000
Revenue from medical and consultation services (note)	885,974	727,152
Revenue from health screening services	78,589	58,010
Revenue from elderly care related services	18,020	7,312
Revenue from rendering financial services	2,308	12,950
Revenue from rental services from property investment segment	7,358	6,711
Revenue from rental services from eldercare segment	1,828	842
Sales of properties related to property development segment	18,732	69,385
Sales of properties related to eldercare segment	80,905	354,972
	1,093,714	1,237,334

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

6. SEGMENT INFORMATION (continued)

Revenue from major products and services (continued)

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

7. OTHER GAINS AND LOSSES, AND OTHER INCOME

	2018 HK\$'000	2017 HK\$'000
(Loss) gain in fair value of investments held for trading	(8,716)	167,492
Gain in fair value of derivative financial instruments	4,244	7,806
Net loss in promissory notes receivable (note)	(6,500)	–
Net gain on disposal of available-for-sale investments	–	1,082
Fair value changes on investment properties	(1,609)	(35,508)
Net foreign exchange gain (loss)	12,307	(11,834)
Impairment loss recognised on available-for-sale investments	(383)	(68)
Impairment loss recognised on intangible asset (note 20)	–	(12,106)
Net loss on disposal of subsidiaries (note 43)	–	(116,107)
Net loss on disposal of property, plant and equipment	(1,128)	(850)
Reversal of impairment loss recognised on loan receivable (note 26)	–	19,247
Reversal of impairment loss recognised on other debtor (note 26)	–	2,438
Interest income from:		
– Available-for-sale debt instruments	886	–
– Bank deposits	5,084	8,112
Government grants	–	3,179
Compensation income	–	2,489
Others	18,704	27,755
	22,889	63,127

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

7. OTHER GAINS AND LOSSES, AND OTHER INCOME (continued)

Note: (continued)

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

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

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

8. FINANCE COSTS

	2018 HK\$'000	2017 HK\$'000
Interest on:		
Bank and other borrowings (including discounted bills)	79,122	116,030
Obligations under finance leases	2,425	2,534
	81,547	118,564

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

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

	For the year ended 30 June 2017				
	Directors' fees HK\$'000	Salaries and other benefits HK\$'000	Performance related incentive payments HK\$'000 (Note a)	Retirement benefits scheme contributions HK\$'000	Total emoluments HK\$'000
Executive directors (Note b)					
Ms. Chong Sok Un	–	455	–	18	473
Dr. Jonathan Weiyang Seah (Note h)	–	3,600	–	14	3,614
Dato' Wong Peng Chong (Note j)	–	1,560	240	18	1,818
Mr. Kong Muk Yin	–	1,560	240	18	1,818
Non-executive directors (Note c)					
Dr. Lim Cheok Peng (Note g)	180	–	–	–	180
Mr. Liao Feng	180	–	–	–	180
Independent non-executive directors (Note d)					
Mr. Lau Siu Ki	220	–	–	–	220
Mr. Ma Wah Yan (Note e)	97	–	–	–	97
Mr. Zhang Jian	100	–	–	–	100
Dr. Xia Xiaoning (Note f)	124	–	–	–	124
	901	7,175	480	68	8,624

Notes:

- The performance related incentive payments are determined by reference to the individual performance of the directors and approved by the Remuneration Committee.
- The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.
- The non-executive directors' emolument shown above was mainly for the service as directors of the Company or its subsidiaries.
- The independent non-executive directors' emoluments shown above were mainly for their service as directors of the Company.
- Mr. Ma Wah Yan retired as an independent non-executive director of the Company on 8 December 2016.
- Dr. Xia Xiaoning has been appointed as an independent non-executive director of the Company on 8 December 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

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

Notes: *(continued)*

- (g) Dr. Lim Cheok Peng resigned as non-executive director and ceased as Chairman of the Company on 8 December 2017.
- (h) Dr. Jonathan Weiyan Seah resigned as non-executive director and ceased as Chairman of the Company on 22 September 2018 after re-designation from executive director and chief executive officer to non-executive director and Chairman of the Company on 8 December 2017.
- (i) Mr. Zhang Yi has been appointed as executive director and chief executive officer of the Company on 8 December 2017 and resigned as executive director and chief executive officer of the Company on 17 January 2018.
- (j) Dato' Wong Peng Chong has been re-designated from executive director to non-executive director of the Company on 1 September 2018.

Dr. Lim Cheok Peng resigned as non-executive director and ceased as Chairman of the Company on 8 December 2017. His emoluments disclosed above include those for services rendered by him as the Chairman of the Company.

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

Mr. Zhang Yi has been appointed as executive director and chief executive officer of the Company on 8 December 2017 and resigned as executive director and chief executive officer of the Company on 17 January 2018. His emoluments disclosed above include those services rendered by him as chief executive officer of the Company.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

10. FIVE HIGHEST PAID INDIVIDUALS

During the year, the five highest paid individuals included two directors of the Company (2017: three), details of their emoluments are set out in note 9. The emoluments for the remaining three (2017: two) highest paid individuals of the Group are as follows:

	2018 HK\$'000	2017 HK\$'000
Salaries and other benefits	6,862	5,011
Retirement benefits scheme contributions	341	231
	7,203	5,242

The emoluments are within the following bands:

	2018 Number of employees	2017 Number of employees
HK\$2,000,001 to HK\$2,500,000	3	1
HK\$2,500,001 to HK\$3,000,000	–	1

11. TAXATION EXPENSE

	2018 HK\$'000	2017 HK\$'000
Current tax (charge) credit:		
– Enterprise Income Tax (“EIT”) in the PRC	(3,442)	(29,945)
– Land appreciation tax (“LAT”) in the PRC	(16,882)	(52,258)
– Deferred tax credit (note 34)	5,945	30,511
	(14,379)	(51,692)
(Under) overprovision in prior years:		
– EIT in the PRC	–	(17,577)
– LAT in the PRC	–	3,898
	–	(13,679)
	(14,379)	(65,371)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

11. TAXATION EXPENSE (continued)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years. No tax is payable as the assessable profits arising in Hong Kong for each of the years ended 30 June 2018 and 2017 are wholly absorbed by tax losses brought forward.

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

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

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

	2018 HK\$'000	2017 HK\$'000
Loss before taxation	(133,449)	(16,133)
Taxation at the domestic income tax rate of 16.5%	22,019	2,662
Tax effect of expenses that are not deductible	(8,791)	(29,107)
Tax effect of income that is not taxable	9,300	40,958
Tax effect of utilisation of tax losses previously not recognised	3,192	7,887
Tax effect of tax losses not recognised	(8,383)	(7,899)
LAT	(16,882)	(52,258)
Overprovision of LAT in prior years	–	3,898
Income tax effect of LAT	4,221	13,065
Underprovision of EIT in prior years	–	(17,577)
Deferred tax provided on withholding tax for income derived from PRC	–	(2,504)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(19,055)	(24,496)
Taxation for the year	(14,379)	(65,371)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

12. LOSS FOR THE YEAR

	2018 HK\$'000	2017 HK\$'000
Loss for the year has been arrived at after charging (crediting):		
Auditor's remuneration	2,694	2,798
Depreciation of property, plant and equipment	106,073	99,019
Staff costs, inclusive of directors' emoluments	371,065	295,894
Gross rental income from properties	(9,186)	(7,553)
Less: Direct operating expenses that generated rental income	841	1,002
Direct operating expenses that did not generate rental income	11	10
Net rental income	(8,334)	(6,541)
Release of prepaid lease payments	2,965	2,806
Share-based payment expense (included in staff costs)	3,003	4,504
Amortisation of intangible assets (included in cost of goods and services)	-	834
Cost of inventories and properties held for sale recognised as an expense (included in cost of goods and services)	467,635	631,673

13. DIVIDENDS

No final dividend was proposed during the year ended 30 June 2018 (2017: nil), nor has any dividend been proposed since the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

14. LOSS PER SHARE

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

Loss

	2018 HK\$'000	2017 HK\$'000
Loss for the purpose of basic and diluted loss per share for the year attributable to owners of the Company	(137,110)	(71,813)
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	14,480,072,773	14,480,072,773

The computations of diluted loss per share for the years ended 30 June 2018 and 2017 do not assume the exercise of share options granted by the subsidiaries since such assumed exercise would be anti-dilutive.

15. INVESTMENT PROPERTIES

	Completed investment properties HK\$'000	Investment properties under construction HK\$'000	Total HK\$'000
FAIR VALUE			
At 1 July 2016	226,178	482,310	708,488
Additions	–	74,223	74,223
Transfer	279,146	(279,146)	–
Net decrease in fair value recognised in profit or loss	(5,951)	(29,557)	(35,508)
Exchange difference	2,581	(7,854)	(5,273)
At 30 June 2017	501,954	239,976	741,930
Additions	–	23,150	23,150
Net (decrease) increase in fair value recognised in profit or loss	(8,669)	7,060	(1,609)
Exchange difference	7,638	4,567	12,205
At 30 June 2018	500,923	274,753	775,676

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

15. INVESTMENT PROPERTIES (continued)

	2018 HK\$'000	2017 HK\$'000
Net unrealised loss on property valuation included in profit or loss (included in other gains and losses)	(1,609)	(35,508)

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

The fair values of the Group's investment properties at 30 June 2018 and 30 June 2017 were arrived at on the basis of valuations carried out on that date either by Cushman & Wakefield Limited (HK) ("C&W") or Asset Appraisal Limited ("AAL"), independent qualified professional valuers not connected with the Group.

