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China Medical & HealthCare Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 383)

ANNOUNCEMENT OF AUDITED RESULTS FOR THE YEAR ENDED 30 JUNE 2017

The board of directors (the “Directors”) of China Medical & HealthCare Group Limited (the “Company”) announces that the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 30 June 2017 together with comparative figures for the year ended 30 June 2016 are as follows:–

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2017

	<i>NOTE</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenue	2	1,284,342	2,399,736
Gross proceeds from sale of investments held for trading		<u>547,852</u>	<u>586,191</u>
Total		<u>1,832,194</u>	<u>2,985,927</u>

		2017	2016
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2	1,284,342	2,399,736
Cost of goods and services		<u>(1,003,956)</u>	<u>(2,263,009)</u>
Gross profit		280,386	136,727
Other gains and losses	4	21,592	(583,450)
Other income	5	41,535	38,315
Selling and distribution costs		(18,577)	(8,535)
Administrative expenses		(222,505)	(216,350)
Finance costs	6	(118,564)	(136,495)
Share of results of associates		<u>–</u>	<u>(4,861)</u>
Loss before taxation		(16,133)	(774,649)
Taxation expense	7	<u>(65,371)</u>	<u>(115,651)</u>
Loss for the year	8	<u>(81,504)</u>	<u>(890,300)</u>
Loss for the year attributable to:			
– Owners of the Company		(71,813)	(783,160)
– Non-controlling interests		<u>(9,691)</u>	<u>(107,140)</u>
		<u>(81,504)</u>	<u>(890,300)</u>
Loss per share	<i>10</i>		
– Basic		<u>HK(0.50) cents</u>	<u>HK(6.20) cents</u>
– Diluted		<u>HK(0.50) cents</u>	<u>HK(6.20) cents</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Loss for the year	<u>(81,504)</u>	<u>(890,300)</u>
Other comprehensive income (expense)		
Items that will be reclassified subsequently to profit or loss:		
Net change on available-for-sale investments:		
Gain on fair value changes	1,076	5,303
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>(6)</u>	<u>(3,813)</u>
Exchange difference arising on translation:		
Exchange loss arising from translation of foreign operations	(1,427)	(54,115)
Share of changes in other comprehensive income of associates	–	1,982
Reclassification adjustment for the cumulative gain included in profit or loss upon deemed disposal of an associate	–	(1,146)
Reclassification to profit or loss upon disposal of a subsidiary	<u>28,353</u>	<u>–</u>
	<u>26,926</u>	<u>(53,279)</u>
Item that will not be reclassified to profit or loss:		
Gain on revaluation of leasehold land and buildings	<u>3,525</u>	<u>27</u>
Other comprehensive income (expense) for the year	<u>30,445</u>	<u>(57,065)</u>
Total comprehensive expense for the year	<u><u>(51,059)</u></u>	<u><u>(947,365)</u></u>
Total comprehensive expense attributable to:		
Owners of the Company	(35,741)	(834,751)
Non-controlling interests	<u>(15,318)</u>	<u>(112,614)</u>
	<u><u>(51,059)</u></u>	<u><u>(947,365)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2017

	NOTE	2017 HK\$'000	2016 HK\$'000
Non-current assets			
Investment properties		741,930	708,488
Property, plant and equipment		1,377,148	1,377,117
Prepaid lease payments		103,375	107,450
Interests in associates		–	–
Available-for-sale investments		678	746
Intangible assets		–	13,034
Goodwill		32,500	32,867
Deposits for acquisition of property, plant and equipment		8,768	4,470
		<u>2,264,399</u>	<u>2,244,172</u>
Current assets			
Inventories		19,980	27,983
Properties under development for sale		6,110	331,822
Properties held for sale		329,805	558,742
Prepaid lease payments		2,832	2,865
Available-for-sale investments		803	10,190
Investments held for trading		1,155,403	1,161,134
Debtors, deposits and prepayments	11	135,818	140,120
Loans receivable		40,000	40,000
Derivative financial instruments		96	4,275
Pledged bank deposits		220,407	586,545
Restricted bank deposits		21,267	3,386
Bank balances and cash		529,326	836,015
		<u>2,461,847</u>	<u>3,703,077</u>

