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China Medical & HealthCare Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 383)

ANNOUNCEMENT OF FINAL RESULTS FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2019

The board of directors (the “Directors” and the “Board” respectively) of China Medical & HealthCare Group Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the eighteen months ended 31 December 2019 together with the comparative figures for the corresponding financial year in 2018 (twelve months ended 30 June 2018) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD FROM 1 JULY 2018 TO 31 DECEMBER 2019

		1.7.2018 to 31.12.2019	1.7.2017 to 30.6.2018
	NOTES	HK\$'000	HK\$'000
Revenue	3	1,841,346	1,100,641
Gross proceeds from sales of investments held for trading		<u>200,744</u>	<u>1,217,518</u>
Total		<u>2,042,090</u>	<u>2,318,159</u>
Revenue	3		
Goods and services from contracts with customers		1,776,824	1,082,220
Rental		12,181	9,186
Interest		50,966	2,308
Others		<u>1,375</u>	<u>6,927</u>
Cost of goods and services		<u>1,841,346</u>	<u>1,100,641</u>
		<u>(1,479,613)</u>	<u>(927,376)</u>

		1.7.2018	1.7.2017
		to	to
		31.12.2019	30.6.2018
	<i>NOTES</i>	HK\$'000	HK\$'000
Gross profit		361,733	173,265
Other gains and losses, and other income	5	51,069	22,889
Selling and distribution costs		(6,518)	(7,797)
Administrative expenses		(357,307)	(240,259)
Finance costs	6	(77,788)	(81,547)
Loss before taxation		(28,811)	(133,449)
Taxation credit (expense)	7	38,611	(14,379)
Profit (loss) for the period/year	8	9,800	(147,828)
Profit (loss) for the period/year attributable to:			
Owners of the Company		2,176	(137,110)
Non-controlling interests		7,624	(10,718)
		9,800	(147,828)
Earnings (loss) per share	<i>10</i>		
Basic		HK0.015 cents	HK (0.95) cents
Diluted		HK0.015 cents	HK (0.95) cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE PERIOD FROM 1 JULY 2018 TO 31 DECEMBER 2019

	1.7.2018 to 31.12.2019 <i>HK\$'000</i>	1.7.2017 to 30.6.2018 <i>HK\$'000</i>
Profit (loss) for the period/year	<u>9,800</u>	<u>(147,828)</u>
Other comprehensive (expense) income		
Items that will be reclassified subsequently to profit or loss:		
Net change on available-for-sale investments	–	(1,098)
Net change on debt instruments at fair value through other comprehensive income	854	–
Exchange difference arising on translation:		
Exchange (loss) gain arising from translation of foreign operations	<u>(40,971)</u>	<u>2,113</u>
	<u>(40,117)</u>	<u>1,015</u>
Item that will not be reclassified to profit or loss:		
Gain on revaluation of leasehold land and buildings	36,542	7,923
Deferred tax arising from revaluation of leasehold land and building included in property, plant and equipment	<u>(9,136)</u>	<u>–</u>
	<u>27,406</u>	<u>7,923</u>
Other comprehensive (expense) income for the period/year	<u>(12,711)</u>	<u>8,938</u>
Total comprehensive expense for the period/year	<u>(2,911)</u>	<u>(138,890)</u>
Total comprehensive income (expense) for the period/year attributable to:		
Owners of the Company	(9,408)	(129,167)
Non-controlling interests	<u>6,497</u>	<u>(9,723)</u>
	<u>(2,911)</u>	<u>(138,890)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	<i>NOTE</i>	31.12.2019 <i>HK\$'000</i>	30.6.2018 <i>HK\$'000</i>
Non-current assets			
Investment properties		772,520	775,676
Property, plant and equipment		1,318,031	1,365,534
Prepaid lease payments		93,418	102,733
Interests in associates		–	–
Financial assets at fair value through profit or loss		802	–
Available-for-sale investments		–	802
Goodwill		30,821	33,207
Deposits for acquisition of property, plant and equipment		7,031	7,819
		<hr/> 2,222,623	<hr/> 2,285,771
Current assets			
Inventories		21,138	18,168
Properties under development for sale		5,927	6,243
Properties held for sale		163,369	265,649
Prepaid lease payments		2,746	2,894
Financial assets at fair value through profit or loss		98	–
Debt instruments at fair value through other comprehensive income		4,634	–
Available-for-sale investments		–	22,678
Investments held for trading		36,451	138,769
Debtors, deposits and prepayments	<i>11</i>	96,806	179,361
Loan receivable		91,314	–
Pledged bank deposits		9,119	24,432
Restricted bank deposits		5,607	5,073
Bank balances and cash		643,177	544,092
		<hr/> 1,080,386	<hr/> 1,207,359

