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## **China Medical & HealthCare Group Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 383)**

### **ANNOUNCEMENT OF SECOND INTERIM RESULTS FOR THE TWELVE MONTHS ENDED 30 JUNE 2019**

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

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

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

*FOR THE TWELVE MONTHS ENDED 30 JUNE 2019*

	<i>NOTES</i>	<b>Twelve months ended</b>	
		<b>30.6.2019</b>	30.6.2018
		<i>HK\$’000</i>	<i>HK\$’000</i>
		<b>(unaudited)</b>	(audited)
Revenue	3	<b>1,195,815</b>	1,100,641
Gross proceeds from sales of investments held for trading		<b>181,961</b>	1,217,518
<b>Total</b>		<b><u>1,377,776</u></b>	<b><u>2,318,159</u></b>
Revenue	3		
Goods and services		<b>1,149,935</b>	1,082,220
Rental		<b>8,434</b>	9,186
Interest		<b>36,198</b>	2,308
Others		<b>1,248</b>	6,927
		<b><u>1,195,815</u></b>	1,100,641
Cost of goods and services		<b><u>(950,065)</u></b>	<u>(927,376)</u>

	<i>NOTES</i>	<b>Twelve months ended</b>	
		<b>30.6.2019</b> <i>HK\$'000</i> <b>(unaudited)</b>	30.6.2018 <i>HK\$'000</i> (audited)
Gross profit		<b>245,750</b>	173,265
Other gains and losses, and other income	5	<b>36,541</b>	22,889
Selling and distribution costs		<b>(4,700)</b>	(7,797)
Administrative expenses		<b>(241,168)</b>	(240,259)
Finance costs	6	<b>(50,044)</b>	(81,547)
Loss before taxation		<b>(13,621)</b>	(133,449)
Taxation credit (expense)	7	<b>50,230</b>	(14,379)
Profit (loss) for the period	8	<b>36,609</b>	(147,828)
Profit (loss) for the period attributable to:			
Owners of the Company		<b>34,887</b>	(137,110)
Non-controlling interests		<b>1,722</b>	(10,718)
		<b>36,609</b>	(147,828)
Earnings (loss) per share	10		
Basic		<b>HK0.24 cents</b>	HK (0.95) cents
Diluted		<b>HK0.24 cents</b>	HK (0.95) cents

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

FOR THE TWELVE MONTHS ENDED 30 JUNE 2019

	Twelve months ended	
	30.6.2019	30.6.2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Profit (loss) for the period	<u>36,609</u>	<u>(147,828)</u>
<b>Other comprehensive (expense) income</b>		
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	725	–
Exchange differences arising on translation:		
Exchange (loss) gain arising from translation of foreign operation	<u>(32,338)</u>	<u>2,113</u>
	<u>(31,613)</u>	<u>1,015</u>
Item that will not be reclassified to profit or loss:		
Gain on revaluation of leasehold land and buildings	<u>–</u>	<u>7,923</u>
Other comprehensive (expense) income for the period	<u>(31,613)</u>	<u>8,938</u>
Total comprehensive income (expense) for the period	<u><b>4,996</b></u>	<u>(138,890)</u>
Total comprehensive income (expense) attributable to:		
Owners of the Company	4,042	(129,167)
Non-controlling interests	<u>954</u>	<u>(9,723)</u>
	<u><b>4,996</b></u>	<u>(138,890)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2019

	<i>NOTE</i>	<b>30.6.2019</b> <i>HK\$'000</i> <b>(unaudited)</b>	30.6.2018 <i>HK\$'000</i> (audited)
<b>Non-current assets</b>			
Investment properties		764,568	775,676
Property, plant and equipment		1,309,258	1,365,534
Prepaid lease payments		96,437	102,733
Financial assets at fair value through profit or loss		802	–
Available-for-sale investments		–	802
Goodwill		31,368	33,207
Deposits for acquisition of property, plant and equipment		7,477	7,819
		<b>2,209,910</b>	2,285,771
<b>Current assets</b>			
Inventories		21,874	18,168
Properties under development for sale		6,030	6,243
Properties held for sale		215,839	265,649
Prepaid lease payments		2,795	2,894
Debt instruments at fair value through other comprehensive income		23,302	–
Financial assets at fair value through profit or loss		101	–
Available-for-sale investments		–	22,678
Investments held for trading		52,242	138,769
Debtors, deposits and prepayments	<i>11</i>	123,320	179,361
Loans receivable		248,540	–
Pledged bank deposits		9,076	24,432
Restricted bank deposits		4,430	5,073
Bank balances and cash		412,452	544,092
		<b>1,120,001</b>	1,207,359

