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China Medical & HealthCare Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 383)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

UNAUDITED RESULTS OF THE GROUP

The board of directors (the “Directors”) of China Medical & HealthCare Group Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31 December 2016 together with the comparative figures for the corresponding period in 2015 as follows:–

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

		Six months ended	
	<i>NOTES</i>	31.12.2016	31.12.2015
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Revenue	3	710,121	812,393
Gross proceeds from sales of investments held for trading		459,571	371,927
		<hr/>	<hr/>
Total		1,169,692	1,184,320
		<hr/> <hr/>	<hr/> <hr/>
Revenue	3	710,121	812,393
Cost of goods and services		(561,289)	(717,329)
		<hr/>	<hr/>
Gross profit		148,832	95,064
Other gains and losses	5	163,506	(372,971)
Other income		18,974	19,621

	<i>NOTES</i>	Six months ended	
		31.12.2016	31.12.2015
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Selling and distribution costs		(8,732)	(2,994)
Administrative expenses		(122,361)	(91,836)
Finance costs	6	(51,029)	(74,496)
Share of results of associates		–	(4,861)
		<hr/>	<hr/>
Profit (loss) before taxation		149,190	(432,473)
Taxation expense	7	(17,412)	(29,979)
		<hr/>	<hr/>
Profit (loss) for the period	8	131,778	(462,452)
		<hr/> <hr/>	<hr/> <hr/>
Profit (loss) for the period attributable to:			
– Owners of the Company		123,830	(445,581)
– Non-controlling interests		7,948	(16,871)
		<hr/>	<hr/>
		131,778	(462,452)
		<hr/> <hr/>	<hr/> <hr/>
Earnings (loss) per share	10		
– Basic		HK0.86 cents	HK(4.13) cents
		<hr/> <hr/>	<hr/> <hr/>
– Diluted		HK0.86 cents	HK(4.13) cents
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	Six months ended	
	31.12.2016	31.12.2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit (loss) for the period	<u>131,778</u>	<u>(462,452)</u>
Other comprehensive (expense) income		
Items that will be reclassified subsequently to profit or loss:		
Net change on available-for-sale investments:		
Gain on fair value changes	780	2,837
Reclassification adjustment for the cumulative gain included in profit or loss upon disposal of available-for-sale investments	<u>(1,082)</u>	<u>(9,116)</u>
	<u>(302)</u>	<u>(6,279)</u>
Exchange differences arising on translation:		
Exchange loss arising from translation of foreign operation	(25,278)	(33,370)
Share of changes in other comprehensive expense of an associate	–	1,982
Reclassification adjustment for the cumulative gain included in profit or loss upon deemed disposal of an associate	<u>–</u>	<u>(1,146)</u>
	<u>(25,278)</u>	<u>(32,534)</u>
Other comprehensive expense for the period	<u>(25,580)</u>	<u>(38,813)</u>
	<u>106,198</u>	<u>(501,265)</u>
Total comprehensive income (expense) attributable to:		
Owners of the Company	98,229	(478,511)
Non-controlling interests	<u>7,969</u>	<u>(22,754)</u>
	<u>106,198</u>	<u>(501,265)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2016

	<i>NOTES</i>	31.12.2016 <i>HK\$'000</i> (unaudited)	30.6.2016 <i>HK\$'000</i> (audited)
Non-current assets			
Investment properties		718,556	708,488
Property, plant and equipment		1,314,993	1,377,117
Prepaid lease payments		101,441	107,450
Interests in associates		–	–
Available-for-sale investments		746	746
Intangible assets		12,481	13,034
Goodwill		31,552	32,867
Deposits for acquisition of property, plant and equipment		20,596	4,470
		2,200,365	2,244,172
Current assets			
Inventories		13,414	27,983
Properties under development for sale		317,582	331,822
Properties held for sale		373,744	558,742
Prepaid lease payments		2,768	2,865
Available-for-sale investments		803	10,190
Investments held for trading		1,082,775	1,161,134
Debtors, deposits and prepayments	<i>11</i>	129,725	140,120
Loans receivable		56,971	40,000
Derivative financial instruments		278	4,275
Pledged bank deposits		463,457	586,545
Restricted bank deposits		2,026	3,386
Bank balances and cash		754,055	836,015
		3,197,598	3,703,077
Current liabilities			
Creditors and accrued charges	<i>12</i>	539,584	633,016
Deposits received on sales of properties		38,325	46,226
Customers' deposits and receipts in advance		63,627	42,628
Consideration payable		55,750	104,850
Amount due to an associate		6,133	7,573
Borrowings – due within one year		1,861,955	2,517,531
Obligations under finance leases – due within one year		13,487	10,766
Derivative financial instruments		3,024	55,346
Taxation payable		238,243	228,389
		2,820,128	3,646,325