	<i>NOTE</i>	31.12.2019 <i>HK\$'000</i>	30.6.2018 <i>HK\$'000</i>
Current liabilities			
Creditors and accrued charges	<i>12</i>	394,173	453,674
Deposits received on sales of properties		12,039	12,055
Other contract liabilities		50,374	–
Customers' deposits and receipts in advance		38,842	93,175
Consideration payable		–	57,300
Amount due to an associate		6,144	6,471
Borrowings – due within one year		444,068	325,330
Obligations under finance leases – due within one year		5,405	10,201
Derivative financial instruments		–	1,129
Taxation payable		114,802	167,033
		<u>1,065,847</u>	<u>1,126,368</u>
Net current assets		<u>14,539</u>	<u>80,991</u>
Total assets less current liabilities		<u>2,237,162</u>	<u>2,366,762</u>
Non-current liabilities			
Deferred tax liabilities		41,150	38,237
Borrowings – due after one year		349,295	500,173
Customers' deposit and receipt in advance		30,818	–
Other contract liabilities		5,438	–
Obligations under finance leases – due after one year		–	9,511
		<u>426,701</u>	<u>547,921</u>
		<u>1,810,461</u>	<u>1,818,841</u>
Capital and reserves			
Share capital		7,240	7,240
Reserves		1,797,386	1,789,375
		<u>1,804,626</u>	<u>1,796,615</u>
Equity attributable to owners of the Company		1,804,626	1,796,615
Non-controlling interests		5,835	22,226
		<u>1,810,461</u>	<u>1,818,841</u>
Total equity		<u>1,810,461</u>	<u>1,818,841</u>

1. BASIS OF PREPARATION

China Medical & HealthCare Group Limited (the “Company”) was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Pursuant to a resolution passed at the meeting of the board of directors of the Company held on 6 December 2018, the Company’s financial year end date has been changed from 30 June to 31 December commencing from financial year of 2019. These consolidated financial statements now presented cover a period of eighteen months from 1 July 2018 to 31 December 2019. The comparative figures presented for the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows, consolidated statement of changes on equity and related notes cover the figures of the financial year from 1 July 2017 to 30 June 2018 and therefore may not be comparable with amounts shown for the current reporting period.

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

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

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

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

New and amendments to HKFRSs in issue but not yet effective

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

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

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

² Effective for annual periods beginning on or after 1 January 2021.

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

⁴ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

⁵ Effective for annual periods beginning on or after 1 January 2020.

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

3. REVENUE

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

4. SEGMENT INFORMATION

Information regularly reviewed by the chief operating decision maker (“CODM”), represented by the executive directors of the Company, for the purpose of allocating resources to segments and assessing their performance focuses on 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 eldercare and retirement community, which consist of an elderly nursing home, service apartments, independent living units and a commercial area comprising a shopping mall, retail shops and club hall facilities.

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

Property investment – leasing of residential and office properties.

Financial services – provision of loan financial services.

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

Segment revenues and results

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

For the period from 1 July 2018 to 31 December 2019

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

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	<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>

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 (loss) gain, central corporate expenses and certain finance costs.

5. OTHER GAINS AND LOSSES, AND OTHER INCOME

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

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

6. FINANCE COSTS

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

7. TAXATION CREDIT (EXPENSE)

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

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

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

No tax is payable as the assessable profits arising in Hong Kong for each of the period/year ended 31 December 2019 and 30 June 2018 are wholly absorbed by tax losses brought forward.

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

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

8. PROFIT (LOSS) FOR THE PERIOD/YEAR

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

9. DIVIDENDS

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

10. EARNINGS (LOSS) PER SHARE

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

Profit (loss)

	1.7.2018	1.7.2017
	to	to
	31.12.2019	30.6.2018
	HK\$'000	HK\$'000
Profit (loss) for the purpose of basic and diluted earnings (loss) per share for the period/year attributable to owners of the Company	<u>2,176</u>	<u>(137,110)</u>
	Number	Number
	of shares	of shares
Weighted average number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	<u>14,480,072,773</u>	<u>14,480,072,773</u>

The computations of diluted earnings (loss) per share for the period/year ended 31 December 2019 and 30 June 2018 do not assume the exercise of share options granted by a subsidiary since the relevant subsidiary is loss making for both period and such assumed exercise would be anti-dilutive.