	<i>NOTE</i>	<b>30.6.2019</b> <b>HK\$'000</b> <b>(unaudited)</b>	30.6.2018 <i>HK\$'000</i> (audited)
<b>Current liabilities</b>			
Creditors and accrued charges	12	<b>424,015</b>	453,674
Deposits received on sales of properties		<b>10,235</b>	12,055
Other contract liabilities		<b>48,866</b>	–
Customers' deposits and receipts in advance		<b>51,979</b>	93,175
Consideration payable		–	57,300
Amount due to an associate		<b>6,251</b>	6,471
Borrowings – due within one year		<b>581,318</b>	325,330
Obligations under finance leases – due within one year		<b>10,761</b>	10,201
Derivative financial instruments		–	1,129
Taxation payable		<b>111,716</b>	167,033
		<u><b>1,245,141</b></u>	<u>1,126,368</u>
<b>Net current (liabilities) assets</b>		<u><b>(125,140)</b></u>	<u>80,991</u>
<b>Total assets less current liabilities</b>		<u><b>2,084,770</b></u>	<u>2,366,762</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>33,475</b>	38,237
Borrowings – due after one year		<b>232,927</b>	500,173
Obligations under finance leases – due after one year		–	9,511
		<u><b>266,402</b></u>	<u>547,921</u>
		<u><b>1,818,368</b></u>	<u>1,818,841</u>
<b>Capital and reserves</b>			
Share capital		<b>7,240</b>	7,240
Reserves		<b>1,810,836</b>	1,789,375
Equity attributable to owners of the Company		<b>1,818,076</b>	1,796,615
Non-controlling interests		<b>292</b>	22,226
<b>Total equity</b>		<u><b>1,818,368</b></u>	<u>1,818,841</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 30 JUNE 2019

## 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.

As at 30 June 2019, the Group has net current liabilities of HK\$125,140,000. The directors of the Company have given careful consideration to the future liquidity of the Group when preparing the condensed consolidated financial statements. Taking into account the ongoing availability of finance to the Group, including the cash flows generated from its principal operations, existing banking facilities, successful refinancing of certain bank borrowings of HK\$517,389,000 and the utilisation of the standby loan facility from a financial institution amounting to HK\$200,000,000 if necessary subsequent to the reporting period, the directors of the Company are of the opinion that the Group has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly these condensed consolidated financial statements have been prepared on a going concern basis.

## 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 Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the twelve months ended 30 June 2019 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 July 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 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

### 3. REVENUE

	Twelve months ended	
	30.6.2019 <i>HK\$'000</i> (unaudited)	30.6.2018 <i>HK\$'000</i> (audited)
Dividend income from listed investments	1,248	6,927
Interest income from loans receivable	36,198	2,308
Rental income from property investment segment	6,619	7,358
Rental income from eldercare segment	1,815	1,828
Revenue from provision of elderly care related service and sales of nutritions	33,422	18,020
Hospital fees and charges	1,043,363	964,563
Revenue from sale of properties related to property development segment	3,107	18,732
Revenue from sale of properties related to eldercare segment	70,043	80,905
	<u>1,195,815</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 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 operations 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 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 twelve months ended 30 June 2019*

	Healthcare <i>HK\$'000</i> (unaudited)	Eldercare <i>HK\$'000</i> (unaudited)	Property development <i>HK\$'000</i> (unaudited)	Property investment <i>HK\$'000</i> (unaudited)	Financial services <i>HK\$'000</i> (unaudited)	Securities trading and investments <i>HK\$'000</i> (unaudited)	Consolidated <i>HK\$'000</i> (unaudited)
Gross proceeds from sales of investments held for trading	-	-	-	-	-	181,961	181,961
Revenue	1,043,363	105,280	3,107	6,619	36,198	1,248	1,195,815
Segment profit (loss)	18,733	(20,903)	141	4,658	29,516	25,412	57,557
Other gains and losses and other income							10,164
Net foreign exchange loss							(5,786)
Central corporate expenses							(65,093)
Finance costs							(10,463)
Loss before taxation							(13,621)