	31.12.2016 <i>HK\$'000</i> (unaudited)	30.6.2016 <i>HK\$'000</i> (audited)
Net current assets	<u>377,470</u>	<u>56,752</u>
Total assets less current liabilities	<u>2,577,835</u>	<u>2,300,924</u>
Non-current liabilities		
Deferred tax liabilities	62,427	76,466
Borrowings – due after one year	301,050	116,500
Obligations under finance leases – due after one year	<u>17,325</u>	<u>29,647</u>
	<u>380,802</u>	<u>222,613</u>
	<u>2,197,033</u>	<u>2,078,311</u>
Capital and reserves		
Share capital	7,240	7,240
Reserves	<u>2,081,205</u>	<u>1,985,967</u>
Equity attributable to owners of the Company	<u>2,088,445</u>	<u>1,993,207</u>
Non-controlling interests	<u>108,588</u>	<u>85,104</u>
Total equity	<u>2,197,033</u>	<u>2,078,311</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2016.

The Group has applied, for the first time, certain new or revised Hong Kong Financial Reporting Standards (“HKFRS”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements. The application of the new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in the condensed consolidated financial statements.

3. REVENUE

	Six months ended	
	31.12.2016	31.12.2015
	HK\$’000	HK\$’000
	(unaudited)	(unaudited)
Dividend income from listed investments	6,727	14,364
Interest income from loans receivable	8,150	7,049
Rental income	3,096	2,123
Revenue from provision of elderly care related service	3,520	–
Hospital fees and charges	401,357	386,719
Revenue from sale of properties related to property development segment	48,314	202
Revenue from sale of properties related to eldercare segment	238,957	401,936
	710,121	812,393

4. SEGMENT INFORMATION

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

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

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

Financial services – provision of financial services.

Property investment – leasing of residential and office properties.

Property development – developing and selling of properties and land in the People’s Republic of China (“PRC”).

Healthcare – operations of hospitals in the PRC.

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

Segment revenues and results

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

For the six months ended 31 December 2016

	Securities trading and investments <i>HK\$'000</i> (unaudited)	Financial services <i>HK\$'000</i> (unaudited)	Property investment <i>HK\$'000</i> (unaudited)	Property development <i>HK\$'000</i> (unaudited)	Healthcare <i>HK\$'000</i> (unaudited)	Eldercare <i>HK\$'000</i> (unaudited)	Consolidated <i>HK\$'000</i> (unaudited)
Gross proceeds from sales of investments held for trading	<u>459,571</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>459,571</u>
Revenue	<u>6,727</u>	<u>8,150</u>	<u>3,096</u>	<u>48,314</u>	<u>401,357</u>	<u>242,477</u>	<u>710,121</u>
Segment profit	<u>147,917</u>	<u>27,256</u>	<u>1,944</u>	<u>6,606</u>	<u>2,817</u>	<u>32,471</u>	<u>219,011</u>
Other income							1,546
Net foreign exchange loss							(8,789)
Gain on disposal of a subsidiary							437
Central corporate expenses							(36,600)
Finance costs							<u>(26,415)</u>
Profit before taxation							<u>149,190</u>

For the six months ended 31 December 2015

	Securities trading and investments <i>HK\$'000</i> (unaudited)	Financial services <i>HK\$'000</i> (unaudited)	Property investment <i>HK\$'000</i> (unaudited)	Property development <i>HK\$'000</i> (unaudited)	Healthcare <i>HK\$'000</i> (unaudited)	Eldercare <i>HK\$'000</i> (unaudited)	Consolidated <i>HK\$'000</i> (unaudited)
Gross proceeds from sales of investments held for trading	<u>371,927</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>371,927</u>
Revenue	<u>14,364</u>	<u>7,049</u>	<u>2,123</u>	<u>202</u>	<u>386,719</u>	<u>401,936</u>	<u>812,393</u>
Segment (loss) profit	<u>(468,624)</u>	<u>4,841</u>	<u>1,249</u>	<u>(15,214)</u>	<u>(1,736)</u>	<u>13,498</u>	<u>(465,986)</u>
Other income							900
Net foreign exchange loss							(250)
Gain on deemed disposal of an associate							97,270
Central corporate expenses							(26,517)
Share of results of associates							(4,861)
Finance costs							<u>(33,029)</u>
Loss before taxation							<u>(432,473)</u>

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

Segment profit (loss) represents the profit earned or loss incurred by each segment without allocation of certain other income, certain foreign exchange loss, gain on disposal of a subsidiary, gain on deemed disposal of an associate, central corporate expenses, share of results of associates and certain finance costs.