11. DEBTORS, DEPOSITS AND PREPAYMENTS

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

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

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

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

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

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

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

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

12. CREDITORS AND ACCRUED CHARGES

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

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

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

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

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

CHANGE OF FINANCIAL YEAR END DATE

As announced on 6 December 2018, the operations of the Group are principally carried out through its principal operating subsidiaries situated in the PRC, which have adopted 31 December as their financial year end date. In order to align the Company's financial year end date with that of the Company's principal operating subsidiaries, the Board has decided to change the financial year end date of the Company from 30 June to 31 December. Accordingly, the current financial period end date of the Company was 31 December 2019 and the current financial period of the Company covering a financial period of eighteen months from 1 July 2018 to 31 December 2019 with comparative figures covering a financial year from 1 July 2017 to 30 June 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

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

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

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

FINAL DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

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

REVIEW OF OPERATIONS

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

Healthcare Division:

For the eighteen months ended 31 December 2019, the Group's Healthcare Division, operated through its wholly-owned subsidiary, Tongren Healthcare Industry Group Company Limited (同仁醫療產業集團有限公司) ("Tongren Healthcare"), recorded an increased revenue of HK\$1,622,141,000 (2018: HK\$964,563,000) and a profit of HK\$35,733,000 (2018: HK\$5,226,000). Without interest, tax, depreciation and amortization, the Healthcare Division generated an EBITDA, being earnings before interest, tax, depreciation and amortization, of HK\$239,760,000 (2018: HK\$130,387,000) for the eighteen months ended 31 December 2019. During the period under review, the Healthcare Division embarked on a restructuring exercise to streamline and flattened its management restructure for better communication and efficiency, and to reduce its operating corporate overheads.

For Nanjing hospital of the Division ("NJH"), a Class III integrated hospital located in Jiangning Development Zone, Nanjing City, Jiangsu Province, PRC and the Division's flagship hospital, currently it operates 39 clinical medical & technical departments including 1 national key clinical specialty (otorhinolaryngology ("ENT") and head and neck surgery), 1 provincial key clinical specialty (ENT, head and neck surgery), 5 municipal key medical specialties (ENT, head and neck surgery, ophthalmology, neurology, medical imaging and anesthesiology), an academician workstation, as well as the approved Nanjing Tongren's ENT Hospital and Nanjing Tongren Children's Hospital.

Following the commencement of operations of Block D, a newly renovated 12-storey in-patient building adjacent to the existing operating facility in late 2018 and after the reviewed functional layout and planning and the on-going renovation of the existing in-patient building, Block F, to be completed around second quarter of 2020, NJH's medical service capacity will be improved with in-patient capacity to be increased to 1,200 beds, its planned operating capacity. During the period under review, NJH has completed the interior renovation and put into operation the optometric centre, oral department, internal medicine clinic, and medical aesthetic centre. It has opened up new geriatrics, plastic surgery, and medical aesthetics departments which serve as the new profit drivers for the hospital. At the same time, NJH has set up a stroke center to speed up the development of neurology to become the provincial key clinical disciplines with its chest pain centers and trauma center passed the acceptance of the second batch of municipal chest pain centers and trauma centers in Nanjing enhancing its standard in emergency treatment.

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

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

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

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

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

Eldercare Division:

For the eighteen months ended 31 December 2019, the Group's Eldercare Operations, operated through its wholly-owned subsidiary, Aveo China (Holdings) Limited ("Aveo China"), recorded a revenue of HK\$150,272,000 (2018: HK\$100,753,000) and a reduced loss of HK\$44,322,000 (2018: HK\$58,154,000) with a gain in fair value changes on investment properties of HK\$9,025,000 (2018: loss of HK\$18,632,000). With an aim to improve its financial performance, the Eldercare Division has embarked on a series of cost-cutting and restructuring exercises since the second half of 2018 so as to reduce its operating overheads and rationalize its operations and management structure.

As of 31 December 2019, Tide Health Campus (天地健康城) of the Eldercare Division located in Zhu Jia Jiao County, Shanghai, PRC, a retirement community village that integrates community eldercare, institutional eldercare, home eldercare and eldercare nursing hospital, sold 829 Independent Living Units ("ILU"s) out of a total inventory of 868 ILUs and among which 38 ILUs (2018: 30) were recorded as sales in the period under review with more than 322 residents (2018: 285) moved into the retirement community village. In addition, the Division had leased out 26 serviced apartments ("SA") (2018: 27) out of the available 120 SAs during the period under review. For the SAs, construction of the first building was completed in November 2016 with 120 SAs available for lease. The Division commenced the modification of the second building to increase the number of SAs from 80 to 100 to meet the market needs.