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

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

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

There were no transfers into or out of Level 3 during both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

15. INVESTMENT PROPERTIES (continued)

Information about fair value measurements using significant unobservable inputs

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

15. INVESTMENT PROPERTIES (continued)

Information about fair value measurements using significant unobservable inputs (continued)

	Fair value HK\$'000	Fair value hierarchy	Valuation techniques	Unobservable inputs	Range of significant inputs	Relationship of inputs to fair value
As at 30 June 2017						
Industrial property units located in Hong Kong	183,650	Level 3	Investment approach	(i) Capitalisation rate (ii) Monthly market rent per square feet	3.5% HK\$16 - HK\$18 per square feet	The higher the capitalisation rate, the lower the fair value. The higher the market rent, the higher the fair value.
Land in Hong Kong	6,700	Level 3	Comparison approach	Market unit rate	HK\$121 per square feet	A significant increase in the market unit rate would result in a significant increase in fair value, and vice versa.
Commercial property units located in the PRC	37,900	Level 3	Investment approach	(i) Capitalisation rate (ii) Monthly market rent per square metre	6% RMB173 per square meter	The higher the capitalisation rate, the lower the fair value. The higher the market rent, the higher the fair value.
Residential property units located in the PRC	2,180	Level 3	Comparison approach	Market unit rate	RMB6,792 per square meter	A significant increase in the market unit rate would result in a significant increase in fair value, and vice versa.
Commercial and residential property units located in the PRC	271,524	Level 3	Investment approach	(i) Capitalisation rate (ii) Monthly market rent per square meter	4.75% - 8% RMB17 to RMB40 per square meter	The higher the capitalisation rate, the lower the fair value. The higher the market rent, the higher the fair value.
Commercial and residential properties under construction located in the PRC	239,976	Level 3	Residual approach	Market unit rate	RMB14,200 per square meter	A significant increase in the market unit rate would result in a significant increase in fair value, and vice versa.
	741,930					



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings in Hong Kong HK\$'000	Leasehold improvement HK\$'000	Hospital buildings in the PRC HK\$'000	Other buildings in the PRC HK\$'000	Construction in progress HK\$'000	Computer, medical and electronic equipment HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST OR VALUATION										
At 1 July 2016	18,027	453	832,149	62,402	284,767	242,312	20,032	12,378	5,738	1,478,258
Additions	-	-	3,304	-	84,431	23,900	4,344	2,262	1,485	119,726
Transfer	-	-	(9,906)	46,845	(36,939)	-	-	-	-	-
Disposals	-	-	-	-	-	(2,140)	(19)	(2,581)	(3,722)	(8,462)
Disposal of a subsidiary (note 43)	-	-	-	-	-	(9,695)	-	-	(273)	(9,968)
Revaluation increase (decrease)	680	-	(54,558)	(1,724)	-	-	-	-	-	(55,602)
Exchange differences	-	(5)	(4,500)	(285)	(4,074)	(5,872)	(403)	(147)	(101)	(15,387)
At 30 June 2017	18,707	448	766,489	107,238	328,185	248,505	23,954	11,912	3,127	1,508,565
Additions	-	-	-	-	38,362	19,665	1,350	5,116	164	64,657
Transfer	-	-	2,966	-	(2,966)	-	-	-	-	-
Disposals	-	-	-	-	-	(6,585)	(75)	(348)	(340)	(7,348)
Revaluation increase (decrease)	1,960	-	(63,878)	(530)	-	-	-	-	-	(62,448)
Exchange differences	-	-	11,296	40	6,324	4,002	535	127	25	22,349
At 30 June 2018	20,667	448	716,873	106,748	369,905	265,587	25,764	16,807	2,976	1,525,775
Comprising:										
At cost – 2018	-	448	-	-	369,905	265,587	25,764	16,807	2,976	681,487
At valuation – 2018	20,667	-	716,873	106,748	-	-	-	-	-	844,288
	20,667	448	716,873	106,748	369,905	265,587	25,764	16,807	2,976	1,525,775
Comprising:										
At cost – 2017	-	448	-	-	328,185	248,505	23,954	11,912	3,127	616,131
At valuation – 2017	18,707	-	766,489	107,238	-	-	-	-	-	892,434
	18,707	448	766,489	107,238	328,185	248,505	23,954	11,912	3,127	1,508,565

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

16. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold land and buildings in Hong Kong HK\$'000	Leasehold improvement HK\$'000	Hospital buildings in the PRC HK\$'000	Other buildings in the PRC HK\$'000	Construction in progress HK\$'000	Computer, medical and electronic equipment HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
DEPRECIATION										
At 1 July 2016	-	453	-	-	-	88,184	6,338	4,542	1,624	101,141
Provided for the year	513	-	54,558	4,056	-	29,132	6,110	935	3,715	99,019
Eliminated on revaluation	(513)	-	(54,558)	(4,056)	-	-	-	-	-	(59,127)
Eliminated on disposal	-	-	-	-	-	(1,788)	(18)	(973)	(3,494)	(6,273)
Eliminated on disposal of a subsidiary (note 43)	-	-	-	-	-	(2,166)	-	-	(273)	(2,439)
Exchange difference	-	(5)	-	-	-	(775)	(38)	(41)	(45)	(904)
At 30 June 2017	-	448	-	-	-	112,587	12,392	4,463	1,527	131,417
Provided for the year	539	-	63,878	5,954	-	30,936	2,254	1,890	622	106,073
Eliminated on revaluation	(539)	-	(63,878)	(5,954)	-	-	-	-	-	(70,371)
Eliminated on disposal	-	-	-	-	-	(4,753)	(70)	(301)	(323)	(5,447)
Exchange difference	-	-	-	-	-	(1,095)	(258)	(68)	(10)	(1,431)
At 30 June 2018	-	448	-	-	-	137,675	14,318	5,984	1,816	160,241
CARRYING VALUES										
At 30 June 2018	20,667	-	716,873	106,748	369,905	127,912	11,446	10,823	1,160	1,365,534
At 30 June 2017	18,707	-	766,489	107,238	328,185	135,918	11,562	7,449	1,600	1,377,148

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

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

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

A revaluation surplus on leasehold land and buildings of HK\$7,923,000 (2017: HK\$3,525,000) has been credited to the properties revaluation reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

16. PROPERTY, PLANT AND EQUIPMENT (continued)

If the leasehold land and buildings in Hong Kong and in the PRC had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation of HK\$544,000 (2017: HK\$562,000) and HK\$778,124,000 (2017: HK\$826,641,000) respectively at 30 June 2018.

The Group has not obtained the building certificates for the buildings in the PRC with carrying value of HK\$445,757,000 (2017: HK\$276,268,000) as at 30 June 2018.

Details of pledged property, plant and equipment are set out in note 38.

Leasehold land and buildings in Hong Kong were valued on 30 June 2018 and 30 June 2017 by C&W. Hospital buildings and other buildings in the PRC were valued on 30 June 2018 and 30 June 2017 by AAL. The fair value was arrived using comparison approach as described in note 15 and where appropriate, depreciated replacement cost approach by reference to the construction costs required to rebuild the buildings and deducting for physical deterioration and all relevant forms of obsolescence and optimisations.

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

There were no transfers into or out of Level 3 during both years.

Fair value measurements using significant unobservable inputs

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

16. PROPERTY, PLANT AND EQUIPMENT (continued)

Fair value measurements using significant unobservable inputs (continued)

	Fair value HK\$'000	Fair value hierarchy	Valuation techniques	Unobservable inputs	Range of significant inputs	Relationship of inputs to fair value
As at 30 June 2017						
Industrial property units located in Hong Kong	18,707	Level 3	Comparison approach	Market unit rate	HK\$1,810 - HK\$4,200 per square feet	A significant increase in the market unit rate would result in a significant increase in fair value, and vice versa.
Hospital buildings located in the PRC	766,489	Level 3	Depreciated replacement cost approach	Depreciated replacement cost per square metre	RMB4,910 - RMB5,780 per square meter (Note)	The higher the depreciated replacement cost per square metre, the higher the fair value
Other buildings located in the PRC	107,238	Level 3	Depreciated replacement cost approach	Depreciated replacement cost per square metre	RMB2,007 - RMB10,070 per square meter (Note)	The higher the depreciated replacement cost per square metre, the higher the fair value
	892,434					

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

17. PREPAID LEASE PAYMENTS

	2018 HK\$'000	2017 HK\$'000
The Group's prepaid lease payments being analysed for reporting purpose as:		
Non-current assets	102,733	103,375
Current assets	2,894	2,832
	105,627	106,207

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

18. INTERESTS IN ASSOCIATES

	2018 HK\$'000	2017 HK\$'000
Cost of investments in associates		
Unlisted	199,197	199,197
Share of post-acquisition losses and other comprehensive income, net of dividends received	(126,180)	(126,180)
Less: Impairment loss	(73,017)	(73,017)
	—	—