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

At 31 December 2016

	Securities trading and investments <i>HK\$'000</i> (unaudited)	Financial services <i>HK\$'000</i> (unaudited)	Property investment <i>HK\$'000</i> (unaudited)	Property development <i>HK\$'000</i> (unaudited)	Healthcare <i>HK\$'000</i> (unaudited)	Eldercare <i>HK\$'000</i> (unaudited)	Consolidated <i>HK\$'000</i> (unaudited)
Segment assets	1,089,470	62,578	226,178	341,511	1,412,108	1,018,130	4,149,975
Corporate assets							<u>1,247,988</u>
Consolidated assets							<u><u>5,397,963</u></u>
Segment liabilities	739,465	1,139	1,639	128,891	759,333	378,439	2,008,906
Corporate liabilities							<u>1,192,024</u>
Consolidated liabilities							<u><u>3,200,930</u></u>

At 30 June 2016

	Securities trading and investments <i>HK\$'000</i> (audited)	Financial services <i>HK\$'000</i> (audited)	Property investment <i>HK\$'000</i> (audited)	Property development <i>HK\$'000</i> (audited)	Healthcare <i>HK\$'000</i> (audited)	Eldercare <i>HK\$'000</i> (audited)	Consolidated <i>HK\$'000</i> (audited)
Segment assets	1,229,572	40,508	226,178	424,133	1,444,615	1,132,525	4,497,531
Corporate assets							<u>1,449,718</u>
Consolidated assets							<u><u>5,947,249</u></u>
Segment liabilities	1,023,207	70,264	1,526	288,186	768,418	551,965	2,703,566
Corporate liabilities							<u>1,165,372</u>
Consolidated liabilities							<u><u>3,868,938</u></u>

5. OTHER GAINS AND LOSSES

	Six months ended	
	31.12.2016	31.12.2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Gain (loss) in fair value change of investments held for trading	142,154	(477,748)
Gain in fair value change of derivative financial instruments	10,235	7,113
Gain on deemed disposal of an associate	–	97,270
Gain on disposal of available-for-sale investments	1,082	9,116
Gain on disposal of a subsidiary	437	–
Net foreign exchange loss	(12,087)	(8,722)
Reversal of impairment loss recognised on loan receivable	19,247	–
Reversal of impairment loss recognised on other debtor	2,438	–
	163,506	(372,971)

6. FINANCE COSTS

The finance costs represent interest as follows:

	Six months ended	
	31.12.2016	31.12.2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interest on:		
Other borrowings wholly repayable within five years	22,911	35,173
Bank borrowings wholly repayable within five years	26,415	33,029
Obligations under finance leases	1,329	4,540
Discounted bills	374	1,754
	51,029	74,496

7. TAXATION EXPENSE

	Six months ended	
	31.12.2016	31.12.2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Current tax charge – Enterprise Income Tax (“EIT”) in the PRC	16,172	2,355
Underprovision of EIT in the PRC in previous years	–	6,168
Land appreciation tax (“LAT”) in the PRC	10,646	21,132
Deferred taxation	(9,406)	324
	17,412	29,979

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

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

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

8. PROFIT (LOSS) FOR THE PERIOD

	Six months ended	
	31.12.2016	31.12.2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit (loss) for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	44,458	45,454
Release of prepaid lease payments	1,409	1,498
Amortisation of intangible assets (included in cost of goods and services)	386	410
Interest income from:		
– available-for-sale debt instruments	–	(530)
– bank deposits	(3,384)	(2,741)
Cost of inventories recognised as an expense (included in cost of goods and services)	183,149	180,682
Cost of properties held for sale recognised as an expense (included in costs of goods and services)	220,918	381,758
	<u>220,918</u>	<u>381,758</u>

9. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 31 December 2016 and 2015.

10. EARNINGS (LOSS) PER SHARE

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

Earnings (loss)

	Six months ended	
	31.12.2016 <i>HK\$'000</i> (unaudited)	31.12.2015 <i>HK\$'000</i> (unaudited)
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share attributable to owners of the Company	<u>123,830</u>	<u>(445,581)</u>
	Number of shares	Number 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>10,789,386,297</u>

The computations of diluted earnings (loss) per share for the six months ended 31 December 2016 and 2015 do not assume the exercise of share options granted by the subsidiaries since such assumed exercise would be anti-dilutive.

11. DEBTORS, DEPOSITS AND PREPAYMENTS

	31.12.2016 <i>HK\$'000</i> (unaudited)	30.6.2016 <i>HK\$'000</i> (audited)
Debtors from securities trading	2,429	38,262
Trade receivables arising from hospital operation	74,408	73,586
Deposits with and receivables from the financial institutions	19,418	14,965
Prepayments	4,916	2,285
Prepaid business taxes and other PRC taxes	9,659	3,647
Other debtors and deposits	13,288	6,867
Interest receivable from a loans receivable	5,607	508
	<u>129,725</u>	<u>140,120</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 31 December 2016 and 30 June 2016.

