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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 2018**

#### **UNAUDITED RESULTS OF THE GROUP**

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

#### **CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*FOR THE SIX MONTHS ENDED 31 DECEMBER 2018*

		<b>Six months ended</b>	
	<i>NOTES</i>	<b>31.12.2018</b>	31.12.2017
		<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(unaudited)</b>	<b>(unaudited)</b>
Revenue	3	<b>594,156</b>	555,593
Gross proceeds from sales of investments held for trading		<b>88,549</b>	1,070,211
Total		<b><u>682,705</u></b>	<b><u>1,625,804</u></b>
Revenue	3		
Good and services		<b>575,747</b>	543,852
Rental		<b>4,862</b>	4,614
Interest		<b>12,304</b>	2,308
Others		<b>1,243</b>	4,819
Cost of goods and services		<b>594,156</b>	555,593
		<b><u>(470,124)</u></b>	<b><u>(457,484)</u></b>

	<i>NOTES</i>	<b>Six months ended</b>	
		<b>31.12.2018</b>	31.12.2017
		<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
		<b>(unaudited)</b>	(unaudited)
Gross profit		<b>124,032</b>	98,109
Other gains and losses, and other income	5	<b>5,640</b>	21,678
Selling and distribution costs		<b>(2,714)</b>	(7,098)
Administrative expenses		<b>(131,491)</b>	(131,867)
Finance costs	6	<b>(25,717)</b>	(48,182)
Loss before taxation		<b>(30,250)</b>	(67,360)
Taxation credit (expense)	7	<b>52,416</b>	(1,762)
Profit (loss) for the period	8	<b>22,166</b>	(69,122)
Profit (loss) for the period attributable to:			
Owners of the Company		<b>22,725</b>	(62,544)
Non-controlling interests		<b>(559)</b>	(6,578)
		<b>22,166</b>	(69,122)
Earnings (loss) per share	10		
Basic		<b>HK0.16 cents</b>	HK (0.43) cents
Diluted		<b>HK0.16 cents</b>	HK (0.43) cents

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**

*FOR THE SIX MONTHS ENDED 31 DECEMBER 2018*

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION***AT 31 DECEMBER 2018*

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

	<i>NOTE</i>	<b>31.12.2018</b> <i>HK\$'000</i> <b>(unaudited)</b>	30.6.2018 <i>HK\$'000</i> (audited)
<b>Current liabilities</b>			
Creditors and accrued charges	12	<b>435,946</b>	453,674
Deposits received on sales of properties		<b>11,419</b>	12,055
Other contract liabilities		<b>41,181</b>	–
Customers' deposits and receipts in advance		<b>52,674</b>	93,175
Consideration payable		–	57,300
Amount due to an associate		<b>6,263</b>	6,471
Borrowings – due within one year		<b>363,245</b>	325,330
Obligations under finance leases – due within one year		<b>10,317</b>	10,201
Derivative financial instruments		–	1,129
Taxation payable		<b>109,252</b>	167,033
		<u><b>1,030,297</b></u>	<u>1,126,368</u>
<b>Net current assets</b>		<u><b>111,044</b></u>	<u>80,991</u>
<b>Total assets less current liabilities</b>		<u><b>2,326,183</b></u>	<u>2,366,762</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>35,974</b>	38,237
Borrowings – due after one year		<b>481,784</b>	500,173
Obligations under finance leases – due after one year		<b>4,216</b>	9,511
		<u><b>521,974</b></u>	<u>547,921</u>
		<u><b>1,804,209</b></u>	<u>1,818,841</u>
<b>Capital and reserves</b>			
Share capital		<b>7,240</b>	7,240
Reserves		<b>1,798,885</b>	1,789,375
Equity attributable to owners of the Company		<b>1,806,125</b>	1,796,615
Non-controlling interests		<b>(1,916)</b>	22,226
<b>Total equity</b>		<u><b>1,804,209</b></u>	<u>1,818,841</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

### 1. BASIS OF PREPARATION

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

### 2. PRINCIPAL ACCOUNTING POLICIES

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

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

#### *Application of new and amendments to HKFRSs*

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

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

### 3. REVENUE

	Six months ended	
	31.12.2018	31.12.2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Dividend income from listed investments	1,243	4,819
Interest income from loans receivable	12,304	2,308
Rental income from property investment segment	4,015	3,692
Rental income from eldercare segment	847	922
Revenue from provision of elderly care related service	14,805	6,439
Hospital fees and charges	512,705	479,698
Revenue from sale of properties related to property development segment	1,287	11,180
Revenue from sale of properties related to eldercare segment	46,950	46,535
	<u>594,156</u>	<u>555,593</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 types of goods or services delivered or provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

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

Healthcare – operations of hospitals in the People’s Republic of China (excluding Hong Kong) (“PRC”).

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

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

Property investment – leasing of residential and office properties.

Financial services – provision of financial services.