As at 30 June 2018 and 30 June 2017, the Group had interests in the following associates:

Name of entity	Form of business structure	Country/ place of incorporation/ registration	Principal place of operation	Class of share held	Number of shares/paid-up capital held by the Group as at 30 June 2018	Proportion of nominal value of issued capital held by the Group		Proportion of voting power held		Principal activity
						2018 %	2017 %	2018 %	2017 %	
Essence International Holdings Limited	Incorporated	Hong Kong	Hong Kong/PRC	Ordinary	4,500,000 (2017: 4,500,000)	30	30	30	30	Ceased business
Printronic Electronics Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	2 (2017: 2)	40	40	40	40	Inactive
Jiaozuo Tongren Medical Industry Company Limited (焦作同仁醫療產業投資有限公司)	Incorporated	PRC	PRC	Registered	RMB13,000,000 (2017: RMB13,000,000)	21.67	21.67	21.67	21.67	Operation of a hospital in Jiaozuo

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

18. INTERESTS IN ASSOCIATES (continued)

Aggregate information of associates that are not individually material

	2018 HK\$'000	2017 HK\$'000
The Group's share of loss and total comprehensive expense	–	–
Aggregate carrying amount of the Group's interest in these associates	–	–

Unrecognised share of losses of associates

	Year ended 30 June 2018 HK\$'000	Year ended 30 June 2017 HK\$'000
The unrecognised share of loss of the associates for the year	1,359	2,062
Cumulative share of loss of the associates	33,425	32,066

19. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2018 HK\$'000	2017 HK\$'000
Listed investments:		
– Listed fixed rate bonds	22,562	–
Unlisted investments:		
– Unit trusts	116	803
– Other investments, at cost	802	678
	918	1,481
Total	23,480	1,481
Analysed for reporting purposes as:		
Current assets	22,678	803
Non-current assets	802	678
	23,480	1,481

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

19. AVAILABLE-FOR-SALE INVESTMENTS (continued)

As at 30 June 2018, the unlisted unit trusts and listed fixed rate bonds (2017: the unlisted unit trusts) are denominated in United States Dollars ("USD").

As at 30 June 2018, unlisted investments of HK\$116,000 (2017: HK\$803,000) and listed fixed rate bonds of HK\$22,562,000 (2017: nil) are classified as current assets as the directors of the Company determine that these investments are highly probable to be recovered within twelve months.

20. INTANGIBLE ASSETS

	HK\$'000
COST	
At 1 July 2016	15,987
Exchange differences	(116)
	<hr/>
At 30 June 2017	15,871
Write off	(15,871)
	<hr/>
At 30 June 2018	–
AMORTISATION AND IMPAIRMENT	
At 1 July 2016	2,953
Charge for the year	834
Impairment	12,106
Exchange differences	(22)
	<hr/>
At 30 June 2017	15,871
Eliminated on write off	(15,871)
	<hr/>
At 30 June 2018	–
CARRYING AMOUNT	
At 30 June 2018	–
	<hr/>
At 30 June 2017	–
	<hr/>

The intangible assets represent the trademark of "Tongren" and are amortised on a straight-line basis over 20 years starting from the acquisition date. As at 30 June 2017, the directors of the Company reassessed the recoverable amount of the intangible assets and recognised an impairment loss of HK\$12,106,000 in profit or loss for the year ended 30 June 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

21. GOODWILL

	2018 HK\$'000
COST	
At 1 July 2016	32,867
Exchange differences	(367)
At 30 June 2017	32,500
Exchange differences	707
At 30 June 2018	33,207
IMPAIRMENT	
At 1 July 2016, 30 June 2017 and 30 June 2018	–
CARRYING VALUES	
At 30 June 2018	33,207
At 30 June 2017	32,500

Goodwill of HK\$33,207,000 (2017: HK\$32,500,000) as at 30 June 2018 has been allocated to the Group's business of the provision of elderly care and health services on the retirement community. The recoverable amount has been determined based on value in use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period and a discount rate of 9%. Cashflows for further five years are extrapolated at 3%. Another key assumption for the value in use calculation is the budgeted revenue and gross margin, which is determined based on management's expectation for the market development.

22. INVENTORIES

	2018 HK\$'000	2017 HK\$'000
Medical consumables	6,908	7,055
Medicines	11,260	12,925
	18,168	19,980

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

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

Properties under development for sale

	2018 HK\$'000	2017 HK\$'000
COST		
At the beginning of the year	6,110	331,822
Exchange adjustments	133	(10,623)
Eliminated on disposal of a subsidiary (note 43)	–	(315,089)
	<u>6,243</u>	<u>6,110</u>
At the end of the year	6,243	6,110
Properties under development for sales of which:		
– expected to be realised within 12 months	–	–
– expected to be realised over 12 months	6,243	6,110
	<u>6,243</u>	<u>6,110</u>

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

Properties held for sale

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

24. INVESTMENTS HELD FOR TRADING

Investments held for trading include:

	2018 HK\$'000	2017 HK\$'000
Listed securities:		
– Equity securities listed in Australia	77,606	164,077
– Equity securities listed in Hong Kong	55,918	951,028
– Equity securities listed in Malaysia	–	25,894
– Equity securities listed elsewhere (Note)	5,245	14,404
	<u>138,769</u>	<u>1,155,403</u>

Note: The equity securities listed elsewhere are mainly denominated in Philippine Peso ("PHP") of HK\$1,373,000 (2017: HK\$1,048,000), Japanese Yen ("JPY") of HK\$3,872,000 (2017: HK\$3,027,000) and Renminbi ("RMB") of nil (2017: HK\$10,329,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

25. DEBTORS, DEPOSITS AND PREPAYMENTS

	2018 HK\$'000	2017 HK\$'000
Debtors from securities trading	10,136	2,400
Trade receivables arising from hospital operation	132,756	92,381
Deposits with and receivables from the financial institutions	7,596	16,249
Prepayments	518	4,613
Prepaid business taxes and other PRC taxes	7,799	7,384
Other debtors and deposits	20,556	12,791
	179,361	135,818

The settlement terms of debtors from securities trading are 2-3 days after trade date and they are aged within 2-3 days as at 30 June 2018 and 2017.

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 from the invoice date.

The following is an aged analysis of trade receivables from hospital operation presented based on the invoice date (approximate the date of revenue recognition) as at 30 June 2018 and 30 June 2017:

	2018 HK\$'000	2017 HK\$'000
0 – 30 days	90,639	56,821
31 – 60 days	38,265	30,685
61 – 90 days	1,184	3,216
91 – 365 days	2,285	1,619
More than 365 days	383	40
	132,756	92,381

As at 30 June 2018 and 30 June 2017, trade receivables from hospital operation disclosed above were neither past due nor impaired for which the Group considered that the amounts were recoverable because the receivables were related to a number of independent customers that have good repayment records with the Group.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

26. LOANS RECEIVABLE

	2018 HK\$'000	2017 HK\$'000
Fixed-rate loans	–	40,000

The loans receivable had contractual maturity dates within 1 year as at 30 June 2017.

The Group has policy for allowance of bad and doubtful debts which is based on the evaluation of collectability and aging analysis of accounts and on management's judgment, including the current creditworthiness, collaterals and the past collection history of each client.

As at 30 June 2016, aggregated loan receivable amounting to RMB15,000,000 (approximately HK\$19,247,000) was past due. Due to continuing default in repayment, an impairment loss of the loan receivable and the relevant interest receivable of HK\$19,247,000 and HK\$2,926,000 respectively were recognised during the year ended 30 June 2016. During the year ended 30 June 2017, the management of the Group took active negotiation and follow-up action to recover the relevant loan and interest receivable, and the Group entered into a settlement agreement with the borrower and the principal and the revised interest were received. A reversal of impairment loss of the loan receivable of HK\$19,247,000 and the interest receivable of HK\$2,438,000 were made during the year ended 30 June 2017 accordingly.

As at 30 June 2017, the fixed-rate loans receivable were denominated in HK\$. The average interest rate for the fixed-rate loans receivable was 24% per annum.

The loans had been fully settled during the year ended 30 June 2018.

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

Pledged bank deposits

Pledged bank deposits amounting to HK\$24,432,000 (2017: HK\$220,407,000) are used to secure the short-term general banking facilities granted to the Group. Accordingly, the pledged bank deposits are classified as current assets. During the year, the pledged bank deposits carried interest with a range from 0.3% to 4.5% per annum (2017: 0.35% to 1.75%).

Restricted bank deposits

As at 30 June 2018, in accordance with the applicable government regulations, HK\$5,073,000 (2017: HK\$21,267,000) were placed in bank deposits which could only be used in the designated property development projects. During the year, the deposits carried interest at average market rates of 0.35% per annum (2017: 0.30%).