### *For the twelve months ended 30 June 2018*

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



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 gain/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 30 June 2019

	Healthcare <i>HK\$'000</i> (unaudited)	Eldercare <i>HK\$'000</i> (unaudited)	Property development <i>HK\$'000</i> (unaudited)	Property investment <i>HK\$'000</i> (unaudited)	Financial services <i>HK\$'000</i> (unaudited)	Securities trading and investments <i>HK\$'000</i> (unaudited)	Consolidated <i>HK\$'000</i> (unaudited)
Segment assets	1,365,079	910,083	41,296	251,300	248,540	92,087	2,908,385
Corporate assets							421,526
Consolidated assets							<u>3,329,911</u>
Segment liabilities	701,844	400,127	62,055	2,326	-	-	1,166,352
Corporate liabilities							345,191
Consolidated liabilities							<u>1,511,543</u>

#### At 30 June 2018

	Healthcare <i>HK\$'000</i> (audited)	Eldercare <i>HK\$'000</i> (audited)	Property development <i>HK\$'000</i> (audited)	Property investment <i>HK\$'000</i> (audited)	Financial services <i>HK\$'000</i> (audited)	Securities trading and investments <i>HK\$'000</i> (audited)	Consolidated <i>HK\$'000</i> (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>Twelve months ended</b>	
	<b>30.6.2019</b>	30.6.2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(audited)
Gain (loss) in fair value change of investments held for trading	<b>24,504</b>	(8,716)
(Loss) gain in fair value change of derivative financial instruments	<b>(4)</b>	4,244
Gain on early repayment of consideration payable for acquisition of non-controlling interests	<b>1,500</b>	–
Net loss in promissory notes receivable	–	(6,500)
Fair value changes on investment properties	–	(1,609)
Net gain (loss) on disposal of property, plant and equipment	<b>27</b>	(1,128)
Impairment loss recognised on an available-for-sale investment	–	(383)
Impairment loss recognised on financial assets	<b>(6,093)</b>	–
Net foreign exchange (loss) gain	<b>(5,786)</b>	12,307
Government subsidies ( <i>Note</i> )	<b>4,459</b>	–
Interest income from:		
– Debt instruments at fair value through other comprehensive income	<b>1,075</b>	–
– Available-for-sale debt instruments	–	886
– Bank deposits	<b>4,977</b>	5,084
Others	<b>11,882</b>	18,704
	<b>36,541</b>	22,889

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

## 6. FINANCE COSTS

The finance costs represent interest as follows:

	<b>Twelve months ended</b>	
	<b>30.6.2019</b>	30.6.2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(audited)
Interest on:		
Bank and other borrowings	<b>48,811</b>	79,122
Obligations under finance leases	<b>1,233</b>	2,425
	<b>50,044</b>	81,547

## 7. TAXATION (CREDIT) EXPENSE

	Twelve months ended	
	30.6.2019 <i>HK\$'000</i> (unaudited)	30.6.2018 <i>HK\$'000</i> (audited)
Current tax charge – Enterprise Income Tax (“EIT”) in the PRC	2,044	3,442
Land appreciation tax (“LAT”) in the PRC	5,233	16,882
Deferred taxation credit	(3,255)	(5,945)
Overprovision in prior years	(54,252)	–
	<u>(50,230)</u>	<u>14,379</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

	Twelve months ended	
	30.6.2019 <i>HK\$'000</i> (unaudited)	30.6.2018 <i>HK\$'000</i> (audited)
Profit (loss) for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	101,373	106,073
Release of prepaid lease payments	2,823	2,965
Cost of inventories and properties held for sale recognised as an expense (included in cost of goods and services)	487,613	467,635
	<u>487,613</u>	<u>467,635</u>

## 9. DIVIDENDS

The directors do not recommend the payment of an interim dividend (2018: nil) for the twelve months ended 30 June 2019.