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

The following is an aged analysis of trade receivables from hospital operation presented based on the invoice date (approximate the date of revenue recognition) as at 31 December 2016 and 30 June 2016:

	31.12.2016 <i>HK\$'000</i> (unaudited)	30.6.2016 <i>HK\$'000</i> (audited)
0 – 30 days	25,474	24,909
31- 60 days	10,235	17,524
61 – 90 days	8,555	12,459
91 – 365 days	25,252	11,147
More than 365 days	4,892	7,547
	74,408	73,586

12. CREDITORS AND ACCRUED CHARGES

	31.12.2016 <i>HK\$'000</i> (unaudited)	30.6.2016 <i>HK\$'000</i> (audited)
Trade payables to construction contractors and of hospital operation	404,880	420,288
Creditors from securities trading	4,113	4,324
Accrued compensation for late delivery of properties held for sale	5,648	5,994
Accrued construction cost for properties under development for sale	36,815	118,049
Construction cost payable for hospital buildings classified as property, plant and equipment	8,677	13,238
Other creditors and accrued charges	79,451	71,123
	539,584	633,016

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 31 December 2016 and 30 June 2016:

	31.12.2016 <i>HK\$'000</i> (unaudited)	30.6.2016 <i>HK\$'000</i> (audited)
0 – 30 days	292,110	256,880
31- 60 days	20,322	25,723
61 – 90 days	10,337	53,942
91 – 365 days	37,598	60,924
Over 1 year but not exceeding 2 years	22,767	2,147
Over 2 years but not exceeding 5 years	21,746	20,672
	404,880	420,288

INTERIM DIVIDEND

The Directors do not recommend the payment of interim dividend (2015: nil) for the six months ended 31 December 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the six months ended 31 December 2016, the Group recorded a total revenue of HK\$1,169,692,000 (2015: HK\$1,184,320,000) and a profit for the period attributable to shareholders of the Company of HK\$123,830,000 (2015: loss of HK\$445,581,000), mainly due to the gains in fair value change of investments held for trading of HK\$142,154,000 (2015: loss of HK\$477,748,000) and derivative financial instruments of HK\$10,235,000 (2015: HK\$7,113,000) of the Group's securities trading and investments business.

Earnings per share (basic and diluted) for the six months ended 31 December 2016 was HK0.86 cents (2015: loss per share of HK4.13 cents).

The Group's net asset value per share as at 31 December 2016 was HK\$0.14 (2015: HK\$0.17).

REVIEW OF OPERATIONS

The Group's principal businesses are investment in and management and operation of healthcare and hospital businesses, aged care 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:

During the period under review, 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\$401,357,000 (2015: HK\$386,719,000) and a profit of HK\$2,817,000 (2015: loss of HK\$1,736,000). The Healthcare Division generated an EBITDA, being earnings before interest, tax, depreciation and amortization, of HK\$72,998,000 (2015: HK\$74,778,000) for the six months ended 31 December 2016.

For the six months ended 31 December 2016, Nanjing Tongren Hospital (南京同仁醫院) ("NJTRH") achieved a total of 327,056 out-patients visits (2015: 314,220), 11,780 in-patient admissions (2015: 11,001) and 22,509 body-checks (2015: 25,906) while Kunming Tongren Hospital (昆明同仁醫院) ("KMTRH") achieved a total of 87,019 out-patients visits (2015: 83,323), 5,604 in-patient admissions (2015: 4,973) and 36,517 body-checks (2015: 25,883).

For NJTRH, during the period its anaesthesiology specialty was recognized by the municipal government of Nanjing as the fifth specialty to be included as the "Key Specialty Disciplines" (重點專科) in Nanjing after NJTRH's specialties in ENT (eye, neck and throat), ophthalmology, neurology and radiology. NJTRH was also awarded by the local authority a "Baby Friendly Hospital" status and was accepted as an affiliated teaching hospital of Southeastern China University Medical School.

NJTRH has implemented a new patient self-servicing kiosks and mobile phone application to streamline processes (eg. registration, retrieval of results, payment) and reduce patient's waiting time. It has also implemented a new prescribing policy to mitigate the adverse impact of recently promulgated government's "Drugs Zero-Based Policy" (藥品零差價政策).

Further, NJTRH has completed the renovation of Health Screening Centre ("HSC") with testing and commissioning ongoing and business to be commenced in the second quarter of 2017. It has also established collaboration with pre-hospital care providers (120-emergency-call) with 3 new ambulance stations located in Lukou, Jiangning, Hengxi districts of Nanjing.

For KMTRH, during the period it has opened a new HSC cater for corporate, VIP and international clientele and the medical aesthetics centre and commenced the VIP maternity services. KMTRH has also expanded its clinical sub-specialty especially in internal medicine and general surgery.

In July 2016, in view of the imminent expiry of the leasing of the hospital building of Yunnan Xinxinhua Hospital (雲南新新華醫院) and as a result of the review on its operating conditions and its relative small scale of operation, the Group entered into an agreement for disposal of the entire equity interests in Yunnan Xinxinhua Hospital Company Ltd. for a total consideration of RMB13,000,000. The disposal recorded a gain of HK\$437,000 and was completed in July 2016.