Bank balances and cash

Bank balances and cash comprise cash and bank balances held by the Group with original maturity of three months or less. During the year, they carried interest at a range from 0.001% to 1.5% per annum (2017: 0.001% to 4.2%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

28. CREDITORS AND ACCRUED CHARGES

	2018 HK\$'000	2017 HK\$'000
Trade payables to construction contractors and of hospital operation	253,532	307,486
Creditors from securities trading	–	3,043
Accrued compensation for late delivery of properties held for sale	6,099	5,969
Accrued construction cost for properties under development for sale	33,942	122,918
Construction cost payable for hospital buildings classified as property, plant and equipment	6,514	13,085
Other payables and accrued charges	153,587	65,338
	453,674	517,839

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

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

The following is an aged analysis of trade payables to construction contractors and of hospital operations presented based on the invoice date as at 30 June 2018:

	2018 HK\$'000	2017 HK\$'000
0 – 30 days	141,032	260,955
31 – 60 days	36,717	5,232
61 – 90 days	28,797	5,890
91 – 365 days	40,343	29,736
Over 1 year but not exceeding 2 years	4,253	3,479
Over 2 years but not exceeding 5 years	2,390	2,194
	253,532	307,486

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

29. CONSIDERATION PAYABLE

During the year ended 30 June 2018, the Group acquired the non-controlling interests of AVEO China (Holdings) Limited ("Aveo China") for a consideration of HK\$87,300,000. Details of the acquisition are set out in the note 42(a). Pursuant to the agreement of the acquisition, consideration of HK\$57,300,000 is payable within six to eleven months from the date of completion and payable at 30 June 2018.

30. AMOUNT DUE TO AN ASSOCIATE

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

31. BORROWINGS

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

	2018 HK\$'000	2017 HK\$'000
Securities margin loans (Note a)	–	370,806
Unsecured term loans (Note b)	262,382	487,940
Secured bank borrowings (Note c)	253,675	115,521
Unsecured bank borrowings (Note c)	309,446	308,262
Secured other borrowings (Note d)	–	186,546
Unsecured other borrowings (Note d)	–	152,922
Discounted bills (Note e)	–	128,970
Secured term loan (Note f)	–	75,462
	825,503	1,826,429

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

	2018 HK\$'000	2017 HK\$'000
On demand or within one year	325,330	1,371,270
Over one year but not exceeding two years	362,393	340,007
Over two years but not exceeding five years	137,780	115,152
	825,503	1,826,429
Less: Amount due within one year shown under current liabilities	(325,330)	(1,371,270)
Amount shown under non-current liabilities	500,173	455,159

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

31. BORROWINGS (continued)

Notes:

(a) Securities margin loans

As at 30 June 2017, these represented securities margin financing received from stock broking, futures and options broking houses and were secured by certain collateral of the Group as disclosed in note 38. Additional funds or collateral were required if the balance of the borrowings exceeds the eligible margin value of securities pledged to the broking houses. The collateral can be sold at the broking houses' discretion to settle any outstanding borrowings owed by the Group. As at 30 June 2017, the entire loans were repayable on demand and bore variable interest at 5.25% per annum.

(b) Unsecured term loans

As at 30 June 2018, included in unsecured term loans is an amount of HK\$262,382,000 (equivalent to RMB223,000,000) (2017: HK\$257,940,000 (equivalent to RMB224,000,000) which is denominated in RMB, which is the foreign currency of respective entities of the Group. The unsecured term loans bear fixed interest at 8% (2017: ranged from 6% to 6.66%) per annum.

(c) Bank borrowings

Bank borrowings are denominated in RMB, which is the functional currency of respective entities of the Group. As at 30 June 2018, bank borrowings of HK\$23,532,000 (2017: HK\$23,030,000) bear variable interest at 5.28% (2017: 5.28%) per annum. The interest rates (which are also equal to contracted interest rates) of the remaining fixed rate bank borrowings are ranged from 4.75% to 6% (2017: 4.35% to 5.66%) per annum.

(d) Other borrowings

As at 30 June 2017, other borrowings are denominated in RMB, which is the functional currency of respective entities of the Group. As at 30 June 2017, the interest rates per annum (which are also equal to contracted interest rates) of the fixed-rate unsecured other borrowings were ranged from 5.11% to 12% per annum. As at 30 June 2017, included in other borrowings was an amount of HK\$37,770,000 which was a borrowing from a related party in which a director of a subsidiary of the Group was a director of the related party.

(e) Discounted bills

As at 30 June 2017, discounted bills were denominated in RMB, which is the functional currency of respective entities of the Group, and were secured by pledged bank deposits. The effective interest of the discounted bills is averagely 3.4% per annum. Bills are issued through inter-group transactions and the relevant group entities discounted the bills to independent third parties. The bills receivable and payable issued between group entities were fully eliminated on consolidation.

(f) Secured term loan

On 23 December 2015, the Company's subsidiary, Aveo China, and an entity ("Lender") entered into an agreement ("Loan Agreement") and obtained a loan, in the sum of HK\$75,462,000 for a term of twelve months from the date of the Loan Agreement ("Loan"). The Loan carries fixed interest at 12% per annum and is secured by the equity interests in Aveo China, the equity interests in certain subsidiaries of Aveo China and the debentures incorporating a first fixed and floating charge over all undertaking, property and assets of certain subsidiaries of Aveo China duly executed by the relevant subsidiaries of Aveo China. A former director of Aveo China is an executive director of the Lender and has an indirect controlling beneficial interest in the Lender.

On 12 January 2017 and 26 June 2017, the Lender and Aveo China entered into the supplemental agreements to extend the repayment date under the Loan Agreement to 23 July 2018. The details of the supplemental agreements are set out in the Company's announcements dated 12 January 2017 and 26 June 2017. The effective interest of the Loan is 12% per annum. The Loan was fully settled during the year ended 30 June 2018.

The securities margin loans and secured borrowings are secured by the Group's assets as disclosed in note 38.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

32. OBLIGATIONS UNDER FINANCE LEASES

	2018		2017	
	HK\$'000		HK\$'000	
Analysed for reporting purpose as:				
Current liabilities	10,201		9,878	
Non-current liabilities	9,511		18,605	
	19,712		28,483	
	Minimum		Present value	
	lease payments		of minimum	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amount payable under finance leases:				
Within one year	11,541	10,589	10,201	9,878
In more than one year but not more than two years	11,677	10,706	9,511	9,589
In more than two years but not more than five years	–	10,832	–	9,016
	23,218	32,127	19,712	28,483
Less: Future finance charges	(3,506)	(3,644)	N/A	N/A
Present value of lease obligations	19,712	28,483	19,712	28,483
Less: Amount due for settlement within one year (shown under current liabilities)			(10,201)	(9,878)
Amount due for settlement after one year			9,511	18,605

The Group leased certain of its medical equipment under finance leases. The lease term is five years (2017: five years). Interest rates underlying all obligations under finance leases was fixed at 7.62% per annum (2017: 7.62%). No arrangement was entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets (note 38).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

33. DERIVATIVE FINANCIAL INSTRUMENTS

As at 30 June 2018 and 30 June 2017, derivative financial instruments comprise gross-settled option contracts linked with equity securities listed in Hong Kong.

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

34. DEFERRED TAX LIABILITIES

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

	Withholding tax in respect of undistributed earnings of PRC subsidiaries HK\$'000	Fair value adjustment on business combination HK\$'000	Total HK\$'000
At 1 July 2016	4,823	71,643	76,466
Charge (credit) to profit or loss for the year	2,504	(33,015)	(30,511)
Exchange difference	–	(779)	(779)
At 30 June 2017	7,327	37,849	45,176
Credit to profit or loss for the year	–	(5,945)	(5,945)
Exchange difference	–	(994)	(994)
At 30 June 2018	<u>7,327</u>	<u>30,910</u>	<u>38,237</u>

At 30 June 2018, the Group had estimated unused tax losses of approximately HK\$2,212 million (2017: HK\$2,386 million) for offset against future profits. No deferred tax asset has been recognised in respect of estimated tax losses due to the unpredictability of future profit streams. The estimated tax losses of HK\$2,067 million (2017: HK\$1,989 million) may be carried forward indefinitely. Unused tax losses of HK\$493 million (2017: HK\$397 million) will expire between 2019 and 2022 (2017: between 2018 and 2021).

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK\$86 million (2017: HK\$473 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

35. SHARE CAPITAL

	Number of shares		Carrying value	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Ordinary shares of HK\$0.0005 (2017: HK\$0.0005) each				
Authorised:				
At beginning of the year and at end of the year	<u>600,000,000,000</u>	<u>600,000,000,000</u>	<u>300,000</u>	<u>300,000</u>
Issued and fully paid:				
At beginning of the year and at end of the year	<u>14,480,072,773</u>	<u>14,480,072,773</u>	<u>7,240</u>	<u>7,240</u>

36. RESERVES

Properties revaluation reserve

	2018 HK\$'000	2017 HK\$'000
Items that will not be reclassified to profit or loss:		
At 1 July	<u>19,952</u>	<u>17,127</u>
Gain on revaluation of leasehold land and buildings	<u>7,923</u>	<u>2,825</u>
At 30 June	<u>27,875</u>	<u>19,952</u>

At 30 June 2018, the balance of properties revaluation reserve included surplus of HK\$5,456,000 (2017: HK\$5,456,000), arising from revaluation of leasehold land and buildings on transfer of leasehold land and buildings to investment properties carried at fair value in prior year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

36. RESERVES (continued)

Investment revaluation reserve

	2018 HK\$'000	2017 HK\$'000
Items that will be reclassified subsequently to profit or loss:		
At 1 July	–	6
(Loss) gain on fair value changes of available-for-sale investments	(1,098)	1,076
Reclassification adjustments for the cumulative gain included in profit or loss upon disposal of available-for-sale investments	–	(1,082)
At 30 June	(1,098)	–