	<i>NOTE</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current liabilities			
Creditors and accrued charges	<i>12</i>	517,839	633,016
Deposits received on sales of properties		24,023	46,226
Customers' deposits and receipts in advance		81,834	42,628
Consideration payable		–	104,850
Amount due to an associate		6,289	7,573
Borrowings – due within one year		1,371,270	2,517,531
Obligations under finance leases – due within one year		9,878	10,766
Derivative financial instruments		5,469	55,346
Taxation payable		148,676	228,389
		<u>2,165,278</u>	<u>3,646,325</u>
Net current assets		<u>296,569</u>	<u>56,752</u>
Total assets less current liabilities		<u>2,560,968</u>	<u>2,300,924</u>
Non-current liabilities			
Deferred tax liabilities		45,176	76,466
Borrowings – due after one year		455,159	116,500
Obligations under financial leases – due after one year		18,605	29,647
		<u>518,940</u>	<u>222,613</u>
		<u>2,042,028</u>	<u>2,078,311</u>
Capital and reserves			
Share capital		7,240	7,240
Reserves		1,950,172	1,985,967
Equity attributable to owners of the Company		1,957,412	1,993,207
Non-controlling interests		84,616	85,104
Total equity		<u>2,042,028</u>	<u>2,078,311</u>

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

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 Disclosure initiative

The Group has applied the amendments to HKAS 1 “Disclosure initiative” for the first time in the current year. The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by an HKFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity’s financial position and financial performance.

In addition, the amendments clarify that an entity’s share of the other comprehensive income of associates accounted for using the equity method should be presented separately from those arising from the Group, and should be separated into the share of items that, in accordance with other HKFRSs: (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The grouping and ordering of certain notes have been revised to give prominence to the areas of the Group's activities that management considers to be most relevant to an understanding of the Group's financial performance and financial position. Specifically, information to financial instruments and offsetting financial assets and financial liabilities were reordered. Other than the above presentation and disclosure changes, the application of the amendments to HKAS 1 has not resulted in any impact on the financial performance or financial position of the Group in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	Financial instrument ¹
HKFRS 15	Revenue from contracts with customers and the related amendments ¹
HKFRS 16	Leases ²
HK(IFRIC) – Int 22	Foreign currency transactions and advance consideration ¹
HK(IFRIC) – Int 23	Uncertainty over income tax treatments ²
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contract ¹
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ³
Amendments to HKAS 7	Disclosure initiative ⁴
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses ⁴
Amendments to HKAS 40	Transfers of Investment Property ¹
Amendments to HKFRSs	Annual improvements to HKFRSs 2014 – 2016 cycle ⁵

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

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

⁴ Effective for annual periods beginning on or after 1 January 2017.

⁵ Effective for annual periods beginning on or after 1 January 2017 or 2018, as appropriate.

2. REVENUE

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Dividend income from listed investments	47,008	36,481
Interest income from loans receivable	12,950	12,200
Rental income	7,553	4,145
Revenue from provision of elderly care related services	7,312	–
Hospital fees and charges	785,162	777,989
Revenue from sale of properties related to property development segment	69,385	584,042
Revenue from sale of properties related to eldercare segment	354,972	984,879
	<u>1,284,342</u>	<u>2,399,736</u>

3. SEGMENT INFORMATION

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

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

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 (excluding Hong Kong) (“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 year ended 30 June 2017

	Securities trading and investments <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Healthcare <i>HK\$'000</i>	Eldercare <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Gross proceeds from sale of investments held for trading	<u>547,852</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>547,852</u>
Revenue	<u>47,008</u>	<u>12,950</u>	<u>6,711</u>	<u>69,385</u>	<u>785,162</u>	<u>363,126</u>	<u>1,284,342</u>
Segment profit (loss)	<u>170,348</u>	<u>34,431</u>	<u>11,455</u>	<u>21,098</u>	<u>(18,744)</u>	<u>2,337</u>	220,925
Other income and other gains and losses							25,734
Net foreign exchange loss							(8,415)
Net loss on disposal of subsidiaries							(116,107)
Central corporate expenses							(86,597)
Finance costs							<u>(51,673)</u>
Loss before taxation							<u>(16,133)</u>

For the year ended 30 June 2016

	Securities trading and investments <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Healthcare <i>HK\$'000</i>	Eldercare <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Gross proceeds from sale of investments held for trading	<u>586,191</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>586,191</u>
Revenue	<u>36,481</u>	<u>12,200</u>	<u>4,145</u>	<u>584,042</u>	<u>777,989</u>	<u>984,879</u>	<u>2,399,736</u>
Segment (loss) profit	<u>(655,310)</u>	<u>(15,354)</u>	<u>(1,597)</u>	<u>(70,249)</u>	<u>(16,356)</u>	<u>29,661</u>	<u>(729,205)</u>
Other income and other gains and losses							9,014
Net foreign exchange loss							(11,509)
Gain on deemed disposal of an associate							97,270
Central corporate expenses							(67,941)
Share of results of associates							(4,861)
Finance costs							<u>(67,417)</u>
Loss before taxation							<u>(774,649)</u>

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

Segment profit (loss) represents the profit earned/losses incurred by each segment without allocation of certain other income and other gains and losses, certain net foreign exchange loss, central corporate expenses, net loss on disposal of subsidiaries and certain finance costs. (2016: without allocation of certain other income and other gains and losses, certain net foreign exchange loss, certain corporate expenses, gain on deemed disposal of an associate, share of results of associates and certain finance costs). This is the measure reported to the executive directors of the Company for the purpose of resource allocation and performance assessment.