## 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)

	Twelve months ended	
	30.6.2019	30.6.2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Profit (loss) for the purposes of basic and diluted earnings (loss) per share attributable to owners of the Company	<b>34,887</b>	(137,110)
	<b>Number of shares</b>	Number of shares
Number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	<b>14,480,072,773</b>	14,480,072,773

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

## 11. DEBTORS, DEPOSITS AND PREPAYMENTS

	<b>30.6.2019</b>	30.6.2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(audited)
Debtors from securities trading	–	10,136
Interest receivables from loans receivable	<b>2,249</b>	–
Trade receivables arising from hospital operation and elderly care related services operation	<b>96,363</b>	132,756
Deposits with and receivables from the financial institutions	<b>11,245</b>	7,596
Prepayments	<b>854</b>	518
Prepaid business taxes and other PRC taxes	–	7,799
Other debtors and utilities deposits	<b>12,609</b>	20,556
	<b>123,320</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 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 elderly care related services presented based on the invoice date as at 30 June 2019 and 30 June 2018:

	<b>30.6.2019</b>	30.6.2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(audited)
0 – 30 days	<b>86,642</b>	90,639
31 – 60 days	<b>1,535</b>	38,265
61 – 90 days	<b>1,378</b>	1,184
91 – 365 days	<b>5,863</b>	2,285
More than 365 days	<b>945</b>	383
	<b>96,363</b>	132,756

## 12. CREDITORS AND ACCRUED CHARGES

	<b>30.6.2019</b>	30.6.2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(audited)
Trade payables of hospital operation, of elderly care related services operation and to construction contractors	<b>222,883</b>	253,532
Accrued compensation for late delivery of properties held for sale	<b>5,891</b>	6,099
Accrued construction cost for properties under development for sale	<b>43,308</b>	33,942
Construction cost payable for hospital buildings classified as property, plant and equipment	<b>12,914</b>	6,514
Other creditors and accrued charges	<b>139,019</b>	153,587
	<b>424,015</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 30 June 2019 and 30 June 2018:

	<b>30.6.2019</b>	30.6.2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(audited)
0 – 30 days	<b>115,819</b>	141,032
31 – 60 days	<b>33,444</b>	36,717
61 – 90 days	<b>29,449</b>	28,797
91 – 365 days	<b>37,588</b>	40,343
Over 1 year but not exceeding 2 years	<b>1,421</b>	4,253
Over 2 years but not exceeding 5 years	<b>5,162</b>	2,390
	<b>222,883</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 which are 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 twelve months ended 30 June 2019, the Group recorded a total revenue of HK\$1,377,776,000 (2018: HK\$2,318,159,000) and a profit attributable to shareholders of the Company of HK\$34,887,000 (2018: loss of HK\$137,110,000) mainly due to (i) the increase in hospital fees and charges from Healthcare Division; (ii) the increase in interest income from money lending business; (iii) a gain in fair value change of investments held for trading compared with a loss recorded in 2018; (iv) the decrease in finance costs; and (v) an overall tax credit.

Earnings per share (basic and diluted) for the twelve months ended 30 June 2019 was HK0.24 cents compared to a loss per share of HK0.95 cents in 2018.

The Group's net asset value per share as at 30 June 2019 amounted to HK\$0.126 (2018: HK\$0.124).

### **INTERIM DIVIDEND**

The Directors do not recommend the payment of an interim dividend (2018: nil) for the twelve months ended 30 June 2019.

### **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.

During the period under review, although the Group's operating environments remained challenging, given the favourable demographic and macro factors, supportive central government policies 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 is optimistic.

## Healthcare Division:

For the twelve months ended 30 June 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\$1,043,363,000 (2018: HK\$964,563,000) and a profit of HK\$18,733,000 (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\$139,551,000 (2018: HK\$130,387,000) for the twelve months ended 30 June 2019. During the period under review, the Healthcare Division embarked on a restructuring exercise to streamline and flatten its management structure for better communication and efficiency, and to reduce its operating corporate overheads.

For Nanjing hospital of the Division ("NJH"), a Class III integrated hospital and its flagship hospital, currently it operates 39 clinical medical & technical departments including 1 national key clinical specialty (otorhinolaryngology ("ENT"), 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, 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 on-going renovation of the existing in-patient building, Block F, to be completed around late 2019, NJH's in-patient capacity will be increased to 1,200 beds, its planned operating capacity.