Translation reserve

	2018 HK\$'000	2017 HK\$'000
Items that will be reclassified subsequently to profit or loss:		
At 1 July	21,100	(12,153)
Exchange loss arising from translation of foreign operations	1,118	4,900
Reclassification to profit or loss upon disposal of a subsidiary	–	28,353
At 30 June	22,218	21,100



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

37. NON-CONTROLLING INTERESTS

	Share of net assets of subsidiaries HK\$'000	Share options reserve of subsidiaries HK\$'000	Total HK\$'000
At 1 July 2016	65,527	19,577	85,104
Share of loss for the year	(9,691)	–	(9,691)
Share of other comprehensive expense for the year	(5,627)	–	(5,627)
Share of total comprehensive expense for the year	(15,318)	–	(15,318)
Recognition of equity-settled share-based payment (note 44(b))	–	4,504	4,504
Capital contribution from non-controlling interest of a subsidiary	10,272	–	10,272
Acquisition of non-controlling interest of a subsidiary without a change in control (note 42(b))	2,991	–	2,991
Transfer upon expiration of share option scheme of a subsidiary (note 44(a))	1,259	(4,196)	(2,937)
At 30 June 2017	64,731	19,885	84,616
Share of loss for the year	(10,718)	–	(10,718)
Share of other comprehensive income for the year	995	–	995
Share of total comprehensive expense for the year	(9,723)	–	(9,723)
Recognition of equity-settled share-based payment (note 44(b))	–	3,003	3,003
Acquisition of non-controlling interest of a subsidiary without a change in control (note 42(a))	(55,670)	–	(55,670)
At 30 June 2018	(662)	22,888	22,226

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

38. PLEDGE OF ASSETS

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

	2018 HK\$'000	2017 HK\$'000
Investments held for trading	138,769	1,150,525
Buildings (included in property, plant and equipment)	156,488	152,565
Investment properties	493,681	478,833
Properties held for sale	37,063	32,673
Pledged bank deposits	24,432	220,407
	850,433	2,035,003

At 30 June 2018, the Company's equity interests in certain subsidiaries were pledged to the lenders for credit facilities granted to the Group.

The Group's obligations under finance leases are secured by the Group's charge over the leased assets. At 30 June 2018, the carrying amount of the Group's medical equipment included an amount of HK\$32,783,000 (2017: HK\$59,879,000) in respect of assets held under finance leases.

At 30 June 2017, discounted bills of HK\$128,970,000 were secured by pledged bank deposits. Bills were issued through inter-group transactions and the relevant group entities discounted the bills to independent third parties. The bills receivable and payable issued between group entities were fully eliminated on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

39. COMMITMENTS

Lease commitments

The Group as lessee

	2018 HK\$'000	2017 HK\$'000
Minimum lease payments paid under operating leases in respect of premises	<u>2,671</u>	<u>2,627</u>

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

	2018 HK\$'000	2017 HK\$'000
Within one year	16,686	19,871
In the second to fifth year inclusive	<u>24,854</u>	<u>55,840</u>
	<u>41,540</u>	<u>75,711</u>

Operating lease payments represent rentals payable by the Group for certain of its rented premises. Leases are negotiated and rentals are fixed for a lease term of one to three (2017: one to five) years.

The Group as lessor

Property rental income earned during the year was HK\$9,186,000 (2017: HK\$7,553,000). The properties held have committed tenants for a lease term ranging from one to three years (2017: from one to five years).

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

	2018 HK\$'000	2017 HK\$'000
Within one year	7,785	2,563
In the second to fifth year inclusive	<u>7,091</u>	<u>2,243</u>
	<u>14,876</u>	<u>4,806</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

39 COMMITMENTS (continued)

Capital commitments

	2018 HK\$'000	2017 HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statement in respect of:		
– Property, plant and equipment	42,793	76,831
– Investment properties	172,398	38,479
	215,191	115,310

40. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme (“MPF Scheme”) for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Both the Group and the employees contribute a fixed percentage of the relevant payroll to the MPF Scheme. The cap of contribution amount is HK\$1,500 per employee per month. The only obligation of the Group with respect of the MPF Scheme is to make the required contributions under the scheme.

According to the relevant laws and regulations in the PRC, the Group are required to participate in defined contribution retirement schemes administered by the local municipal governments. The Group contributes funds which are calculated on certain percentage of the average employees salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees. The principal obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the scheme.

During the year ended 30 June 2018, the retirement benefits scheme contributions charged to consolidated statement of profit or loss were HK\$18,171,000 (2017: HK\$14,715,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

41. RELATED PARTY TRANSACTIONS

Other than amount due to an associate as set out in note 30, the Group had the following related party transactions:

	2018 HK\$'000	2017 HK\$'000
Interest expense to borrowings from related parties (note)	<u>1,853</u>	<u>12,402</u>

The Group has the following balance outstanding at the end of the year:

	2018 HK\$'000	2017 HK\$'000
Unsecured other borrowing from a related party (note)	<u>–</u>	<u>37,770</u>

Note: The relationship of the relevant related parties are disclosed in note 31.

Compensation of key management personnel

The remuneration of directors of the Company, who are the key management of the Group during the year was as follows:

	2018 HK\$'000	2017 HK\$'000
Salaries and other short-term employee benefits	8,622	8,556
Retirement benefits costs	<u>72</u>	<u>68</u>
	<u>8,694</u>	<u>8,624</u>

The remuneration of directors of the Company is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

42. ACQUISITION OF NON-CONTROLLING INTERESTS OF SUBSIDIARIES WITHOUT A CHANGE IN CONTROL

(a) Acquisition of non-controlling interests of Aveo China

In May 2018, the Company completed the acquisition of an aggregate of 30% equity interests in Aveo China. (the “Aveo China Acquisition”)

The fair value of the aggregated consideration for the Aveo China Acquisition is HK\$87,300,000. The difference of HK\$31,630,000 between the 30% non-controlling interests of HK\$55,670,000 and the fair value of the aggregate considerations of HK\$87,300,000 had been debited to other reserves during the year ended 30 June 2018.

Aveo China became a wholly owned subsidiary of the Group upon the completion of Aveo China Acquisition. Details of the Aveo China Acquisition are set out in the Company’s announcements dated 13 April 2018 and 11 May 2018.

(b) Acquisition of non-controlling interests of Century Idea Limited

During the year ended 30 June 2017, the Group acquired additional interests in Century Ideas Limited for a consideration of HK\$1. The difference of HK\$2,991,000 between the carrying amount of non-controlling interests in deficit balance of HK\$2,991,000 and the consideration of HK\$1 has been debited to other reserves during the year ended 30 June 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

43. DISPOSAL OF SUBSIDIARIES

(a) Disposal of Yunnan Xinxinhua Hospital Co. Ltd.

On 13 July 2016, the Group entered into a sale and purchase agreement with an independent third party pursuant to which the Group agreed to dispose of the entire registered capital of a wholly-owned subsidiary, Yunnan Xinxinhua Hospital Co. Ltd. (雲南新新華醫院有限公司) (“Xinxinhua Hospital Company”), at a cash consideration of RMB13,000,000 (approximately HK\$15,145,000). The disposal was completed on 19 July 2016.

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

	HK\$'000
<hr/>	
NET ASSETS DISPOSED OF	
Property, plant and equipment	7,529
Debtors, deposits and prepayments	14,083
Inventories	2,893
Bank balances and cash	2,190
Creditors and accrued charges	(11,987)
	<hr/>
	14,708
Gain on disposal	437
	<hr/>
Total consideration	15,145
	<hr/>
Satisfied by:	
Cash	15,145
	<hr/>
Net cash inflow arising on disposal:	
Bank balances and cash disposed of	(2,190)
Cash consideration	15,145
	<hr/>
	12,955
	<hr/>

During the period between 1 July 2016 and the date of disposal, Xinxinhua Hospital Company did not have material contribution to revenue and profit to the Group. Xinxinhua Hospital Company did not have material effect on the Group's operating cash flow during the year ended 30 June 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

43. DISPOSAL OF SUBSIDIARIES *(continued)*

(b) Disposal of Lianyungang Chengtai Property Development Company Limited

On 7 April 2017, Jiatai Construction entered into an agreement with an independent third party pursuant to which Jiatai Construction agreed to dispose of the equity interest of the Lianyungang Chengtai Property Development Company Limited (連雲港成泰置業有限公司) (“Lianyungang Chengtai Property”) at a cash consideration of RMB200,000,000 (approximately HK\$225,420,000).

The net assets of Lianyungang Chengtai Property disposed of on the date of completion mainly included properties under development for sale. The disposal was completed on 9 May 2017 resulting in a loss on disposal amounted to HK\$116,544,000, which included reclassification of cumulative exchange differences of HK\$28,353,000. The net cash inflow arising on disposal amounted to HK\$225,027,000 has been included in the consolidated statement of cash flows. Details of the disposal are set out in the Company’s announcement dated 7 April 2017.