Segment assets and liabilities

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

At 30 June 2017

	Securities trading and investments <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Healthcare <i>HK\$'000</i>	Eldercare <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment assets	1,175,630	41,018	233,057	86,032	1,424,779	987,024	3,947,540
Corporate assets							<u>778,706</u>
Consolidated assets							<u><u>4,726,246</u></u>
Segment liabilities	609,318	–	2,022	155,450	800,905	539,333	2,107,028
Corporate liabilities							<u>577,190</u>
Consolidated liabilities							<u><u>2,684,218</u></u>

At 30 June 2016

	Securities trading and investments <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Healthcare <i>HK\$'000</i>	Eldercare <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
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>

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating and reportable segments other than certain property, plant and equipment, interests in associates, deposits and prepayments, pledged and restricted bank deposits and bank balances and cash.
- all liabilities are allocated to operating and reportable segments other than certain creditors and accrued charges, consideration payable, certain borrowings, deferred tax liabilities, taxation payable and amount due to an associate.

4. OTHER GAINS AND LOSSES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Gain (loss) in fair value of investments held for trading	167,492	(582,284)
Gain (loss) in fair value of derivative financial instruments	7,806	(72,398)
Net gain on disposal of available-for-sale investments	1,082	9,116
Fair value changes on investment properties	(35,508)	(426)
Net foreign exchange loss	(11,834)	(8,355)
Impairment loss recognised on available-for-sale investments	(68)	–
Impairment loss recognised on intangible assets	(12,106)	–
Net loss on disposal of subsidiaries	(116,107)	–
Gain on deemed disposal of an associate	–	97,270
Net loss on disposal of property, plant and equipment	(850)	(4,200)
Reversal of impairment loss (impairment loss) recognised on loan receivable	19,247	(19,247)
Reversal of impairment loss (impairment loss) recognised on other debtor	2,438	(2,926)
	<u>21,592</u>	<u>(583,450)</u>

5. OTHER INCOME

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interest income from:		
– Available-for-sale debt instruments	–	530
– Bank deposits	8,112	6,959
	<u>8,112</u>	<u>7,489</u>
Government grants	3,179	918
Compensation income	2,489	2,069
Others	27,755	27,839
	<u>41,535</u>	<u>38,315</u>

6. FINANCE COSTS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interest on:		
Bank and other borrowings (including discounted bills)	116,030	128,155
Obligations under finance leases	<u>2,534</u>	<u>8,340</u>
	<u>118,564</u>	<u>136,495</u>

7. TAXATION EXPENSE

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current tax (charge) credit:		
– Enterprise Income Tax (“EIT”) in the PRC	(29,945)	(67,320)
– Land appreciation tax (“LAT”) in the PRC	(52,258)	(135,647)
– Deferred tax credit	<u>30,511</u>	<u>87,316</u>
	<u>(51,692)</u>	<u>(115,651)</u>
(Under) overprovision in prior years		
– EIT in the PRC	(17,577)	–
– LAT in the PRC	<u>3,898</u>	<u>–</u>
	<u>(13,679)</u>	<u>–</u>
	<u>(65,371)</u>	<u>(115,651)</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years. No tax is payable as the assessable profits arising in Hong Kong for each of the year ended 30 June 2017 and 30 June 2016 are wholly absorbed by tax losses brought forward.

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

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

8. LOSS FOR THE YEAR

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Loss for the year has been arrived at after charging (crediting):		
Auditor's remuneration	2,798	1,933
Depreciation of property, plant and equipment	99,019	102,588
Staff costs, inclusive of directors' emoluments	295,894	280,596
Gross rental income from properties	(7,553)	(4,145)
Less: Direct operating expenses that generated rental income	1,002	722
Direct operating expenses that did not generate rental income	10	369
Net rental income	(6,541)	(3,054)
Release of prepaid lease payments	2,806	2,963
Share-based payment expense (included in staff costs)	4,504	4,872
Amortisation of intangible assets (included in cost of goods and services)	834	834
Cost of inventories recognised as an expense (included in cost of goods and services)	366,493	377,937
Cost of properties held for sale recognised as an expense (included in cost of goods and services)	<u>265,180</u>	<u>1,446,317</u>

9. DIVIDENDS

No final dividend was proposed during the year ended 30 June 2017, nor has any dividend been proposed since the end of the reporting period (2016: nil).