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

## Segment revenues and results

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

*For the six months ended 31 December 2018*

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

*For the six months ended 31 December 2017*

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

### Segment asset and liabilities

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

*At 31 December 2018*

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

*At 30 June 2018*

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

## 5. OTHER GAINS AND LOSSES, AND OTHER INCOME

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

## 6. FINANCE COSTS

The finance costs represent interest as follows:

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

## 7. TAXATION (CREDIT) EXPENSE

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

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

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

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

## 8. PROFIT (LOSS) FOR THE PERIOD

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

## 9. DIVIDENDS

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

## 10. EARNINGS (LOSS) PER SHARE

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

### Earnings (loss)

	<b>Six months ended</b>	
	<b>31.12.2018</b>	<b>31.12.2017</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Profit (loss) for the purposes of basic and diluted earnings (loss) per share attributable to owners of the Company	<b><u>22,725</u></b>	<b><u>(62,544)</u></b>
	<b>Number of shares</b>	<b>Number of shares</b>
Number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	<b><u>14,480,072,773</u></b>	<b><u>14,480,072,773</u></b>

The computations of diluted earnings (loss) per share for the six months ended 31 December 2018 and 2017 do not assume the exercise of share options granted by a subsidiary since such assumed exercise would be anti-dilutive.

## 11. DEBTORS, DEPOSITS AND PREPAYMENTS

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

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

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

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

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

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

## 12. CREDITORS AND ACCRUED CHARGES

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

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

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

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

## **CHANGE OF FINANCIAL YEAR END DATE**

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL RESULTS**

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

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

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

### **INTERIM DIVIDEND**

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

### **REVIEW OF OPERATIONS**

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

## **Healthcare Division:**

For the six months ended 31 December 2018, the Group's Healthcare Division, operated through its wholly-owned subsidiary, Tongren Healthcare Industry Group Co., Ltd. (同仁醫療產業集團有限公司) ("Tongren Healthcare"), recorded an increased revenue of HK\$512,705,000 (2017: HK\$479,698,000) and a profit of HK\$8,748,000 (2017: HK\$2,954,000). Without interest, tax, depreciation and amortization, the Healthcare Division generated an EBITDA, being earnings before interest, tax, depreciation and amortization, of HK\$67,778,000 (2017: HK\$66,707,000) for the six months ended 31 December 2018. During the second half of 2018, the Healthcare Division has embarked on a restructuring exercise aiming to reduce its operating overheads and streamline its management structure.

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

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

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

## **Eldercare Division:**

For the six months ended 31 December 2018, the Group's Eldercare Operations, operated through its wholly-owned subsidiary, Aveo China (Holdings) Limited ("Aveo China"), recorded an increased revenue of HK\$62,602,000 (2017: HK\$53,896,000) and a loss of HK\$10,786,000 (2017: HK\$18,122,000). With an aim to improve its financial performance, the Eldercare Division has embarked on a series of cost-cutting and restructuring exercises since the second half of 2018 so as to reduce its operating overheads and rationalize its operations.



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

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

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

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

### **Property Development:**

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

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

### **Property Investments:**

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

## Money Lending:

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

## Securities Trading and Investments:

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

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

## Investments Held for Trading:

As at 31 December 2018, the Group's investment held for trading consisted of securities listed in different geographic locations and their respective performance were as follows:

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

As at 31 December 2018, the Group's investments held for trading consisted of investments in different category of companies and their respective performance were as follows:

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

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

#### Derivative Financial Instruments:

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

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

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

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

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

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

As at 31 December 2018, the Group's gearing ratio, calculated on the basis of the Group's net borrowings (after pledged bank deposits, restricted bank deposits and bank balances and cash) over total equity, decreased to 23.9% (2017: 47.6%). The Group's gearing ratio would be adjusted to 17.0% (2017: 31.4%) with marketable securities inclusive of financial assets at FVTOCI and FVTPL (both current) and investments held for trading deducted from the net borrowings.

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

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

In December 2015, the subscription agreement for subscribing 2,000,000,000 new shares of the Company at the subscription price of HK\$0.45 per share raising gross proceeds of HK\$900,000,000 (“Subscription”) for the Company was completed. As at 31 December 2018, details of use of net proceeds from the Subscription were as follows:

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

*Note:*

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

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

As announced on 6 December 2018, the Company proposed the adoption of a share option scheme which enable the Company to grant options to selected employees of the Group and other eligible persons as incentives or rewards for their contribution or potential contribution to the Group and/or to recruit and retain high caliber eligible persons and attract human resources that are valuable to the Group. The Company will convene a general meeting of the Company for the purposes of, among other things, seeking approval from the shareholders of the Company for the adoption of the scheme. A circular containing, inter alia, (i) information regarding the proposed adoption of the scheme and other related matters; and (ii) a notice convening the general meeting, has been despatched to the shareholders of the Company on 18 February 2019.

## **CHARGE ON GROUP ASSETS**

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

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

## **MATERIAL ACQUISITIONS AND DISPOSAL**

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

## **EMPLOYEES**

The Group had 2,321 employees as at 31 December 2018 (2017: 2,212). The Group ensures that its employees are remunerated in line with market conditions and individual performance and the remuneration policies are reviewed on a regular basis.

## **PROSPECTS**

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

## **Healthcare Division:**

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

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

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

## **Eldercare Division:**

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

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

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

## **PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES**

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

## **AUDIT COMMITTEE REVIEW**

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

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

## COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

Hong Kong, 27 February 2019

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. Liao Feng*

### Independent Non-Executive Directors

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