Eldercare Division:

For the period under review, the Group's Eldercare Operations, operated through its 70% owned subsidiary, Aveo China (Holdings) Limited ("Aveo China"), which include the Tide Health Campus's (天地健康城), located in Zhu Jia Jiao County, Shanghai, the People's Republic of China ("PRC"), property sales and leases, and the services provided therein, recorded a revenue of HK\$242,477,000 (2015: HK\$401,936,000) and a profit of HK\$32,471,000 (2015: HK\$13,498,000) respectively.

As at 31 December 2016, the Eldercare Division had sold 752 independent living units ("ILU") out of a total inventory of 868 ILUs and among which 114 ILUs (2015: 238 ILUs) were recorded as sales in the period under review. As at 31 December 2016, the Eldercare Division had leased out 20 serviced apartments ("SA") out of a total inventory of 120 SAs of the first building. Residents and members of the community at our Shanghai Tide Health Campus (天地健康城) will enjoy various services provided by our personal care assistant team, including but not limited to house keeping, daily meals, assistance in life care services (feeding, dressing, showering, medication), access to hospitals & emergency care, and property management.

As at 31 December 2016, the Eldercare Division's investment properties portfolio comprising the SAs and the retail shopping precinct amounted to HK\$492,378,000 (2015: HK\$375,917,000).

Securities Trading and Investments:

The six months period under review saw the financial markets partially recovering from the initial adverse impact of Brexit and the results of the US presidential election. Sentiments were lifted by the expectations of the positive effects of US trade policies under President Trump but uncertainties still remain about the outlook for global economic growth, trade relationship between major economies and geopolitical tension. Despite such uncertain investment environment, the Group's business in securities trading and investments recorded a turnover of HK\$466,298,000 (2015: HK\$386,291,000) and a profit of HK\$147,917,000 (2015: loss of HK\$468,624,000) for the period ended 31 December 2016, mainly due to the gains in fair value of investments held for trading of HK\$142,154,000 (2015: loss of HK\$477,748,000) and derivative financial instruments of HK\$10,235,000 (2015: HK\$7,113,000), gain on disposal of available-for-sale investments of HK\$1,082,000 (2015: HK\$9,116,000), dividend income from listed investments of HK\$6,727,000 (2015: HK\$14,364,000) and interest income from available-for-sales investments of nil (2015: HK\$530,000).

As at 31 December 2016, the Group maintained a portfolio of available-for-sale investments of HK\$1,549,000 (2015: HK\$8,470,000) and a well-diversified portfolio of investments held for trading of HK\$1,082,775,000 (2015: HK\$1,253,525,000).

Investments held for trading

As at 31 December 2016, 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 carry value to the Group's net assets
	2016	2015	2016	2016	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	%
Hong Kong	906,693	974,315	30,103	111,576	6,701	41.3
Australia	122,656	177,863	4,157	2,761	–	5.6
Malaysia	48,555	28,948	–	(8,518)	–	2.2
U.S.A.	–	56,996	2,717	–	26	–
Philippine	1,278	859	–	(81)	–	0.1
PRC	–	2,403	375	–	–	–
England	–	1,096	(14)	–	–	–
Japan	3,593	3,857	–	(922)	–	0.2
Taiwan	–	7,188	–	–	–	–
Total	<u>1,082,775</u>	<u>1,253,525</u>	<u>37,338</u>	<u>104,816</u>	<u>6,727</u>	

As at 31 December 2016, 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 2016 HK\$'000	Carrying value 2015 HK\$'000	Realized gain (loss) 2016 HK\$'000	Fair value gain (loss) 2016 HK\$'000	Dividend received 2016 HK\$'000	% of carrying value to the Group's net assets 2016 %
Banking company	5,292	67,022	6,295	410	1,519	0.2
Consumer services company	1,055	97,606	3,857	92	1,440	0.1
Entertainment and media company	59,319	155,419	2,896	(11,437)	164	2.7
Financial services and investment company	419,118	389,051	7,669	52,270	2,242	19.1
Healthcare services company	13,127	–	–	(155)	–	0.6
Industrial materials company	45,171	23,562	(108)	27,976	414	2.1
Information technology company	–	4,857	–	–	–	–
Mining and resources company	134,756	113,544	6,445	11,413	582	6.1
Property company	404,937	402,464	10,284	24,247	366	18.4
Total	<u>1,082,775</u>	<u>1,253,525</u>	<u>37,338</u>	<u>104,816</u>	<u>6,727</u>	

At 31 December 2016, particulars of the Group's investments held for trading which are material to the Group (exceeded 5% the net assets of the Group) were as follows:

Company name	No. of shares held	% of shareholding	Carry value 2016 <i>HK\$'000</i>	Realized gain (loss) 2016 <i>HK\$'000</i>	Fair value gain (loss) 2016 <i>HK\$'000</i>	Dividend received 2016 <i>HK\$'000</i>
AP (<i>Note a</i>)	214,794,000	3.15	371,594	–	52,766	–
TA (<i>Note b</i>)	<u>64,581,000</u>	<u>4.29</u>	<u>293,198</u>	<u>68</u>	<u>28,399</u>	<u>–</u>