10. LOSS PER SHARE

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

Loss

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Loss for the purpose of basic and diluted loss per share for the year attributable to owners of the Company	<u>(71,813)</u>	<u>(783,160)</u>

	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>14,480,072,773</u>	<u>12,624,627,716</u>

The computations of diluted loss per share for the year ended 30 June 2017 and 2016 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

	2017 HK\$'000	2016 HK\$'000
Debtors from securities trading	2,400	38,262
Trade receivables arising from hospital operation	92,381	73,586
Deposits with and receivables from the financial institutions	16,249	14,965
Prepayments	4,613	2,285
Prepaid business taxes and other PRC taxes	7,384	3,647
Other debtors and deposits	<u>12,791</u>	<u>7,375</u>
	<u>135,818</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 30 June 2017 and 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 from the invoice date.

The following is an aged analysis of trade receivables from hospital operation presented based on the invoice date (approximate the date of revenue recognition) as at 30 June 2017 and 30 June 2016:

	2017 HK\$'000	2016 HK\$'000
0 – 30 days	56,821	24,909
31 – 60 days	30,685	17,524
61 – 90 days	3,216	12,459
91 – 365 days	1,619	11,147
More than 365 days	<u>40</u>	<u>7,547</u>
	<u>92,381</u>	<u>73,586</u>

As at 30 June 2017 and 30 June 2016, trade receivables from hospital operation disclosed above were neither past due nor impaired for which the Group considered that the amounts were recoverable because the receivables were related to a number of independent customers that have good repayment records with the Group.

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

12. CREDITORS AND ACCRUED CHARGES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade payables to construction contractors and of hospital operation	307,486	420,288
Creditors from securities trading	3,043	4,324
Accrued compensation for late delivery of properties held for sale	5,969	5,994
Accrued construction cost for properties under development for sale	122,918	118,049
Construction cost payable for hospital buildings classified as property, plant and equipment	13,085	13,238
Other payables and accrued charges	<u>65,338</u>	<u>71,123</u>
	<u>517,839</u>	<u>633,016</u>

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

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

The following is an aged analysis of trade payables to construction contractors and of hospital operations presented based on the invoice date as at 30 June 2017:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
0 – 30 days	260,955	256,880
31 – 60 days	5,232	25,723
61 – 90 days	5,890	53,942
91 – 365 days	29,736	60,924
Over 1 year but not exceeding 2 years	3,479	2,147
Over 2 years but not exceeding 5 years	2,194	20,672
	<u>307,486</u>	<u>420,288</u>

FINANCIAL RESULTS

For the year ended 30 June 2017, the Group recorded a reduced revenue of HK\$1,832,194,000 (2016: HK\$2,985,927,000) and a significant decrease in loss for the year attributable to shareholders of the Company of HK\$71,813,000 (2016: HK\$783,160,000). This was mainly due to the gain in fair value of investments held for trading of HK\$167,492,000 (2016: loss of HK\$582,284,000) of the Group's securities trading and investments business which was off-set by the net loss on disposal of subsidiaries of HK\$116,107,000 (2016: nil) and the loss in fair value changes on investment properties of HK\$35,508,000 (2016: HK\$426,000).

Loss per share (basic and diluted) for the year ended 30 June 2017 was HK0.50 cents compared to HK6.20 cents in 2016.

The Group's net asset value per share as at 30 June 2017 amounted to HK\$0.135 (2016: HK\$0.138).

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend (2016: nil) for the year ended 30 June 2017.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "Annual General Meeting") is scheduled to be held on Thursday, 7 December 2017. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Monday, 4 December 2017 to Thursday, 7 December 2017, both dates inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of ordinary shares, duly accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration, no later than 4:30 p.m. on Friday, 1 December 2017.

REVIEW OF OPERATIONS

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

Healthcare Division:

During the year 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\$785,162,000 (2016: HK\$777,989,000) and a loss of HK\$18,744,000 (2016: HK\$16,356,000) respectively inclusive of an impairment loss recognised on intangible assets of HK\$12,106,000 (2016: nil). Without interest, tax, depreciation and amortization, the Healthcare Division generated an EBITDA, being earnings before interest, tax, depreciation and amortization, of HK\$91,444,000 (2016: HK\$101,198,000) for the year ended 30 June 2017.

For the year ended 30 June 2017, Nanjing Tongren Hospital (南京同仁醫院) ("NJTRH"), a Class III integrated hospital of the Group, achieved a total of 690,370 out-patients visits (2016: 633,099), 24,903 in-patient admissions (2016: 22,671) and 41,601 body-checks (2016: 46,308) while Kunming Tongren Hospital (昆明同仁醫院) ("KMTRH"), another Class III integrated hospital of the Group, achieved a total of 165,985 out-patients visits (2016: 162,928), 10,522 in-patient admissions (2016: 9,701) and 52,132 body-checks (2016: 37,477). As of 30 June 2017, NJTRH had 336 doctors (2016: 338), 420 nurses (2016: 393) and 657 beds (2016: 608), while KMTRH had 220 doctors (2016: 220), 330 nurses (2016: 313) and 444 beds (2016: 433).