For Kunming hospital of the Division ("KMH"), another Class III integrated hospital of the Group, currently it operates 31 clinical medical & technical departments. During the period under review, KMH continued to recruit well-known experts from other top Class III integrated hospitals, completed the discipline-subdivision of digestion and respiration clinical medical departments, as well as the gynecology and obstetrics clinical medical department with the new China Chest Pain Center, which is currently under regulatory review, to be established by the third quarter of 2019.

For the period under review, NJH achieved a total of 818,653 out-patients visits (2018: 783,706), 28,360 in-patient admissions (2018: 26,805) and 50,834 body-checks (2018: 52,314) while the KMH achieved a total of 208,258 out-patients visits (2018: 159,855), 13,143 in-patient admissions (2018: 11,177) and 65,914 body-checks (2018: 55,804). As at 30 June 2019, NJH had 416 doctors (2018: 411), 469 nurses (2018: 454) and 774 beds (2018: 710), while KMH had 236 doctors (2018: 225), 344 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 parties to the cooperative agreement 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 to the cooperation agreements 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 to the cooperation agreements are released from its respective obligations under the cooperation agreements with effect from 12 April 2019.

### **Eldercare Division:**

For the twelve months ended 30 June 2019, the Group's Eldercare Division, operated through its wholly-owned subsidiary, Aveo China (Holdings) Limited ("Aveo China"), recorded a revenue of HK\$105,280,000 (2018: HK\$100,753,000) and a reduced loss of HK\$20,903,000 (2018: HK\$58,154,000) due to no loss from fair value changes on investment properties (2018: 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 30 June 2019, 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 823 Independent Living Units ("ILU"s) out of a total inventory of 868 ILUs and among which 24 ILUs (2018: 30) were recorded as sales in the period under review with more than 313 residents (2018: 285) moved into the retirement community village. In addition, the Division had leased out 27 serviced apartments ("SA"s) (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 twelve months ended 30 June 2019, the Shanghai Deyi Hospital ("DYH"), the eldercare nursing hospital in the village, achieved a total of 26,749 out-patients visits (2018: 15,143), 7,150 in-patient admissions (2018: 2,750) and 62 body-checks (2018: 175). As at 30 June 2019, DYH had 26 doctors (2018: 13), 20 nurses (2018: 17) and 100 beds (2018: 100).

Following the admission into the List of Hospitals under the National Health Insurance (國家醫保) 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 of 30 June 2019, home care services were rendered to a total of 47 elders with 4,209 visits. While expanding its home care service business, DYH continue to recruit talents and invest in equipment, and actively creating its own characteristics in areas of Chinese medicine rehabilitation and bedsore treatment.

As at 30 June 2019, the Division's investment properties portfolio comprising the SAs and the retail shopping precinct has a total value amounted to HK\$513,268,000 (2018: HK\$524,376,000).

### **Property Development:**

For the twelve months ended 30 June 2019, the Group's property development business recorded a turnover of HK\$3,107,000 (2018: HK\$18,732,000) and a profit of HK\$141,000 (2018: HK\$917,000). As at 30 June 2019, 314 units of car park of Kangya Garden (康雅苑) Phase II & III out of a total inventory of 663 units were sold and among which 13 units (2018: 89) were also recorded as sales in the period under review.

As at 30 June 2019, the Group's properties under development for sale of HK\$6,030,000 (2018: HK\$6,243,000) consisted of a parcel of commercial land in Lianyungang, PRC.

### **Property Investments:**

For the twelve months ended 30 June 2019, the Group's investment properties portfolio, for leasing, located in Hong Kong and the PRC recorded a rental income of HK\$6,619,000 (2018: HK\$7,358,000) and a reduced profit of HK\$4,658,000 (2018: HK\$23,621,000) due to no gain from fair value changes on investment properties (2018: HK\$17,023,000). As at 30 June 2019, the Group's investment properties portfolio amounted to HK\$251,300,000 (2018: HK\$251,300,000).

### **Money Lending:**

For the period under review, the Group's money lending business recorded an improved interest income of HK\$36,198,000 (2018: HK\$2,308,000) and profit of HK\$29,516,000 (2018: HK\$2,247,000) after the expected credit loss allowance of HK\$5,680,000 (2018: nil) upon the adoption of new financial reporting standard. As at 30 June 2019, the Group's loan portfolio amounted to HK\$248,540,000 (2018: nil).