During the period between 1 July 2016 and the date of disposal, Lianyungang Chengtai Property did not have material contribution to revenue and profit to the Group. Lianyungang Chengtai Property did not have material effect on the Group’s operating cash flow during the year ended 30 June 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

44. SHARE-BASED PAYMENT TRANSACTIONS

(a) Share option scheme – Aveo China

On 11 February 2015, Aveo China signed a call option agreement (“Call Option Agreement”) with a director of the Company (the “Grantee”). Aveo China granted to the Grantee the right to require Aveo China to allot and issue 10% of the total issued number of shares of Aveo China at the time of exercise of the option. The option may be exercised in whole or in part by the Grantee at any time from the date hereof up to the second anniversary of the date of this Call Option Agreement. Under the share option scheme, a total of 400 call options were granted without any option premium of HK\$1. Upon exercising the options, each option confers to the holder the right to acquire 1 ordinary share of Aveo China at a fixed price of HK\$75,000 per share. The option itself does not confer rights on the holders to dividends or vote at shareholders’ meeting prior to exercise.

Based on the current registered paid up capital of Aveo China, and assuming no increase in the registered paid up capital of Aveo China until the exercise of the call option, the director will be interested in 10% of the registered capital of Aveo China upon full exercise of the call option.

During the year ended 30 June 2017, the option granted under the Call Option Agreement was expired.

(b) Share option scheme – Jiatai Construction

In March 2013, Jiatai Construction signed a cooperative agreement with a doctor so as to employ the doctor to be the hospital in-charge in 南京同仁醫院 (“Nanjing Tongren Hospital”) for ten years. At the same time, Jiatai Construction has granted a call option to the doctor so as to provide an incentive to the doctor to serve the Group for the benefit of the development of Nanjing Tongren Hospital. The call option can be exercised within six months upon the completion of five years employment and the satisfaction of the performance targets. The performance targets are based on: i) revenue amounting of RMB600 million; and ii) profit excluding finance costs of RMB90 million in Nanjing Tongren Hospital in the fifth year commencing on the date of the employment of the doctor (i.e. from May 2018 to April 2019) as per the management account of Nanjing Tongren Hospital from May 2018 to April 2019.

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

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

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

During the year ended 30 June 2018, share-based payment expense of HK\$3,003,000 was recognised (2017: HK\$4,504,000) in the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

45. CONTINGENT LIABILITIES

As at 30 June 2017, Tongren Healthcare Industry Group Company Limited (同仁醫療產業集團有限公司) (“Tongren Healthcare”), an indirectly held subsidiary of Lianyungang Jiatai Construction Co., Ltd. 連雲港嘉泰建設工程有限公司 (“Jiatai Construction”), a wholly-owned subsidiary of the Company provided guarantees of RMB50,000,000 (approximately HK\$57,576,000) to China Huali Holding Group Company Limited 中國華力控股集團有限公司 (“Huali”) for application of a loan, while Huali and its subsidiaries provided of RMB170,000,000 (approximately HK\$195,758,000) to Tongren Healthcare for the application of a loan. A former director of Jiatai Construction and certain subsidiaries of Jiatai Construction has a beneficial interest in Huali.

In the opinion of the directors, the fair values of these financial guarantee contracts of the Group are insignificant at initial recognition and the directors consider that the possibility of default of the party involved is remote, accordingly, no value has been recognised at the inception of the guarantee contracts and at the end of the reporting period.

46. MAJOR NON-CASH TRANSACTIONS

- (a) During the year ended 30 June 2018, the Disposal was completed and partially satisfied by the Promissory Notes with principal sum of HK\$706,213,000 as detailed in note 7.
- (b) During the year ended 30 June 2017, the capital contribution from non-controlling interests of a subsidiary of HK\$6,750,000 was offset against with an amount due to that non-controlling interests of a subsidiary included in other payables and accrued charges as disclosed in note 28.

47. FINANCIAL INSTRUMENTS

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group’s overall strategy remains unchanged from prior period.

The capital structure of the Group consists of net debt, which includes borrowings, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure by considering the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

47. FINANCIAL INSTRUMENTS (continued)

Categories of financial instruments

	2018 HK\$'000	2017 HK\$'000
Financial assets		
Investments held for trading	138,769	1,155,403
Loans and receivables (including cash and cash equivalents)	744,641	934,821
Available-for-sale financial assets	23,480	1,481
Derivative financial instruments	–	96
	1,342,948	2,350,557
Financial liabilities		
Amortised cost	1,342,948	2,350,557
Obligations under finance leases	19,712	28,483
Derivative financial instruments	1,129	5,469
	1,342,948	2,350,557

Financial risk management objectives and policies

The Group's major financial instruments include investments held for trading, available-for-sale financial assets, amount due to an associate, loans receivable, debtors, creditors and accrued charges, borrowings, obligations under finance leases derivative financial instruments, consideration payable, pledged bank deposits, restricted bank deposits and bank balances and cash. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Foreign exchange risk is the risk of loss due to adverse movement in foreign exchange rate relating to foreign currency denominated loans receivable, bank balances, other debtors, other borrowings from financial institution and foreign currency denominated unlisted investments in unit trusts for both years. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

47. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Currency risk (continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
RMB	34,375	8,433	262,382	257,940
AUD	377	31	–	–

The carrying amounts of inter-company balances of certain group entities which are foreign currency denominated monetary assets at the end of the reporting period are as follows:

	Assets		Liabilities	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
RMB	736,800	535,668	40,637	41,978

Sensitivity analysis

As HK\$ is pegged to USD, the Group does not expect any significant movements in the USD/HK\$ exchange rates and thus USD is not included in sensitivity analysis.

The following table details the Group's sensitivity to a 10% (2017: 10%) increase and decrease in HK\$ against relevant foreign currencies and all other variables were held constant. 10% (2017: 10%) is the sensitivity rate used by management in the assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items and adjusts its translation at the period end for a 10% (2017: 10%) change in foreign currencies rates. A positive number below indicates a decrease in post-tax loss (2017: a decrease in post-tax loss) for the year where foreign currencies strengthen 10% (2017: 10%) against HK\$. For a 10% (2017: 10%) weakening of foreign currencies against HK\$ there would be an equal and opposite impact on the result for the year.

	AUD Impact		RMB Impact	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Profit or loss	31	3	39,091	20,389

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

47. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

Other price risk

(i) Equity price risk

The Group is exposed to equity price risk through its available-for-sale investments, investments held for trading and derivative financial instruments. The Group's available-for-sale investments, investments held for trading and derivative financial instruments have significant concentration of price risk in Hong Kong, the United States of America, Malaysian, Japan and Australian stock markets. Management manages the exposure by maintaining a portfolio of equity investments of the Group with different risk profiles.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting period. For sensitivity analysis purpose, the sensitivity rate remains at 30% in the current year.

If the prices of the respective equity instruments had been 30% (2017: 30%) higher/lower and all other variables were held constant, the Group's:

- post-tax loss (2017: post-tax loss) for the year ended 30 June 2018 would decrease/increase (2017: decrease/increase) by HK\$34,761,000 (2017: HK\$289,428,000) as a result of the changes in fair value of held for trading investments;
- investment revaluation reserve would increase/decrease by HK\$6,803,000/HK\$6,803,000 (2017: HK\$241,000/HK\$241,000) as a result of the changes in fair value of certain available-for-sale investments; and
- post-tax loss (2017: post-tax loss) for the year ended 30 June 2018 would increase/decrease (2017: decrease/increase) by HK\$283,000/HK\$339,000 (2017: HK\$1,346,000/HK\$1,612,000) as a result of changes in fair value of derivative instruments on gross-settled option contracts linked with equity securities listed in Hong Kong.

(ii) Foreign currencies risk on non-monetary items

The Group is engaged in securities trading and investments which are denominated in foreign currencies and is therefore exposed to foreign currency price risk. Approximately 65% (2017: 18%) of the Group's equity investments are denominated in currencies other than the functional currency of the group entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

47. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Other price risk (continued)

- (ii) Foreign currencies risk on non-monetary items (continued)

The carrying amounts of the Group's foreign currency denominated equity investments held for trading and available-for-sale investments at the reporting date are as follows:

	Assets	
	2018 HK\$'000	2017 HK\$'000
USD	23,481	803
AUD	77,606	164,077
MYR	–	25,894
JPY	3,872	3,027
PHP	1,373	1,048
RMB	–	10,329

During the year ended 30 June 2017, the Group also exposed to foreign currencies price risk through gross-settled option contracts linked with exchange rates between JPY and USD.

Sensitivity analysis

The following table details the Group's sensitivity to a 10% (2017: 10%) increase and decrease in HK\$ against foreign currencies and all other variables were held constant. USD is not included in sensitivity analysis, as HK\$ is pegged to USD, the Group does not expect any significant movements in the USD/HK\$ exchange rate. 10% (2017: 10%) is the sensitivity rate used by management in the assessment of the reasonably possible change in foreign exchange rates. A positive number below indicates a decrease in post-tax loss (2017: a decrease in post-tax loss) for the period where foreign currencies strengthen 10% (2017: 10%) against HK\$. For a 10% (2017: 10%) weakening of foreign currencies against HK\$ there would be an equal and opposite impact on the result for the year.