For the year under review, the anaesthesiology specialty of NJTRH 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 a "Baby Friendly Hospital" status by the local authority and was accepted as an affiliated teaching hospital of Southeastern China University Medical School.

In addition, NJTRH has implemented a new patient self-servicing kiosks and mobile phone application to streamline the registration, retrieval of results and payment processes which significantly reduced 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 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 the year under review, KMTRH has opened a new Health Screening Centre ("HSC") to 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.

As at 30 June 2017, based on the latest information, the decennial renewal of registration of trademark of "Tongren" with the relevant PRC government authority expiring in September 2017 may not be successfully registered, due to the non co-operation by the owner of the trademark, therefore an impairment loss of HK\$12,106,000 (2016: nil) was recognised. The Group considers it would not have material impact to the Group's healthcare operations and will proceed with the planning and implementation of the rebranding program accordingly.

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 the disposal of the entire equity interests in Yunnan Xinxinhua Hospital Co., Ltd. (雲南新新華醫院有限公司) 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 year ended 30 June 2017, the Group's Eldercare Division, operated through its 70% owned subsidiary, Aveo China (Holdings) Limited ("Aveo China"), recorded a revenue of HK\$363,126,000 (2016: HK\$984,879,000) and a gain of HK\$2,337,000 (2016: HK\$29,661,000) inclusive of a loss on fair value changes on investment properties of HK\$42,387,000 (2016: gain of HK\$2,666,000). As of 30 June 2017, the retirement village project, Tide Health Campus (天地健康城) of the Eldercare Division sold 766 independent living units ("ILUs") out of a total inventory of 868 ILU units with more than 250 residents moved into the retirement community village following its opening in the first quarter of 2016. In addition, the Division had leased out 25 serviced apartments ("SAs") out of a total inventory of 120 leasehold SAs during the year under review.

As at 30 June 2017, the Eldercare Division's investment properties comprising the SAs and the retail shopping precinct in Tide Health Campus amounted to HK\$508,873,000 (2016: HK\$482,310,000).

Property Development:

For the year ended 30 June 2017, the Group's Property Development Operations recorded a turnover of HK\$69,385,000 (2016: HK\$584,042,000) and a gain of HK\$21,098,000 (2016: loss of HK\$70,249,000). As at 30 June 2017, 411 units of Kangya Garden (康雅苑) Phase III out of a total inventory of 419 units were sold and among which 2 units (2016: 409) were recorded as sales in the year under review. Further, as at 30 June 2017, 207 units of car park of Kangya Garden Phase III out of a total inventory of 663 units were sold and among which 207 units (2016: nil) were also recorded as sales while 26 units of retail shops of Kangya Garden Phase III out of a total inventory of 27 units were sold and among which 8 units (2016: 2) were also recorded as sales in the year under review.

In view of the continued weakness in the property market in Lianyungang, PRC and the result of the review on the operating conditions of a wholly-owned subsidiary, Lianyungang Chengtai Property Development Company Limited (連雲港成泰置業有限公司) ("Chengtai Property"), whose sole asset were two pieces of residential land located in Lianyungang, PRC, the Group entered into an agreement to dispose of the entire equity interest in Chengtai Property for a total cash consideration of RMB200,000,000 recording a loss on disposal of HK\$116,544,000 and was completed in May 2017. The Group considered such disposal a continuation of the Group's strategy to transform into primarily an integrated healthcare and eldercare investor and operator and an opportunity to bring in cash flow under the prevailing volatile and uncertain market environment.

As at 30 June 2017, the Group's properties under development for sale of HK\$6,110,000 (2016: HK\$331,822,000) consisted of a parcel of commercial land in Lianyungang, PRC.

Property Investments:

The Group's investment properties portfolio, for leasing, located in Hong Kong and the PRC recorded a rental income of HK\$6,711,000 (2016: HK\$4,145,000) and a profit of HK\$11,455,000 (2016: loss of HK\$1,597,000) for the year under review mostly attributed to the gain from fair value change on investment properties of HK\$6,879,000 (2016: loss of HK\$3,092,000). As at 30 June 2017, the Group's investment properties portfolio increased to HK\$233,057,000 from HK\$226,178,000 in 2016.