Note:

- Allied Properties (H.K.) Limited (stock code: 56) (“AP”) – As at 31 December 2016, the Group owned approximately 3.15% of the total issued share capital of AP, a limited company incorporated in Hong Kong with its shares listed on The Stock Exchange of Hong Kong Limited (“Stock Exchange”). AP is principally engaged in property investment and development, hospitality related activities, the provision of finance and investments in listed and unlisted securities. Based on the latest interim report of AP, the unaudited profit attributable to shareholders of AP for six-months ended 30 June 2016 was approximately HK\$752.6 million and the unaudited net assets attributable to shareholders of AP as at 30 June 2016 was approximately HK\$27,810.6 million. The fair value of the investment in AP ordinary shares is based on quoted market price as at 31 December 2016.
- Tian An China Investments Company Limited (stock code: 28) (“TA”) – As at 31 December 2016, the Group owned approximately 4.29% of the total issued share capital of TA, a limited company incorporated in Hong Kong with its shares listed on the Stock Exchange. TA is principally engaged in development of apartments, villas, office buildings and commercial properties, property investment and property management in the PRC. Based on the latest interim report of TA, the unaudited profit attributable to shareholders of TA for six-months ended 30 June 2016 was approximately HK\$513.2 million and the unaudited net assets attributable to shareholders of TA as at 30 June 2016 was approximately HK\$17,036.3 million. The fair value of the investment in TA ordinary shares is based on quoted market price as at 31 December 2016.

Derivative Financial Instruments

As at 31 December 2016, the Group's investments in derivative financial instruments consisted of options in different categories were as follows:

	No. of contracts as at 31.12.2016	Fair value 2016 <i>HK\$'000</i>
Assets		
Option contracts linked with exchange rate between JPY and USD	2	<u>278</u>
		<u>278</u>
Liabilities		
Option contracts linked with equity securities listed in Hong Kong	7	<u>(3,024)</u>
		<u>(3,024)</u>
Net		<u><u>(2,746)</u></u>

As at 31 December 2016, the respective performance of the Group's investments in derivative financial instruments were as follows:

	Fair value 2016 <i>HK\$'000</i>	Realized gain (loss) 2016 <i>HK\$'000</i>	Fair value gain (loss) 2016 <i>HK\$'000</i>
Option contracts linked with equity securities, net	(3,024)	–	(3,024)
Option contracts linked with exchange rate between JPY and USD, net	278	10,800	278
Forwards contracts linked with exchange rate JPY and USD, net	<u>–</u>	<u>2,181</u>	<u>–</u>
	<u><u>(2,746)</u></u>	<u><u>12,981</u></u>	<u><u>(2,746)</u></u>

Money Lending:

For the period ended 30 June 2016, the Group's money lending business recorded an interest income of HK\$8,150,000 (2015: HK\$7,049,000) and profit of HK\$27,256,000 (2015: HK\$4,841,000) mainly attributed to the reversal of impairment provisions for a loan receivable and the relevant loan interest receivable ("Loan Receivables") of HK\$21,685,000 (2015: nil) which impairment losses were recognised in the year ended 30 June 2016. Following active negotiation and follow-up action, subsequent to the period end date, settlement agreement in relation to the Loan Receivables was entered into between the borrower, the guarantor and the Group pursuant to which (i) the interest rate of the loan was reduced from 24% per annum to 20% per annum and (ii) interest would be calculated up to 19 January 2017. Principal and the relevant outstanding interest of the Loan Receivables were settled in January 2017. As at 31 December 2016, the Group's loan portfolio amounted to HK\$56,971,000 (2015: HK\$61,247,000).

Property Development:

For the period under review, the Group's property development business in the PRC, operated through its wholly-owned subsidiary, Lianyungang Jiatai Construction Company Limited (連雲港嘉泰建設工程有限公司) ("Jiatai Construction"), recorded a turnover of HK\$48,314,000 (2015: HK\$202,000) and a profit of HK\$6,606,000 (2015: loss of HK\$15,214,000). As at 31 December 2016, 411 units of Kangya Garden (康雅苑) Phase III, out of a total inventory of 419 units, were sold and among which 15 units (2015: nil) were recorded as sales in the period under review.

As at 31 December 2016, the Group owns certain residential and commercial lands in Lianyungang, PRC.

Property Investments:

The Group's investment properties located in Hong Kong and the PRC recorded a rental income of HK\$3,096,000 (2015: HK\$2,123,000) and a profit of HK\$1,944,000 (2015: HK\$1,249,000) for the six months ended 31 December 2016. As at 31 December 2016, the Group's investment properties portfolio, for rental purpose, amounted to HK\$226,178,000 (2015: HK\$229,270,000).

