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SoftMedx Healthcare Limited
京玖醫療健康有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 648)

2017 FINAL RESULTS

The board ("Board") of directors of SoftMedx Healthcare Limited (the "Company") hereby presents the audited consolidated final results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000 (restated)
Continuing operations:			
Revenue	3	**120,522**	101,781
Cost of goods sold and services		**(73,808)**	(66,515)
Gross profit		**46,714**	35,266
Other income, gains and losses	5	**10,541**	18,427
Selling and distribution expenses		**(15,615)**	(17,777)
Administrative expenses		**(113,873)**	(111,845)
Loss on disposal of financial assets at fair value through profit or loss ("FVTPL")		**(28,036)**	(5,432)
Loss arising from change in fair value of financial assets at FVTPL		**(189,046)**	(41,804)
Impairment loss on available-for-sale financial assets		**—**	(183,372)
Impairment loss on trade receivables		**—**	(5,075)
Impairment loss on other receivables		**(2,994)**	—
Impairment loss on intangible assets		**(41)**	—
Loss arising from change in fair value of investment properties		**—**	(12,901)
Gain (loss) on disposal of subsidiaries		**74,536**	(40,475)
Gain on disposal of associates		**25,558**	—
Gain on bargain purchase of subsidiaries		**—**	49,318
Share of results of associates		**2,852**	8,741
Share of result of a joint venture		**—**	(3,902)
Finance costs	6	**(32,831)**	(29,445)
Loss before taxation		**(222,235)**	(340,276)
Income tax expense	7	**(510)**	(807)
Loss for the year from continuing operations	8	**(222,745)**	(341,083)
Discontinued operation:			
(Loss) profit for the year from discontinued operation		**(20,554)**	2,452
Loss for the year		**(243,299)**	(338,631)

	Notes	2017 HK$'000	2016 HK$'000 (restated)
Other comprehensive income (expense) for the year			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale financial assets		—	10,619
Reclassification of revaluation of previously held interest in Rui Kang		—	(11,214)
Change in fair value of equity instruments at fair value through other comprehensive income ("FVTOCI")		**8,031**	—
Exchange differences on translating foreign operations		**6,133**	(611)
Reclassification adjustments relating to foreign operations disposed of during the year		—	(72,191)
Other comprehensive income (expense) for the year, net of income tax		**14,164**	(73,397)
Total comprehensive expense for the year		**(229,135)**	(412,028)
(Loss) for the year attributable to			
Owners of the Company:			
Continuing operations		**(208,040)**	(312,021)
Discontinued operation		**(20,554)**	633
		(228,594)	(311,388)
Non-controlling interests:			
Continuing operations		**(14,705)**	(29,062)
Discontinued operation		—	1,819
		(14,705)	(27,243)
		(243,299)	(338,631)

	Notes	**2017**	2016
		HK$'000	*HK$'000*
			(restated)
Total comprehensive (expense) income attributable to Owners of the Company:			
Continuing operations		**(193,876)**	(385,838)
Discontinued operation		**(20,554)**	506
		(214,430)	(385,332)
Non-controlling interests:			
Continuing operations		**(14,705)**	(28,149)
Discontinued operation		**—**	1,453
		(14,705)	(26,696)
		(229,135)	(412,028)
Loss per share from continuing operations and discontinued operation attributable to owners of the Company (HK Cents)			
Basic and diluted	10	**(70.1)**	(158.1)
Loss per share from continuing operations attributable to owners of the Company (HK Cents)			
Basic and diluted	10	**(63.8)**	(158.4)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	**2017**	2016
		HK$'000	*HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**6,515**	57,462
Land use right		**—**	7,842
Investment properties		**—**	101,000
Goodwill		**12,816**	69,010
Intangible assets		**—**	60,621
Investments in associates		**85,342**	72,611
Equity instruments at fair value through other comprehensive income ("FVTOCI")		**93,323**	113,944
Long-term prepayments and deposits		**2,151**	1,944
		200,147	484,434
Current assets			
Land use right		**—**	225
Inventories		**11,164**	17,781
Trade receivables	11	**1,936**	25,103
Other receivables, prepayments and deposits		**8,776**	47,849
Tax recoverable		**253**	1,157
Financial assets at FVTPL		**18,131**	215,809
Bank balances and cash		**36,207**	72,943
		76,467	380,867
Assets classified as held for sale		**34,713**	8,777
		111,180	389,644

	Notes	**2017** *HK$'000*	2016 *HK$'000*
Current liabilities			
Trade payables	12	**4,960**	13,321
Other payables		**36,275**	83,641
Receipt in advance		—	60,808
Tax payable		—	275
Borrowings	13	**200,322**	113,600
Convertible notes		—	1,990
Bonds payable	14	—	79,693
		241,557	353,328
Net current (liabilities) assets		**(130,377)**	36,316
Total assets less current liabilities		**69,770**	520,750
Non-current liabilities			
Other payables		**5,901**	13,821
Borrowings	13	**73,042**	69,619
Bonds payable	14	**19,112**	53,734
Promissory note		—	61,383
Deferred tax liabilities		**190**	2,314
		98,245	200,871
Net (liabilities) assets		**(28,475)**	319,879
CAPITAL AND RESERVES			
Share capital	15	**3,030,660**	3,030,660
Reserves		**(3,036,554)**	(2,784,783)
(Deficit) equity attributable to the owners of the Company		**(5,894)**	245,877
Non-controlling interests		**(22,581)**	74,002
Total (deficit) equity		**(28,475)**	319,879

Notes:

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been prepared under the historical cost basis, except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The consolidated financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated. These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") and the Hong Kong Companies Ordinance. These consolidated financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Suspension of trading in shares of the Company

Reference is made to the Company's announcement dated 27 November 2017 made at the request of Securities and Futures Commission ("SFC") under section 8(1) of the Securities and Futures (Stock Market Listing) Rules (Cap. 571V) to suspend trading in shares of the Company on the Stock Exchange with effect from 27 November 2017.