Securities Trading and Investments:

For the year under review, though the financial markets partially recovered from the initial shocks of Brexit and the outcome of the US presidential election, uncertainties still remain about the outlook for global economic growth, trade relationship between major economies and geopolitical tension. Against such a backdrop, the Group's activities in securities trading and investments recorded a decreased turnover of HK\$594,860,000 (2016: HK\$622,672,000) but a gain of HK\$170,348,000 (2016: loss of HK\$655,310,000) for the year ended 30 June 2017. This was mainly due to the gains in fair value of investments held for trading of HK\$167,492,000 (2016: loss of HK\$582,284,000) and derivative financial instruments of HK\$7,806,000 (2016: loss of HK\$72,398,000), gain on disposal of available-for-sale investments of HK\$1,082,000 (2016: HK\$9,116,000), dividend income from listed investments of HK\$47,008,000 (2016: HK\$36,481,000) and interest income from available-for-sales investments of nil (2016: HK\$530,000).

As at 30 June 2017, the Group maintained a portfolio of available-for-sale investments of HK\$1,481,000 (2016: HK\$10,936,000) and a well-diversified portfolio of investments held for trading of HK\$1,155,403,000 (2016: HK\$1,161,134,000).

Investments Held for Trading:

As at 30 June 2017, 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
	2017	2016	2017	2017	2017	value to the
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	Group's
						net assets
						2017
						%
Hong Kong	951,028	938,731	39,865	98,034	46,982	48.6
Australia	164,077	121,609	4,157	31,330	–	8.4
Malaysia	25,894	57,126	287	(3,784)	–	1.3
U.S.A.	–	34,229	2,717	–	26	–
Philippine	1,048	1,359	–	(311)	–	0.1
PRC	10,329	3,462	375	(3,676)	–	0.5
England	–	103	(14)	–	–	–
Japan	3,027	4,515	–	(1,488)	–	0.1
Total	<u>1,155,403</u>	<u>1,161,134</u>	<u>47,387</u>	<u>120,105</u>	<u>47,008</u>	

As at 30 June 2017, 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
	2017	2016	2017	2017	2017	value to the
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	Group's
						net assets
						2017
						%
Banking company	5,997	55,611	6,295	1,115	1,519	0.3
Consumer services company	–	75,775	4,308	–	1,440	–
Entertainment and media company	36,180	103,606	3,183	(7,181)	164	1.8
Financial services and investment company	436,131	393,590	12,093	37,676	21,477	22.3
Healthcare services company	12,971	–	–	(311)	–	0.7
Industrial materials company	32,487	23,479	(108)	15,292	414	1.7
Mining and resources company	128,050	129,818	11,277	(12,961)	582	6.5
Property company	<u>503,587</u>	<u>379,255</u>	<u>10,339</u>	<u>86,475</u>	<u>21,412</u>	25.7
Total	<u>1,155,403</u>	<u>1,161,134</u>	<u>47,387</u>	<u>120,105</u>	<u>47,008</u>	

At 30 June 2017, 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	Carrying value 2017 HK\$'000	Realized gain (loss) 2017 HK\$'000	Fair value gain (loss) 2017 HK\$'000	Dividend received 2017 HK\$'000
AP (Note a)	244,826,000	3.59%	413,756	–	39,677	–
TA (Note b)	<u>65,000,000</u>	<u>4.31%</u>	<u>343,200</u>	<u>70</u>	<u>75,910</u>	<u>–</u>

Note:

- a. Allied Properties (H.K.) Limited (stock code: 56) (“AP”) – As at 30 June 2017, the Group owned approximately 3.59% 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 2017 was approximately HK\$2,359.6 million and the unaudited net assets attributable to shareholders of AP as at 30 June 2017 was approximately HK\$32,900.0 million. The fair value of the investment in AP ordinary shares is based on quoted market price as at the year-end date.
- b. Tian An China Investments Company Limited (stock code: 28) (“TA”) – As at 30 June 2017, the Group owned approximately 4.31% 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 2017 was approximately HK\$1,671.1 million and the unaudited net assets attributable to shareholders of TA as at 30 June 2017 was approximately HK\$22,652.0 million. The fair value of the investment in TA ordinary shares is based on quoted market price as at the year-end date.

Derivative Financial Instruments:

As at 30 June 2017, the Group's investments in derivative financial instruments consisted of options linked with equity securities were as follows:

	No. of contracts as at 30.06.2017	Fair value 2017 HK\$'000
Asset		
Option contract linked with equity securities listed in Hong Kong	1	96
		<u>96</u>
Liability		
Option contracts linked with equity securities listed in Hong Kong	3	(5,469)
		<u>(5,469)</u>
Net		<u><u>(5,373)</u></u>

As at 30 June 2017, the respective performance of the Group's investment in derivative financial instruments were as follows:

	Fair value 2017 HK\$'000	Realized gain (loss) 2017 HK\$'000	Fair value gain (loss) 2017 HK\$'000
Option contracts linked with equity securities, net	(5,373)	–	(5,373)
Option contracts linked with exchange rate between JPY and USD, net	–	11,037	–
Forwards contracts linked with exchange rate between JPY and US, net	<u>–</u>	<u>2,142</u>	<u>–</u>
	<u><u>(5,373)</u></u>	<u><u>13,179</u></u>	<u><u>(5,373)</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. As a value investor, the Group will continuously review and adjust its investment strategies and investment portfolio in light of the prevailing conditions in the investment environment and under the guidance and direction of the Board.

