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China Medical & HealthCare Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 383)

ANNOUNCEMENT OF AUDITED RESULTS FOR THE YEAR ENDED 30 JUNE 2018

The board of directors (the “Directors”) of China Medical & HealthCare Group Limited (the “Company”) announces that the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 30 June 2018 together with comparative figures for the year ended 30 June 2017 are as follows:–

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2018

	<i>NOTES</i>	2018 <i>HK\$’000</i>	2017 <i>HK\$’000</i>
Revenue	2	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><u>2,318,159</u></u>	<u><u>1,832,194</u></u>

	<i>NOTES</i>	2018 HK\$'000	2017 <i>HK\$'000</i>
Revenue	2	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	4	22,889	63,127
Selling and distribution costs		(7,797)	(18,577)
Administrative expenses		(240,259)	(222,505)
Finance costs	5	<u>(81,547)</u>	<u>(118,564)</u>
Loss before taxation		(133,449)	(16,133)
Taxation expense	6	<u>(14,379)</u>	<u>(65,371)</u>
Loss for the year	7	<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	9		
– 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 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Loss for the year	<u>(147,828)</u>	<u>(81,504)</u>
Other comprehensive income (expense)		
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	<u>–</u>	<u>(1,082)</u>
	<u>(1,098)</u>	<u>(6)</u>
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	<u>–</u>	<u>28,353</u>
	<u>2,113</u>	<u>26,926</u>
Item that will not be reclassified to profit or loss:		
Gain on revaluation of leasehold land and buildings	<u>7,923</u>	<u>3,525</u>
Other comprehensive income for the year	<u>8,938</u>	<u>30,445</u>
Total comprehensive expense for the year	<u><u>(138,890)</u></u>	<u><u>(51,059)</u></u>
Total comprehensive expense for the year attributable to:		
Owners of the Company	(129,167)	(35,741)
Non-controlling interests	<u>(9,723)</u>	<u>(15,318)</u>
	<u><u>(138,890)</u></u>	<u><u>(51,059)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2018

	<i>NOTES</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Non-current assets			
Investment properties		775,676	741,930
Property, plant and equipment		1,365,534	1,377,148
Prepaid lease payments		102,733	103,375
Interests in associates		–	–
Available-for-sale investments		802	678
Intangible assets		–	–
Goodwill		33,207	32,500
Deposits for acquisition of property, plant and equipment		7,819	8,768
		<u>2,285,771</u>	<u>2,264,399</u>
Current assets			
Inventories		18,168	19,980
Properties under development for sale		6,243	6,110
Properties held for sale		265,649	329,805
Prepaid lease payments		2,894	2,832
Available-for-sale investments		22,678	803
Investments held for trading		138,769	1,155,403
Debtors, deposits and prepayments	<i>10</i>	179,361	135,818
Loans receivable		–	40,000
Derivative financial instruments		–	96
Pledged bank deposits		24,432	220,407
Restricted bank deposits		5,073	21,267
Bank balances and cash		544,092	529,326
		<u>1,207,359</u>	<u>2,461,847</u>

	<i>NOTES</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current liabilities			
Creditors and accrued charges	<i>11</i>	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		57,300	–
Amount due to an associate		6,471	6,289
Borrowings – due within one year		325,330	1,371,270
Obligations under finance leases – due within one year		10,201	9,878
Derivative financial instruments		1,129	5,469
Taxation payable		167,033	148,676
		<u>1,126,368</u>	<u>2,165,278</u>
Net current assets		<u>80,991</u>	<u>296,569</u>
Total assets less current liabilities		<u>2,366,762</u>	<u>2,560,968</u>
Non-current liabilities			
Deferred tax liabilities		38,237	45,176
Borrowings – due after one year		500,173	455,159
Obligations under financial leases – due after one year		9,511	18,605
		<u>547,921</u>	<u>518,940</u>
		<u>1,818,841</u>	<u>2,042,028</u>
Capital and reserves			
Share capital		7,240	7,240
Reserves		1,789,375	1,950,172
Equity attributable to owners of the Company		1,796,615	1,957,412
Non-controlling interests		22,226	84,616
Total equity		<u>1,818,841</u>	<u>2,042,028</u>

1. 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.

Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure, 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.

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.

2. REVENUE

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
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
	<u>1,100,641</u>	<u>1,284,342</u>

3. 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 People’s Republic of China (excluding Hong Kong) (“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.

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

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	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>547,852</u>	<u>547,852</u>
Revenue	<u>785,162</u>	<u>363,126</u>	<u>69,385</u>	<u>6,711</u>	<u>12,950</u>	<u>47,008</u>	<u>1,284,342</u>
Segment (loss) profit	<u>(18,744)</u>	<u>2,337</u>	<u>21,098</u>	<u>11,455</u>	<u>34,431</u>	<u>170,348</u>	220,925
Other gains and losses and other income							25,734
Net foreign exchange loss							(8,415)
Net loss on disposal of subsidiaries							(116,107)
Central corporate expenses							(86,597)
Finance costs							<u>(51,673)</u>
Loss before taxation							<u>(16,133)</u>

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

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, net loss on disposal of subsidiaries, central corporate expenses 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.