### **Securities Trading and Investments:**

For the period under review, the Group's activities in securities trading and investments recorded a reduced turnover of HK\$183,209,000 (2018: HK\$1,224,445,000) and an improved profit of HK\$25,412,000 (2018: loss of HK\$24,366,000). This was mainly due to the gain in fair value change of investments held for trading of HK\$24,504,000 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 30 June 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\$24,205,000 and a portfolio of investments held for trading of HK\$52,242,000 (2018: HK\$138,769,000).

## Investments Held for Trading:

As at 30 June 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 2019 HK\$'000	Carrying value 2018 HK\$'000	Realized gain 2019 HK\$'000	Fair value gain (loss) 2019 HK\$'000	Dividend received 2019 HK\$'000	% of carrying value to the Group's net assets 2019 %
Hong Kong	29,590	55,918	11,846	(19,219)	249	1.6%
Australia	18,313	77,606	32,821	(38)	999	1.0%
Philippine	1,808	1,373	–	436	–	0.1%
Japan	2,531	3,872	–	(1,342)	–	0.1%
Total	<u>52,242</u>	<u>138,769</u>	<u>44,667</u>	<u>(20,163)</u>	<u>1,248</u>	

As at 30 June 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 2019 HK\$'000	Carrying value 2018 HK\$'000	Realized gain 2019 HK\$'000	Fair value gain (loss) 2019 HK\$'000	Dividend received 2019 HK\$'000	% of carrying value to the Group's net assets 2019 %
Entertainment and media company	3,040	4,000	–	(960)	–	0.2%
Financial services and investment company	2,995	4,273	–	(1,279)	–	0.2%
Healthcare services company	–	46,384	19,663	–	999	0.0%
Industrial materials company	274	290	–	(14)	–	0.0%
Mining and resources company	7,941	34,454	11,429	1,262	229	0.4%
Property company	37,992	49,368	13,575	(19,172)	20	2.1%
Total	<u>52,242</u>	<u>138,769</u>	<u>44,667</u>	<u>(20,163)</u>	<u>1,248</u>	

At 30 June 2019, there was no investment held for trading which was material to the Group (exceeded 5% the net assets of the Group).

## Derivative Financial Instruments:

As at 30 June 2019, there was no investment in derivative financial instrument (linked with equity securities).

As at 30 June 2019, the performance of the Group's investment in derivative financial instruments were as follows:

	<b>Fair value</b>	<b>Realized</b>	<b>Fair value</b>
	<b>2019</b>	<b>gain (loss)</b>	<b>gain (loss)</b>
	<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.

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

As at 30 June 2019, the Group's non-current assets of HK\$2,209,910,000 (2018: HK\$2,285,771,000) consisted of investment properties of HK\$764,568,000 (2018: HK\$775,676,000), property, plant and equipment of HK\$1,309,258,000 (2018: HK\$1,365,534,000), prepaid lease payments of HK\$96,437,000 (2018: HK\$102,733,000), financial assets at FVTPL of HK\$802,000, goodwill of HK\$31,368,000 (2018: HK\$33,207,000) and deposits for acquisition of property, plant and equipment of HK\$7,477,000 (2018: HK\$7,819,000). These non-current assets are principally financed by the Group's shareholders' funds.

As at 30 June 2019, the total borrowings of the Group amounted to HK\$814,245,000 (2018: HK\$825,503,000) consisting of unsecured term loans of HK\$123,879,000 (2018: HK\$262,382,000), secured bank borrowings of HK\$257,815,000 (2018: HK\$253,675,000) and unsecured bank borrowings of HK\$432,551,000 (2018: HK\$309,446,000). Among the total borrowings of the Group, HK\$581,318,000 (2018: HK\$325,330,000) was with maturity of less than one year, HK\$151,270,000 (2018: HK\$362,393,000) was with maturity over one year but not exceeding two years and HK\$81,657,000 (2018: HK\$137,780,000) was with maturity over two years but not exceeding five years.

As at 30 June 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 21.4% (2018: 13.8%). The Group's gearing ratio would be adjusted to 17.2% (2018: 5.0%) with marketable securities inclusive of financial assets at FVTOCI and FVTPL (current) and investments held for trading deducted from the net borrowings.