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

As at 31 December 2016, the Group's non-current assets of HK\$2,200,365,000 (2015: HK\$2,275,465,000) consisted of investment properties of HK\$718,556,000 (2015: HK\$605,187,000), property, plant and equipment of HK\$1,314,993,000 (2015: HK\$1,375,692,000), prepaid lease payments of HK\$101,441,000 (2015: HK\$111,070,000), available-for-sale investments of HK\$746,000 (2015: HK\$7,667,000), intangible assets of HK\$12,481,000 (2015: HK\$14,434,000), goodwill of HK\$31,552,000 (2015: HK\$28,671,000), deposits for acquisition of property, plant and equipment of HK\$20,596,000 (2015: nil) and pledged bank deposit of nil (2015: HK\$132,744,000). These non-current assets are principally financed by the Group's shareholders' funds. As at 31 December 2016, the Group's net current assets decreased to HK\$377,470,000 (2015: HK\$1,001,091,000).

As at 31 December 2016, the total borrowings of the Group amounted to HK\$2,163,005,000 (2015: HK\$2,484,517,000) consisting of securities margin loans of HK\$502,328,000 (2015: HK\$436,614,000), unsecured term loans of HK\$230,000,000 (2015: HK\$300,000,000), secured bank borrowings of HK\$540,485,000 (2015: HK\$650,396,000), unsecured bank borrowings of HK\$493,610,000 (2015: HK\$622,506,000), unsecured other borrowing of HK\$173,940,000 (2015: HK\$233,163,000), discounted bills of HK\$147,180,000 (2015: HK\$166,376,000) and borrowings from a related party of HK\$75,462,000 (2015: HK\$75,462,000). Among the total borrowings of the Group, an amount of HK\$1,861,955,000 (2015: HK\$2,026,983,000) was with maturity on demand or within one year and HK\$301,050,000 (2015: HK\$457,534,000) was with maturity of over one year but not exceeding two years.

As at 31 December 2016, 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 45.2% (2015: 42.6%). The Group's gearing ratio would be adjusted to zero (2015: zero) with marketable securities inclusive of available-for-sale investments (current) and investments held for trading deducted from the net borrowings.

During the period under review, the Group's assets, liabilities and transactions were mainly denominated in Hong Kong Dollar, RMB, 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. In view of the weakened economic growth in the PRC and the abrupt devaluation of the RMB in August 2015, the Group anticipates that there will be an extended period of volatility in RMB. As a substantial portion of the Group's operations are located in the PRC and its transactions, related working capital and borrowings are primarily denominated in Renminbi and Hong Kong Dollars, the Group will closely monitor its foreign exchange exposure in this regard and will actively consider hedging the currency exposure should the need arise.

As at 31 December 2016, the Group had capital commitment contracted for but not provided relating to the acquisition of property, plant and equipment of HK\$65,431,000 (2015: HK\$10,535,000), investment properties of HK\$24,743,000 (2015: nil) and acquisition of non-controlling interests of a subsidiary of nil (2015: HK\$106,650,000).

In July 2013, Tongren Healthcare entered into a mutual guarantee agreement (the “Mutual Guarantee”) with China Huali Holding Group Company Limited (中國華力控股集團有限公司) (“Huali”). Pursuant to the Mutual Guarantee, both parties agreed that should any party (inclusive of their subsidiaries) (the “Borrowers”) apply for a loan or loans (the “Borrowings”) from a bank or financial institution (the “Lenders”), if the Lenders so requires, the other party shall provide a guarantee for the obligations of the Borrowers under the Borrowings, subject to a cap of RMB300,000,000. The effective period of the Mutual Guarantee shall be approximately 18 months from 18 July 2013 to 31 December 2014 and further extended to 31 December 2015. Such agreement has been expired during the year and no extension of agreement has been made. A former director of Jiatai Construction and certain subsidiaries of the Jiatai Construction Group has a beneficial interest in Huali. As at 31 December 2016, Tongren Healthcare provided guarantees of nil (2015: RMB50,000,000 (approximately HK\$59,420,000)) to Huali under the Mutual Guarantee, while Huali and its subsidiary provided guarantees of nil (2015: RMB272,000,000 (approximately HK\$323,245,000)) to Tongren Healthcare and its subsidiaries under the Mutual Guarantee.

During the six months period under review, Aveo China has given guarantees in respect of the settlement of mortgage bank loans provided by banks to the purchasers of Aveo China’s developed properties in Shanghai, PRC. At 31 December 2016, Aveo China had given guarantees in respect of such mortgage bank loans of HK\$31,115,000 (2015: nil). In the opinion of the directors, the fair values of these financial guarantee contracts of the Group are insignificant at initial recognition and the directors consider that the possibility of default of the parties involved is remote, accordingly, no value has been recognized at the inception of the guarantee contracts and at the end of the reporting period.

In December 2015, the Company and CM International Holding Pte. Ltd. (“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 31 December 2016, details of use of net proceeds from the Subscription were as follows:

Intended use of proceeds

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

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

Actual use of proceeds

a) Approximately HK\$33,951,000 was used for the construction cost for the renovation of Block D of NJTRH; and

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

a) HK\$299,250,000 was used for reduction of the borrowings of the Group.