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							<u>581,163</u>
Consolidated assets							<u><u>3,493,130</u></u>
Segment liabilities	747,944	464,644	74,617	2,230	-	1,129	1,290,564
Corporate liabilities							<u>383,725</u>
Consolidated liabilities							<u><u>1,674,289</u></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							<u>778,706</u>
Consolidated assets							<u><u>4,726,246</u></u>
Segment liabilities	800,905	539,333	155,450	2,022	-	609,318	2,107,028
Corporate liabilities							<u>577,190</u>
Consolidated liabilities							<u><u>2,684,218</u></u>

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.

4. OTHER GAINS AND LOSSES, AND OTHER INCOME

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
(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	(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	–	(12,106)
Net loss on disposal of subsidiaries	–	(116,107)
Net loss on disposal of property, plant and equipment	(1,128)	(850)
Reversal of impairment loss recognised on loan receivable	–	19,247
Reversal of impairment loss recognised on other debtor	–	2,438
Interest income from:		
– Available-for-sale debt instruments	886	–
– Bank deposits	5,084	8,112
Government grants	–	3,179
Compensation income	–	2,489
Others	18,704	27,755
	22,889	63,127

5. FINANCE COSTS

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

6. TAXATION EXPENSE

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
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	<u>5,945</u>	<u>30,511</u>
	<u>(14,379)</u>	<u>(51,692)</u>
(Under) overprovision in prior years:		
– EIT in the PRC	–	(17,577)
– LAT in the PRC	<u>–</u>	<u>3,898</u>
	<u>–</u>	<u>(13,679)</u>
	<u>(14,379)</u>	<u>(65,371)</u>

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.

7. LOSS FOR THE YEAR

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
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)	<u>467,635</u>	<u>631,673</u>

8. 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.

9. 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 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Loss for the purpose of basic and diluted loss per share for the year attributable to owners of the Company	<u>(137,110)</u>	<u>(71,813)</u>

	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>14,480,072,773</u>	<u>14,480,072,773</u>

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.

10. 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	<u>20,556</u>	<u>12,791</u>
	<u>179,361</u>	<u>135,818</u>

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	<u>383</u>	<u>40</u>
	<u>132,756</u>	<u>92,381</u>

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.

11. CREDITORS AND ACCRUED CHARGES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
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	<u>153,587</u>	<u>65,338</u>
	<u>453,674</u>	<u>517,839</u>

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 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
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	<u>2,390</u>	<u>2,194</u>
	<u>253,532</u>	<u>307,486</u>

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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.

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 unit 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).

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	<u>138,769</u>	<u>1,155,403</u>	<u>23,665</u>	<u>(32,381)</u>	<u>6,927</u>	

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	<u>138,769</u>	<u>1,155,403</u>	<u>23,665</u>	<u>(32,381)</u>	<u>6,927</u>	

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).

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		<u>(1,129)</u>

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	<u>(1,129)</u>	<u>4,244</u>	<u>–</u>

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

Money Lending:

For the 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.

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

Actual use of proceeds

- | | |
|---|--|
| i. An amount of approximately HK\$600,000,000 will be used for working capital and for expansion of the Group's hospital and healthcare, and aged care businesses | a) Approximately HK\$75,856,000 was used for construction cost of Block D of Nanjing Tongren Hospital. |
|---|--|

Intended use of proceeds

Actual use of proceeds

- b) Approximately HK\$80,569,000 was used for working capital of the healthcare business.
 - c) Approximately HK\$100,287,000 (RMB90,000,000) was used to settle the acquisition costs of 18.36% equity interests of Yangpu Zhaohe Industrial Co. Ltd* (洋浦兆合實業有限公司) (“Yangpu Zhaohe”).
 - d) HK\$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.
- ii. The remaining balance of approximately HK\$299,250,000 will be used for reduction of the borrowings of the Group
- a) HK\$299,250,000 was used for reduction of the borrowings of the Group.

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.

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.

CHANGE OF SUBSTANTIAL SHAREHOLDER

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

PURCHASE, SALE AND 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.

CORPORATE GOVERNANCE

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 as listed out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on Stock Exchange.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the Company's code of conduct regarding Director's securities transactions. Having made specific enquiry with all Directors, they have confirmed their compliance with the required standard as set out in the Model Code throughout the year ended 30 June 2018.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the financial statements for the year ended 30 June 2018.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 30 June 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

By Order of the Board
China Medical & HealthCare Group Limited
Chong Sok Un
Deputy Chairman

Hong Kong, 27 September 2018

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

Executive Directors

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

Non-Executive Directors

Dato' Wong Peng Chong and Mr. Liao Feng

Independent Non-Executive Directors

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