During the eighteen months ended 31 December 2019, the Shanghai Deyi Hospital (“DYH”), the eldercare nursing hospital in the village, recorded a total of 38,788 out-patients visits (2018: 15,143), 11,662 in-patient admissions (2018: 2,750) and 62 body-checks (2018: 175). As at 31 December 2019, DYH operated with 14 doctors (2018: 13), 20 nurses (2018: 17) and 100 beds (2018: 100). As of 31 December 2019, home care services which commenced operation in September 2018 were rendered to a total of 56 elders with 7,729 visits.

As at 31 December 2019, the Division’s investment properties portfolio, 100% attributable to the Group, comprising the SAs (three 12-storey buildings with total gross floor area (“GFA”) of 25,804 m²) and the retail shopping precinct (retail shops with GFA of 2,192 m² and shopping mall with GFA of 6,044 m²) with a total value amounted to HK\$512,000,000 (2018: HK\$524,376,000).

Property Development:

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

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

Property Investments:

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

Securities Trading and Investments:

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

As at 31 December 2019, the Group maintained a portfolio of financial assets at fair value through profit or loss (“FVTPL”) and debt instruments at fair value through other comprehensive income (“FVTOCI”) of HK\$5,534,000 and a portfolio of investments held for trading of HK\$36,451,000 (2018: HK\$138,769,000).

Investments held for trading:

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

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

As at 31 December 2019, the Group's investments held for trading consisted of investments in different category of companies and their respective performance were as follows:

Principal business	Carrying value	Carrying value	Realized gain (loss)	Fair value gain (loss)	Dividend received	% of carrying value to the Group's total assets
	2019	2018	2019	2019	2019	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	%
Entertainment and media company	3,000	4,000	–	(1,000)	–	0.1%
Financial services and investment company	3,262	4,273	–	(1,011)	–	0.1%
Healthcare services company	–	46,384	19,663	–	1,000	–
Industrial materials company	9,170	290	–	(1,277)	–	0.3%
Mining and resources company	–	34,454	12,425	–	229	–
Property company and construction company	<u>21,019</u>	<u>49,368</u>	<u>14,336</u>	<u>(28,058)</u>	<u>146</u>	0.6%
Total	<u>36,451</u>	<u>138,769</u>	<u>46,424</u>	<u>(31,346)</u>	<u>1,375</u>	

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

Derivative Financial Instruments:

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

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

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

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

Money Lending:

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

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

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

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

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

As at 31 December 2019, the Group's gearing ratio, calculated on the basis of the Group's net borrowings (after pledged bank deposits, restricted bank deposits and bank balances and cash) over total equity, was 7.5% (2018: 13.8%). The Group's gearing ratio would be adjusted to 5.2% (2018: 5.0%) with marketable securities inclusive of debt instruments at FVTOCI and financial assets at FVTPL (current) and investments held for trading deducted from the net borrowings.

In December 2015, the subscription agreement for subscribing 2,000,000,000 new shares of the Company at the subscription price of HK\$0.45 per share raising gross proceeds of HK\$900,000,000 ("Subscription") for the Company was completed. As at 31 December 2019, details of use of net proceeds from the Subscription were as follows:

Intended use of the net proceeds	Actual use of the net proceeds
i. An amount of approximately HK\$600,000,000 will be used for working capital and for expansion of the Group's hospital and healthcare, and eldercare businesses.	<ul style="list-style-type: none"> a) Approximately HK\$122,029,000 was used for construction cost of Block D of NJH. b) Approximately HK\$1,825,000 was used for construction cost of Block F of NJH. c) Approximately HK\$80,569,000 was used for working capital of the healthcare business. d) Approximately HK\$100,287,000 (RMB90,000,000) was used to settle the acquisition costs of 18.36% equity interests of Yangpu Zhaohe Industrial Co. Ltd (洋浦兆合實業有限公司)*. e) HK\$85,800,000 was used to settle the acquisition cost of 30% equity interest of Aveo China. f) Approximately HK\$83,810,000 was used for purchasing and improvement of medical and healthcare equipment.

Intended use of the net proceeds	Actual use of the net proceeds
ii The remaining balance of approximately HK\$299,250,000 will be used for reduction of the borrowings of the Group.	HK\$299,250,000 was used for reduction of the borrowings of the Group.