	2018 HK\$'000	2017 HK\$'000
Decrease in post-tax loss (2017: decrease in post-tax loss) for the year	8,285	20,438

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

47. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed rate obligations under finance lease, fixed rate pledged bank deposits, fixed-rate restricted bank deposits, fixed-rate loans receivable and fixed rate borrowings. The Group's cash flow interest rate risk relates to its bank balances and variable-rate borrowings.

The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of prime rate arising from the Group's variable interest rate instruments.

Management considers that the Group's exposure to future cash flow risk on variable-rate bank balances as a result of the change of market interest rate is insignificant and thus variable-rate bank balances are not included in the sensitivity analysis.

A 100 basis point change is used which represents management's assessment of the reasonably possible change in interest rates. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year.

If the interest rate of variable-rate borrowings had been 100 basis point higher/lower and all other variables were held constant, the Group's post-tax loss (2017: post-tax loss) for the year would increase/decrease (2017: increase/decrease) by HK\$2,584,000 (2017: HK\$3,289,000).

In management's opinion, the sensitivity analyses prepared on currency risk, other price risk and interest rate risk are unrepresentative of respective inherent risk as the year end exposure does not reflect the exposure during the year.

Credit risk

The Group's credit risk is primarily attributable to debtors, loans receivable, pledged bank deposits, restricted bank deposits and bank balances for both years.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group in the event of the counterparties' failure to perform their obligations as at 30 June 2018 and 30 June 2017 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. The Group's maximum exposure to credit risk which will cause a financial loss to the Group arising from the amount of contingent liabilities in relation to the financial guarantee issued by the Group is disclosed in Note 45.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

47. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Credit risk (continued)

Trade receivables arising from hospital operation consist of a large number of customers, thus the Group does not have significant concentration on credit risk. In order to minimise the credit risk on trade receivables arising from hospital operation, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, management reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

Bank balances, restricted bank deposits and pledged bank deposits are placed in various banks and the Group has limited exposure to any single financial institution. The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

The Group has significant concentration of credit risk on loans receivable.

In order to minimise credit risk on loans receivable, management has delegated a team to be responsible for the determination of loan limits, approvals and other monitoring procedure, such as creditworthiness, type and amount of collateral pledged, and risk concentration of the counterparties. After the grant of the loans, management closely monitors the subsequent settlement of the customers and does not grant long credit period to the counterparties. Also, management may request for collaterals in order to minimise the exposure of credit risk due to discharge an obligation by the counterparties. In addition, management reviews the recoverable amount of each individual debt and loans receivable at the end of the reporting period to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, management considers that the Group's credit risk is significantly reduced.

The Group has limited credit risk for financial guarantee contracts. Management periodically monitors the financial position of each of the third parties to ensure each third party is financially viable to settle the debts due to the banking facilities drawn from financial institutions.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

47. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

For derivative financial instruments, the Group has HK\$3,777,000 (2017: HK\$10,367,000) and contractual cash inflow (2017: outflow) in return with listed securities within 1 year respectively. The nature of the derivative financial instruments is disclosed in note 33.

	Weighted average interest rate %	Repayable on demand HK\$'000	Less than 3 months HK\$'000	3 months to 1 year HK\$'000	1 to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at the end of the reporting period HK\$'000
As at 30 June 2018							
Non-derivative financial liabilities							
Creditors and accrued charges	-	-	453,674	-	-	453,674	453,674
Consideration payable	-	-	-	57,300	-	57,300	57,300
Amount due to an associate	-	6,471	-	-	-	6,471	6,471
Borrowings							
– variable rates	5.23 – 5.28	-	32,871	35,411	220,003	288,285	258,381
– fixed rates	4.75 – 8	-	9,379	290,779	303,384	603,542	567,122
Obligations under finance leases	7.62	-	2,873	7,410	11,677	21,960	19,712
		6,471	498,797	390,900	535,064	1,431,232	1,362,660
As at 30 June 2017							
Non-derivative financial liabilities							
Creditors and accrued charges	-	-	517,839	-	-	517,839	517,839
Amount due to an associate	-	6,289	-	-	-	6,289	6,289
Borrowings							
– variable rates	3.75 – 5.28	370,806	-	-	24,454	395,260	393,836
– fixed rates	4.35 – 12	-	136,763	915,588	445,776	1,498,127	1,432,593
Financial guarantee contracts (Note)	-	-	-	57,576	-	57,576	-
Obligations under finance leases	7.62	-	2,637	7,952	21,538	32,127	28,483
		377,095	657,239	981,116	491,768	2,507,218	2,379,040

Note: The amount included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

47. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Fair values measurements of financial instruments

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

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/financial liabilities in the consolidation statement of financial position	Fair value as at 30 June 2018	Fair value as at 30 June 2017	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\$55,919,000 - Overseas HK\$82,850,000	Listed equity securities: - Hong Kong HK\$951,028,000 - Overseas HK\$204,375,000	Level 1	Quoted bid prices in active markets
2) Investments in listed bond classified as available-for-sale investments	Assets - HK\$22,562,000	Assets - nil	Level 1	Quoted bid prices in active markets
3) Investments in unlisted unit trusts classified as available-for-sale investments	Assets - HK\$116,000	Assets - HK\$803,000	Level 2	Quoted prices from financial institutions
4) Gross-settled option contracts linked with listed equity securities	Assets - nil Liabilities - HK\$1,129,000	Assets - HK\$96,000 Liabilities - HK\$5,469,000	Level 3 Level 3	Quoted prices from financial institutions

There are no transfers between level 1 and level 2 for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

47. FINANCIAL INSTRUMENTS (continued)

Fair values measurements of financial instruments (continued)

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

Fair value hierarchy as at 30 June 2018

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets				
Held for trading-listed equity securities	138,769	–	–	138,769
Available-for-sale investments				
Listed bonds	22,562	–	–	22,562
Unlisted unit trusts	–	116	–	116
Total	161,331	116	–	161,447
Financial liabilities				
Derivative financial liabilities	–	–	1,129	1,129

Fair value hierarchy as at 30 June 2017

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets				
Derivative financial assets	–	–	96	96
Held for trading-listed equity securities	1,155,403	–	–	1,155,403
Available-for-sale investment				
Unlisted unit trusts	–	803	–	803
Total	1,155,403	803	96	1,156,302
Financial liabilities				
Derivative financial liabilities	–	–	5,469	5,469

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

47. FINANCIAL INSTRUMENTS (continued)

Fair values measurements of financial instruments (continued)

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

	Derivative financial instruments	
	2018 HK\$'000	2017 HK\$'000
At 1 July	(5,373)	(51,071)
Total gain in profit or loss	4,244	7,806
Settlement	–	37,892
At 30 June	(1,129)	(5,373)

Of the total gains or losses for the period included in profit or loss, HK\$1,129,000 (2017: HK\$5,373,000) relates to derivative financial instruments held at the end of the reporting period. Fair value gains or losses on derivative financial instruments are included in 'Other gains and losses' in the consolidated statement of profit or loss.

48. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group has financial assets and financial liabilities that:

- are offset in the Group's consolidated statement of financial position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statement of financial position.

The Group has entered certain derivative transactions that are covered by the netting agreements signed with various financial institutions. These derivative instruments are not offset in the consolidated statement of financial position as the netting agreements are in place with a right of set off only in the event of default, insolvency or bankruptcy so that the Group currently has no legally enforceable right to set off the recognised amounts.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

48. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

	Gross amounts of recognised financial assets and liabilities		Net amounts presented in consolidated statement of financial position	Related amounts not offset in consolidated statement of financial position		Net amount
	Assets and liabilities	Amounts offset		Recognised assets and liabilities	Facilities received/collateral pledged	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 30 June 2018						
Financial assets						
- Receivables from financial institutions	10,136	-	10,136	(1,129)	-	9,007
- Pledged bank deposits	118	-	118	-	-	118
	10,254	-	10,254	(1,129)	-	9,125
Financial liabilities						
- Derivative financial instruments	1,129	-	1,129	(1,129)	-	-
At 30 June 2017						
Financial assets						
- Receivables from financial institutions	2,400	-	2,400	(2,400)	-	-
- Pledged bank deposits	27,926	-	27,926	(3,069)	-	24,857
- Derivative financial instruments	96	-	96	-	-	96
	30,422	-	30,422	(5,469)	-	24,953
Financial liabilities						
- Derivative financial instruments	5,469	-	5,469	(5,469)	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

49. RECONCILIATION OF LIABILITY ARISING FROM FINANCING ACTIVITY

The table below details changes in the Group's liability arising from financing activity, including both cash and non-cash changes. Liability arising from financing activity is that for which cash flows were, or future cash flow will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activity.