As at 30 June 2019, the Group recorded a net current liabilities amounted to HK\$125,140,000 (2018: net current assets of HK\$80,991,000). In view of this, during the period under review the Group has arranged a two years term, unsecured, standby credit facility of HK\$200 million which remain un-utilised as at 30 June 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.

As at 30 June 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\$18,542,000 (2018: HK\$42,793,000) and HK\$63,721,000 (2018: HK\$172,398,000) respectively.

As at 30 June 2019, the Group did not have any material contingent liabilities.

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 30 June 2019, 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 eldercare businesses	a) Approximately HK\$113,903,000 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)*. d) HK\$85,800,000 was used to settle the acquisition cost of 30% equity interest of Aveo China. e) Approximately HK\$69,184,000 was used for purchasing and improvement of medical and healthcare equipment.

**Intended use of proceeds****Actual use of proceeds**

- |    |  |    |  |
|----|--|----|--|
| 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 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.

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 approved the adoption of the scheme on 7 March 2019.

**CHARGE ON GROUP ASSETS**

As at 30 June 2019, the Group's investments held for trading of HK\$52,242,000 (2018: HK\$138,769,000), building (included in property, plant and equipment) of HK\$148,597,000 (2018: HK\$156,488,000), investment properties of HK\$483,586,000 (2018: HK\$493,681,000), properties held for sale of HK\$35,800,000 (2018: HK\$37,063,000) and pledged bank deposits of HK\$9,076,000 (2018: HK\$24,432,000) 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 30 June 2019, the carrying amount of the Group's medical equipment included an amount of HK\$29,156,000 (2018: HK\$32,783,000) in respect of assets held under finance leases.

**MATERIAL ACQUISITIONS AND DISPOSAL**

Save as disclosed herein, for the twelve months ended 30 June 2019, the Group did not make any material acquisitions and disposal of subsidiaries, significant investments nor capital commitment.

**EMPLOYEES**

The Group had 2,304 employees as at 30 June 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**

### **Healthcare Division:**

For NJH, it will actively develop eight clinical medical departments, selected among its existing clinical medical departments, namely optometry center, stomatology department, postpartum rehabilitation center, health management center, medical aesthetics department, rehabilitation center, trauma center and emergency intensive care unit and endoscopy center in view of their promising market potential. In July 2019, as a pilot project for the development of a nursing hospital, the geriatrics department is established to develop and train the rehabilitation and nursing professional teams of the hospital, aiming to gradually develop a large-scale rehabilitation center with international advanced standards in the Yangtze River Delta region of the PRC. In the second half of 2019, medical aesthetics department, stomatology department and postpartum rehabilitation center will be launched upon completion of renovation.

For KMH, it will further improve its overall medical quality and optimize its clinical medical departments in areas of respiratory medicine, gynecology, general and macro surgery, urology, neuro-trauma surgery, spinal cord center and cardiology. With a target to develop KMH as one of the most competitive private, integrated hospital in the southwest part of the PRC, KMH will commence the second phase development project, planning to develop a landmark modernized tumor center in the southwest region, the cerebrospinal center with international academic influence and the high-end maternity services.

### **Eldercare Division:**

The Eldercare Division is committed to build a healthcare and eldercare complex with rehabilitation and basic nursing medical services as its core competitive advantage, providing a complete cycle of eldercare services from self-care, nursing to assisted living, achieving synergistic effects in healthcare and eldercare. DYH will actively roll out a variety of services such as family doctors, rehabilitation therapy and health management, etc., to create its own characteristics, establishing a multi-dimensional healthcare system and improving the utilization rate of hospital beds.

After four years of exploration and accumulation, Tide Health Campus has established its standing in the private eldercare industry in the PRC. In the future, the Division will continue to make improvement in areas of revenue stream structure, cost control and customer spending audience, branding development, etc., and strive to improve the quality of eldercare services based on the existing capacity and facilities.

**Others:**

The Group remains cautious about the economic, market and investment outlooks and will continue to review and adjust its investment strategies and investment portfolio to suit the prevailing 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 twelve months ended 30 June 2019, 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 second interim report (including unaudited interim condensed consolidated financial statements for the twelve months ended 30 June 2019). 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 twelve months ended 30 June 2019.



## **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 of the Company. 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 twelve months ended 30 June 2019.

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

Hong Kong, 29 August 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. Ma Jianting*

*Independent Non-Executive Directors*

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