Money Lending:

For the year ended 30 June 2017, under the prevailing generally tight credit environment, the Group's money lending business recorded an interest income of HK\$12,950,000 (2016: HK\$12,200,000) and a gain of HK\$34,431,000 (2016: loss of HK\$15,354,000) mainly due to the reversals of impairment loss recognized on loan receivable of HK\$19,247,000 (2016: impairment loss of HK\$19,247,000) and on outstanding interest of HK\$2,438,000 (2016: impairment loss of HK\$2,926,000). During the year, the management of the Group took active negotiation and follow-up actions and recovered the relevant loan and revised interest receivable. As at 30 June 2017, the Group's loan portfolio amounted to HK\$40,000,000 (2016: HK\$40,000,000).

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

As at 30 June 2017, the Group's non-current assets of HK\$2,264,399,000 (2016: HK\$2,244,172,000) consisted of investment properties of HK\$741,930,000 (2016: HK\$708,488,000), property, plant and equipment of HK\$1,377,148,000 (2016: HK\$1,377,117,000), prepaid lease payments of HK\$103,375,000 (2016: HK\$107,450,000), available-for-sale investments of HK\$678,000 (2016: HK\$746,000), intangible assets of nil (2016: HK\$13,034,000), goodwill of HK\$32,500,000 (2016: HK\$32,867,000) and deposits for acquisition of property, plant and equipment of HK\$8,768,000 (2016: HK\$ 4,470,000). These non-current assets are principally financed by the Group's shareholders' funds. As at 30 June 2017, the Group's net current assets increased to HK\$296,569,000 (2016: HK\$56,752,000).

As at 30 June 2017, the total borrowings of the Group amounted to HK\$1,826,429,000 (2016: HK\$2,634,031,000) consisting of securities margin loans of HK\$370,806,000 (2016: HK\$733,538,000), unsecured term loans of HK\$487,940,000 (2016: HK\$300,000,000), secured bank borrowings of HK\$115,521,000 (2016: HK\$725,842,000), unsecured bank borrowings of HK\$308,262,000 (2016: HK\$454,000,000), secured other borrowing of HK\$186,546,000 (2016: nil), unsecured other borrowings of HK\$152,922,000 (2016: HK\$184,419,000), discounted bills of HK\$128,970,000 (2016: HK\$160,770,000) and borrowing from a related party of HK\$75,462,000 (2016: HK\$75,462,000). Among the total borrowing of the Group, an amount of HK\$1,371,270,000 (2016: HK\$2,517,531,000) was with maturity on demand or within one year, HK\$340,007,000 (2016: HK\$116,500,000) was with maturity of over one year but not exceeding two years and HK\$115,152,000 (2016: nil) was with maturity of over two years but not exceeding five years.

As at 30 June 2017, 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 51.7% (2016: 58.1%). The Group's gearing ratio would be adjusted to zero (2016: 1.8%) with marketable securities inclusive of available-for-sale investments (current) and investments held for trading deducted from the net borrowings.

During the year 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. With 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 30 June 2017, the Group had capital commitment contracted for but not provided relating to the acquisition of property, plant and equipment, and investment properties of HK\$76,831,000 (2016: HK\$120,903,000) and HK\$38,479,000 (2016: HK\$38,930,000) respectively.

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 on 31 December 2015 and no guarantee received or provided by Tongren Healthcare under the Mutual Guarantee as at 30 June 2017.

Other than the guarantees under the Mutual Guarantee, as at 30 June 2017, Tongren Healthcare provided guarantees of RMB50,000,000 (approximately HK\$57,576,000) (2016: nil) to Huali for the application of a loan, while Huali and its subsidiary provided guarantees of RMB170,000,000 (approximately HK\$195,758,000) (2016: RMB155,000,000 (approximately HK\$180,575,000)) to Tongren Healthcare and its subsidiaries for the application of loans.

During the year, 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 30 June 2017, Aveo China had given no guarantee in respect of such mortgage bank loan (2016: HK\$32,271,000).

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 30 June 2017, details of use of net proceeds from the Subscription were as follows:

Intended use of proceeds

Actual use of proceeds

- | | | | |
|-----|--|----|---|
| i. | An amount of approximately HK\$600,000,000 will be used for working capital and for expansion of the Group’s hospital and healthcare, and aged care businesses | a) | Approximately HK\$35,414,000 was used for construction cost of Block D of Nanjing Tongren Hospital. |
| | | 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 Zhaohé Industrial Co., Ltd.*(洋浦兆合實業有限公司) (“Yangpu Zhaohé”). |
| | | d) | Approximately HK\$11,832,000 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 Zhaohé owns 72.5% of the equity interests in Tongren Healthcare with the remaining 27.5% equity interests owned by another wholly-owned subsidiary of the Group.