During the period under review, the Company did not repurchase any of shares in the capital of the Company (2015: 14,180,000 shares for an aggregate consideration of HK\$2,049,000).

CHARGE ON GROUP ASSETS

As at 31 December 2016, the Group's investments held for trading of HK\$1,077,508,000 (2015: HK\$1,212,296,000), available-for-sale investments of nil (2015: HK\$6,921,000), building (included in property, plant and equipment) of HK\$130,641,000 (2015: HK\$651,083,000), prepaid lease payment of nil (2015: HK\$85,895,000), properties under development for sale of HK\$113,101,000 (2015: HK\$1,107,829,000), properties held for sale of nil (2015: HK\$293,089,000), investment properties of HK\$492,378,000 (2015: HK\$375,917,000) and pledged bank deposits of HK\$463,457,000 (2015: HK\$445,985,000) were pledged to banks and securities 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 2016, the carrying amount of the Group's medical equipment included an amount of HK\$60,438,000 (2015: HK\$182,161,000) in respect of assets held under finance leases.

POST BALANCE SHEET EVENT

In December 2015, the Group entered into an agreement with a financial institution, a related party to Aveo China, to obtain a loan of HK\$75,462,000 for a term of one year at an interest rate of 12% per annum. The loan has been used by the Eldercare Division for its general working capital. In January 2017, the Group entered into a supplemental agreement with the lender to (i) extend the repayment date of the loan from 23 December 2016 to 23 June 2017; (ii) amend the interest rate for the first interest period commencing on 23 December 2016 to the date falling one (1) month thereafter to 20.288% per annum and to 12% per annum for the remainder of the term; and (iii) with no arrangement fee on the loan.

MATERIAL ACQUISITIONS AND DISPOSAL

Save as disclosed herein, for the year ended 31 December 2016, the Group did not make any material acquisitions and disposal of subsidiaries, significant investments nor capital commitment.

EMPLOYEES

The Group had 2,087 employees as at 31 December 2016 (2015: 2,345). 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

Healthcare Division:

For the Healthcare Division, in a bid to expand its healthcare services beyond tertiary hospital-based care, NJTRH is in the process of establishing a network of clinics as part of our “integrated healthcare network” (醫療連體) strategy. It is expected that at least 3 such clinics will be operationalized in 2017. Following the commencement of operation of the new wing in late 2017, NJTRH will be able to develop its VIP services to corporate clientele and private insurance market.

Further, KMTRH targets to extend its market reach for international patients in Kunming by offering specialty services in health screening, aesthetics medicine and elective spinal and cardiac surgeries.

Eldercare Division:

For the Eldercare Division, it is expected that more residents will move into the Tide Health Campus when the retail shopping precinct and the elderly nursing hospital, Shanghai Deyi Hospital (上海德頤醫院) (“SHDYH”), in the village are fully operational by the second quarter of 2017. It is expected that in the near future more than 50% of residents who moved into the village will become members of our retirement community to enjoy the community services in the retirement village.

The operational license of the first building of SHDYH with 100 beds is obtained in January 2017 and the hospital will be opened in the first quarter of 2017. The second building, a 200 bed elderly nursing home of SHDYH, will be equipped in late 2017 and ready for operations from early 2018.

The first of three leasehold buildings of the SA was opened in November 2016. It is expected that the second building with 80 SAs will be equipped in late 2017 with opening in early 2018 while the third building with 70 SAs will be opened in 2019.

The Group's Eldercare Division will continue its growth focus in China by building and developing more retirement villages and providing more services to elderly people on the Mainland.

Others:

The Group considers that the performance of its assets and investment portfolio is generally affected by global and regional economic and political factors and is susceptible to the volatility of the financial markets. The Group will continuously review and adjust its investment strategies, assets and investment portfolio in light of prevailing uncertainties in the investment environment.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the six months ended 31 December 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with the management of the Company (the "Management") the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a general review of the interim report (including unaudited interim condensed consolidated financial statements for the six months ended 31 December 2016). In carrying out this review, the Audit Committee has relied on a review conducted by the Group's external auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA as well as reports obtained from the Management. The Audit Committee has not undertaken detailed independent audit checks.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the applicable code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 31 December 2016.

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 six months ended 31 December 2016.

By Order of the Board
China Medical & HealthCare Group Limited
Dr. Lim Cheok Peng
Chairman

Hong Kong, 23 February 2017

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

Executive Directors

Ms. Chong Sok Un (Deputy Chairman), Dr. Jonathan Weiyan Seah (Chief Executive Officer), Dato’ Wong Peng Chong and Mr. Kong Muk Yin

Non-Executive Directors

Dr. Lim Cheok Peng (Chairman) and Mr. Liao Feng

Independent Non-Executive Directors

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