Note:

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

Intended use of the net proceeds	Net proceeds used in the previous financial years	Net proceeds used in the 18 months ended 31 December 2019	Remaining balance of the net proceeds as at 31 December 2019	Expected utilization of the remaining net proceeds
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
i. An amount of approximately HK\$600,000,000 will be used for working capital and for expansion of the Group's hospital and healthcare, and eldercare businesses.	330,941	143,379	125,680	125,680 to be used by 31 December 2021
ii. The remaining balance of approximately HK\$299,250,000 will be used for reduction of the Group's borrowings.	299,250	–	–	–
Total	<u>630,191</u>	<u>143,379</u>	<u>125,680</u>	<u>125,680</u>

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

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

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

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

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

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

CHARGE ON GROUP ASSETS

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

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

CAPITAL COMMITMENT

As at 31 December 2019, the Group had capital commitment contracted for but not provided relating to the acquisition of property, plant and equipment, and investment properties of HK\$51,203,000 (2018: HK\$42,793,000) and HK\$69,732,000 (2018: HK\$172,398,000) respectively.

CONTINGENT LIABILITIES

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

MATERIAL ACQUISITIONS AND DISPOSAL, AND FUTURE PLANS

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

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

EMPLOYEES

The Group had 2,362 employees as at 31 December 2019 (2018: 2,254). The Group ensures that its employees are remunerated in line with market conditions and individual performance and the remuneration policies are reviewed on a regular basis.

PROSPECTS

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

Healthcare Division:

In 2020, NJH will strengthen the introduction and cultivation of talents in key specialties, and improve the talent development strategy; adhere to the development of medical education research, and strengthen medical technology and service innovation capabilities such as expanding chronic disease management, establishing rehabilitation consultation mechanisms, introducing new and optimize clinical diagnosis and treatment methods to meet patient's multi-level medical needs; and strive to complete the construction of post-natal rehabilitation center and endoscope center, and the tasks of adding one additional key clinical specialty in Jiangsu Province and five key specialties in Nanjing. In addition, NJH will commence the phase II development of the integrated healthcare and eldercare project with a planned GFA of 120,000 m², fully making use its medical service advantages to create a continuing care retirement community of progressive urban academy-style integrating the "healthcare, rehabilitation, nursing, eldercare" with "home, community, institutions", offering the last mile healthcare services in the human life cycle.

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

Eldercare Division:

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

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

Money Lending:

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

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

- (i) a substantial shareholder of the Borrower has petitioned to the court of Bermuda for an order that the Borrower be wound up by the court on the just and equitable ground;
- (ii) a creditor of the Borrower has filed an application with the court of Bermuda which has ordered to appoint joint provisional liquidators (“JPL”) of the Borrower, among others, (a) to review the financial position of the Borrower, (b) to consult with the Borrower on all issues relating to the feasibility of a debt restructuring plan, and (c) to monitor, oversee and supervise the board of directors of the Borrower and the continuation of the business of the Borrower under the control of the board of directors of the Borrower and under the supervision of the court of Bermuda pending the implementation of the restructuring plan; and
- (iii) the Borrower Group has entered into a letter of intent with an intended purchaser in relation to, among others, the potential disposal of its entire equity interests in an indirect subsidiary (the “Target”), which is part of the undertaking, property and assets under the Loan Documents, for consideration of (a) US\$260 million (subject to downward adjustment for actual deposit received (a total sum of US\$12 million) and waiver of shareholder’s loan up to US\$32 million), (b) 10% equity stake in the special purpose vehicle (“SPV”, for the purpose of acquisition of the Target by the intended purchaser) in the form of common equity securities of the SPV, which shall be non-dilutive and remain at 10% prior to any qualified public offering of the SPV or the Target, and (c) additional payment of up to US\$100 million to the Borrower Group upon completion of a successful initial public offering of the SPV or the Target based on the market capitalization of the initial public offering

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

Others:

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

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the eighteen months ended 31 December 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the applicable code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the eighteen months ended 31 December 2019, except that any new Director appointed by the Board to fill a casual vacancy shall be subject to re-election by the Shareholders at the following annual general meeting after appointment in accordance with the Bye-Laws of the Company.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors. 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 eighteen months ended 31 December 2019.

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 Group’s consolidated financial statements for the eighteen months ended 31 December 2019.

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 eighteen months ended 31 December 2019 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 period. 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
Zhou Liye
Chairman

Hong Kong, 30 March 2020

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

Executive Directors

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

Non-Executive Directors

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

Independent Non-Executive Directors

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