	Borrowings HK\$'000	Obligations under finance leases HK\$'000	Total HK\$'000
As at 1 July 2017	1,826,429	28,483	1,854,912
Financing cash flows	(1,033,800)	(12,048)	(1,045,848)
Finance cost	–	2,425	2,425
Exchange realignment	32,874	852	33,726
As at 30 June 2018	825,503	19,712	845,215

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 30 June 2018 and 30 June 2017 are as follows:

Name of subsidiary	Country/ place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Proportion of capital/registered capital held by the Group		Principal activities
			2018	2017	
Directly held by the Company					
Jiatai Construction*	PRC	Registered US\$116,790,000	100%	100%	Investment holding
Indirectly held by the Company					
Forepower Limited	British Virgin Islands ("BVI")	Ordinary US\$1	100%	100%	Property investment in Hong Kong
Focus Clear Limited	BVI	Ordinary US\$1	100%	100%	Securities trading and investment in Hong Kong
Fortune Team Investment Limited	Hong Kong	Ordinary HK\$1	100%	100%	Money lending
Future Rise Investments Limited	BVI	Ordinary US\$1	100%	100%	Trading of securities listed in overseas exchange
Genwo Limited	Hong Kong	Ordinary HK\$200,000	100%	100%	Property investment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Country/ place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Proportion of capital/registered capital held		Principal activities
			by the Group 2018	2017	
Indirectly held by the Company (continued)					
Honest Opportunity Limited	BVI	Ordinary US\$1	100%	100%	Securities trading and investment in Hong Kong and overseas
Join Capital Limited	Hong Kong	Ordinary HK\$2	100%	100%	Investment holding
Kintic Limited	Hong Kong	Ordinary HK\$2	100%	100%	Property investment
Sparkling Summer Limited	BVI	Ordinary US\$6,500,000	100%	100%	Securities trading in Hong Kong
Star Telecom Properties Limited	Hong Kong	Ordinary HK\$200	100%	100%	Investment and property holding
Widerich Limited	Hong Kong	Ordinary HK\$2	100%	100%	Property investment
Nanjing Tongren Industrial Co., Ltd.** (南京同仁實業有限公司) ("Nanjing Tongren Industrial")	PRC	Registered RMB80,000,000	80%#	80%#	Property development
Nanjing Tongren Hospital Co., Ltd.** (南京同仁醫院有限公司) ("NJ Tongren Hospital Company")	PRC	Registered RMB50,000,000	100%#	100%#	Operation of a hospital in Nanjing
Kunming Tongren Industrial Development Co., Ltd.** (昆明同仁實業開發有限公司) ("Kunming Tongren Industrial")	PRC	Registered RMB80,000,000	100%#	100%#	Property development
Kunming Tongren Hospital Co., Ltd.** (昆明同仁醫院有限公司) ("Kunming Tongren Hospital Company")	PRC	Registered RMB80,000,000	100%#	100%#	Operation of a hospital in Kunming
Aveo China	BVI	Ordinary US\$4,000	100%	70%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Country/ place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Proportion of capital/registered capital held		Principal activities
			by the Group 2018	2017	
Indirectly held by the Company (continued)					
Tide Properties Development (Shanghai) Co., Ltd.** (德地置業發展(上海)有限公司) ("Tide Properties")	PRC	Registered RMB388,000,000	100%#	100%##	Property development and property investment for eldercare operation
Shanghai Tide Healthcare Management Co., Ltd.** (上海德地健康管理有限公司)** ("Tide Healthcare")	PRC	Registered RMB2,000,000	100%#	100%##	Elderly house operation and provision of healthcare
Shanghai Tide Nursing Hospital Co., Ltd.** (上海德頤護理院有限公司) ("Tide Nursing Hospital")	PRC	Registered RMB100,000	100%#	100%##	Provision of healthcare

* Wholly foreign-owned enterprise.

** Domestic owned enterprise.

These companies are held indirectly by Jiatai Construction. The Company has effective interests of 80%, 80%, 100% and 100% in Nanjing Tongren Industrial, NJ Tongren Hospital Company, Kunming Tongren Industrial and Kunming Tongren Hospital Company respectively as at 30 June 2018 and 30 June 2017.

Tide Properties, Tide Healthcare and Tide Nursing Hospital are held indirectly by Aveo China. The Company has effective interest of 100% and 70% in Tide Properties, Tide Healthcare and Tide Nursing Hospital as at 30 June 2018 and 30 June 2017 respectively.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results of the year or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

All subsidiaries operate principally in their places of incorporation unless specified otherwise under "Principal activities".

None of the subsidiaries had any debts securities subsisting at 30 June 2018 and 30 June 2017 or at any time during the respective year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

At the end of the reporting period the Company has other subsidiaries that are not material to the Group. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries	
		2018	2017
Securities trading and investments	Hong Kong	2	3
Property development	PRC	1	1
Investing holding	Hong Kong/PRC/BVI	51	54
		54	58

The table below shows details of non-wholly owned subsidiaries of the Group that has material non-controlling interests:

Name of subsidiaries	Country of incorporation/ principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2018	2017	2018	2017	2018	2017
				HK\$'000	HK\$'000	HK\$'000	HK\$'000
Aveo China	BVI/PRC	-	30%	(14,134)	(7,210)	-	68,953
Individually immaterial subsidiaries with non-controlling interests						22,226	15,663
						22,226	84,616

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Aveo China and its subsidiaries (collectively "Aveo China Group")

	2017 HK\$'000
Non-current assets	660,598
Current assets	319,097
Non-current liabilities	(284,354)
Current liabilities	(469,695)
Total equity	<u>225,646</u>
Equity attributable to the owners of Aveo China Group	156,693
Non-controlling interests of Aveo China Group	68,953
	<u>225,646</u>
Revenue	363,126
Cost of sales	(250,919)
Other income and other gains and losses	1,873
Expenses	(69,356)
Fair value loss on investment properties	(42,387)
Taxation expense	(26,371)
Loss for the year	(24,034)
Other comprehensive expense for the year	(16,585)
Total comprehensive expense for the year	<u>(40,619)</u>
Loss for the year attributable to	
– the owners of Aveo China Group	(16,824)
– non-controlling interests of Aveo China Group	(7,210)
Loss for the year	<u>(24,034)</u>
Other comprehensive expense for the year attributable to	
– the owners of Aveo China Group	(11,610)
– non-controlling interests of Aveo China Group	(4,975)
Other comprehensive expense for the year	<u>(16,585)</u>
Total comprehensive expense for the year attributable to	
– the owners of Aveo China Group	(28,434)
– non-controlling interests of Aveo China Group	(12,185)
Total comprehensive expense for the year	<u>(40,619)</u>
Net cash inflow from operating activities	188,833
Net cash outflow from investing activities	(128,468)
Net cash outflow from financing activities	(105,326)
Effect of changes in foreign exchange rates	45,382
Net cash inflow	<u>421</u>
Dividend paid to non-controlling interests of Aveo China Group	<u>–</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

51. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2018 HK\$'000	2017 HK\$'000
Non-current Asset		
Interests in subsidiaries	1,337,771	1,198,716
Current Assets		
Debtors and prepayments	759	724
Amounts due from subsidiaries	496,240	468,459
Bank balances and cash	422,899	418,409
	919,898	887,592
Current Liabilities		
Creditors and accruals	4,541	6,281
Amounts due to subsidiaries	474,095	111,580
	478,636	117,861
Net Current Assets	441,262	769,731
Total Assets less Current Liabilities	1,779,033	1,968,447
Capital and Reserves		
Share capital (note 35)	7,240	7,240
Reserves (note)	1,771,793	1,961,207
Total equity	1,779,033	1,968,447

Note: As at 30 June 2018, reserves of the Company included share premium of HK\$2,621,374,000 (2017: HK\$2,621,374,000), capital redemption reserve of HK\$2,496,000 (2017: HK\$2,496,000) and retained losses of HK\$852,077,000 (2017: retained losses of HK\$662,663,000). Movements of the Company's share capital, share premium and capital redemption reserve are disclosed in the consolidated statement of changes in equity. The movements of the Company's retained profit/loss is attributable to losses for the respective financial years.

FINANCIAL SUMMARY

The results and the assets and liabilities of the Group for the past five financial years, as extracted from the Group's published audited consolidated financial statements and reclassified as appropriate, are set out below:

RESULTS

	For the year ended 30 June				
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Revenue	1,096,403	715,017	2,399,736	1,284,342	1,100,641
Gross proceeds from sale of investments held for trading	841,724	1,254,723	586,191	547,852	1,217,518
	1,938,127	1,969,740	2,985,927	1,832,194	2,318,159
Profit (loss) before taxation	898,325	155,545	(774,649)	(16,133)	(133,449)
Taxation expense	(40,495)	(15,335)	(115,651)	(65,371)	(14,379)
Profit (loss) for the year	857,830	140,210	(890,300)	(81,504)	(147,828)
Attributable to:					
Owners of the Company	927,908	228,443	(783,160)	(71,813)	(137,110)
Non-controlling interests	(70,078)	(88,233)	(107,140)	(9,691)	(10,718)
	857,830	140,210	(890,300)	(81,504)	(147,828)

ASSETS AND LIABILITIES

	As at 30 June				
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Total assets	6,139,681	5,426,438	5,947,249	4,726,246	3,493,130
Total liabilities	(3,874,754)	(3,415,013)	(3,868,938)	(2,684,218)	(1,674,289)
	2,264,927	2,011,425	2,078,311	2,042,028	1,818,841
Equity attributable to owners of the Company	1,822,970	1,654,387	1,993,207	1,957,412	1,796,615
Non-controlling interests	441,957	357,038	85,104	84,616	22,226
	2,264,927	2,011,425	2,078,311	2,042,028	1,818,841



This annual report is printed on recycled paper