During the year under review, the Company did not repurchase any shares (2016: 14,180,000 shares for total consideration of HK\$2,049,000) in the capital of the Company.

CHARGE ON GROUP ASSETS

As at 30 June 2017, the Group's investments held for trading of HK\$1,150,525,000 (2016: HK\$1,133,291,000), buildings (included in property, plant and equipment) of HK\$152,565,000 (2016: HK\$130,480,000), available-for-sale investments of nil (2016: HK\$9,387,000), investment properties of HK\$478,833,000 (2016: HK\$482,310,000), properties under development for sale of nil (2016: HK\$117,814,000), properties held for sale of HK\$32,673,000 (2016: HK\$474,640,000) and pledged bank deposits of HK\$220,407,000 (2016: HK\$586,545,000) were pledged to banks and securities houses to secure credit facilities granted to the Group.

As at 30 June 2017, the Group's equity interests in certain subsidiaries were pledged to the lenders for 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 2017, the carrying amount of the Group's medical equipment included an amount of HK\$59,879,000 (2016: HK\$68,269,000) in respect of assets held under finance leases.

As at 30 June 2017, discounted bills of HK\$128,970,000 (2016: HK\$160,770,000) are secured by pledged bank deposits.

MATERIAL ACQUISITIONS AND DISPOSAL

Save as disclosed herein, for the year ended 30 June 2017, the Group did not make any material acquisitions and disposal of subsidiaries, significant investments nor capital commitment.

EMPLOYEES

The Group had 2,120 employees as at 30 June 2017 (2016: 2,307). 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 bright given its favourable demographic (such as aging population) and macro factors (such as growing middle class and high saving rate) and very supportive central government policies and the relatively low penetration of private healthcare and eldercare institutions.

Healthcare Division:

The Healthcare Division expects continued improvement in its operational performance. The various strategic initiatives such as cost management, business process reengineering and clinical process improvement projects that were implemented in the beginning of 2017 is expected to yield results.

New capacity of the HSC of NJTRH will be opened around the 4th Quarter 2017. The management team will continue to further optimize its utilization and increase through put of the clinical spaces.

Staff training in Malaysia and Singapore of the Division has been initiated in the 3rd quarter of 2017 with the aim to provide exposure to different care delivery model and this will be further intensified.

Expansion through clinics network project to complement its hospital operations as an integrated healthcare network will continue as one of the strategic focus of the Healthcare Division in the second half of 2017.

Eldercare Division:

The Eldercare Division expects more residents will move into the Tide Health Campus of the Eldercare Division as the retail shopping precinct and the elderly nursing hospital in the village, Shanghai Deyi Hospital (上海德頤醫院) (“SHDYH”), became fully operational by June 2017. The management believes that new residents who moved into the village will be encouraged to become members of the retirement community to enjoy the community facilities and services in the retirement village.

The operational license of the first building of SHDYH with 100 beds was obtained in January 2017 and the hospital was officially opened in March 2017. The second building, a 200 bed elderly nursing home, will be equipped and operational in 2018.

The first of the three leasehold buildings of the SA was opened in November 2016 and 25 out of all the inventory of 120 were leased out as of 30 June 2017. The second building with 80 SAs will be equipped in 2018 while the third building with 70 SAs will be opened in 2019.

The Eldercare Division will continue its focus in China by providing quality care services to our residents and members and to increase the quality of their daily lives. It is the growth plan of the Division to continue building and developing more retirement villages and providing more quality services to the elderly people in the PRC.

Others:

With the Group’s new direction on healthcare and eldercare businesses as well as the guidance of the Board, the Group will continuously review and adjust its operation and investment strategies, and assets and investments portfolio in the prevailing economic and investment environment and continue to seek investment and growth opportunities in China, Hong Kong and the Asia Pacific region to enhance value for shareholders.

CHANGE OF SUBSTANTIAL SHAREHOLDER

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

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

Throughout the year ended 30 June 2017, the Company has applied the principles and complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report as listed out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on Stock Exchange.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the Company's code of conduct regarding Director's securities transactions. Having made specific enquiry with all Directors, they have confirmed their compliance with the required standard as set out in the Model Code throughout the year ended 30 June 2017.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the financial statements for the year ended 30 June 2017.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 30 June 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

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

Hong Kong, 28 September 2017

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

Executive Directors

Ms. Chong Sok Un (Deputy Chairman), Dr. Jonathan Weiyang 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