Deconsolidation of subsidiaries

The consolidated financial statements have been prepared based on the books and records maintained by the Group. However, since the management of the subsidiaries engaged in the operation of sports and healthcare clubhouses in China ("Health Management Subgroup") did not facilitate the Company's auditors to conduct the necessary audit procedures (including field audit) and to access the books and records of the business, the directors of the Company considered that the control over the Health Management Subgroup had been lost. Since then, the directors of the Company neither had control over the operating and financial activities, nor any access to the underlying accounting books and records of the Health Management Subgroup. The directors of the Company considered it appropriate to deconsolidate the results, assets, liabilities and cash flows of the Health Management Subgroup as from 1 January 2017.

Going concern

For the year ended 31 December 2017, the Group incurred a loss attributable to owners of the Company of HK$228,594,000, and as at 31 December 2017, the Group recorded net current liabilities and net liabilities of HK$130,377,000 and HK$28,475,000 respectively. In assessing the appropriateness of the use of the going concern in the preparation of these consolidated financial statements, the Board has given careful consideration to the future liquidity and performance of the Group, the debt restructuring of the Group and its available sources of financing and prepared a cashflow forecast covering a period of 12 months from the date of approval for issue of these consolidated financial statements. The Board is of the opinion that the Group will have sufficient working capital to meet its financial obligations as they fall due in the next twelve months from the issue of these consolidated financial statements. Certain measures have been taken to mitigate the liquidity pressure and to improve its financial position and performance which include, but not limited to the following:

(a) The Company has applied to the Court for the approval of the scheme of arrangement to be entered into between the Company and its creditors to convene a scheme meeting for the creditors to consider and approve the scheme of arrangement. After the scheme of arrangement is approved by the creditors, the sanctioning of the Court will be sought. The scheme of arrangement will become effective on the registration date of the Court Order granted by the Court. The Directors are confident that the Company will receive sufficient support for the scheme of arrangement in the creditors' meeting. The Directors also assess that it is probable that the Court would approve the scheme of arrangement, considering the Group's financial position shown on its most recent management accounts and letters of support received from the creditors of the Company up to the date of issue of these consolidated financial statements. On this basis, the Directors consider that the scheme of arrangement would be successful.

(b) On 22 July 2022, the Company reached an agreement with a facility provider for the provision of a loan facility of HK$8,000,000 to finance the operating costs of the Group; and

(c) The Group continues to develop its medical and well-being business to improve its cashflow from operations.

Given the above, the Directors are of the opinion that, taking into account the above-mentioned measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the date of approval for issue of these consolidated financial statements. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis. However, a material uncertainty exists related to the above conditions that may cast significant doubt about the Group's ability to continue as a going concern.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied 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 HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers

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.

2.1 HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2017. Any difference at the date of initial application is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated.

The Group recognises revenue from the following major sources which arise from contracts with customers: (i) health management business; (ii) medical and well-being business; and (iii) asset management business.

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in the consolidated financial statements. The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2017. Line items that were not affected by the changes have not been included.

	Carrying amount previously reported at 31 December 2016	**Reclassification**	**Carrying amount as at 1 January 2017 under HKFRS 15**
	HK$'000	*HK$'000*	*HK$'000*
Current Liabilities			
Receipt in advance	(60,808)	60,808	—
Contract liabilities	—	(60,808)	(60,808)

Note: As at 1 January 2017, advances from customers of HK$60,808,000 in respect of membership and other fee previously included in receipt in advance were reclassified to contract liabilities.

2.2 HKFRS 9 Financial Instruments and the related amendments

In the current year, the Group has early applied HKFRS 9 *Financial Instruments*, Amendments to HKFRS 9 *Prepayment Features with Negative Compensation* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("**ECL**") for financial assets and (3) general hedge accounting. The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2017 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2017. The difference between carrying amounts as at 31 December 2016 and the carrying amounts as at 1 January 2017 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*. Accounting policies resulting from application of HKFRS 9 are disclosed in consolidated financial statements. The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2017.

	Carrying amount as at 31 December 2016 under HKAS 39	**Reclassification**	**Carrying amount as at 1 January 2017 under HKFRS 9**
	HK$'000	*HK$'000*	*HK$'000*
Equity instruments at FVTOCI	—	113,944	113,944
Financial assets at FVTPL	124,714	91,095	215,809
Available-for-sale ("AFS") financial assets	205,039	(205,039)	—
	329,753	—	329,753

Note:

From AFS equity investments to FVTOCI

The Group elected to present in other comprehensive income for the fair value changes of all unlisted investments previously classified as available-for-sale. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, HK$113,944,000 were reclassified from AFS equity investments to equity instruments at FVTOCI, which related to unquoted equity investments previously measured at cost less impairment under HKAS 39. The fair value losses relating to those investments previously carried at fair value continued to accumulate in investment revaluation reserve. In addition, impairment losses previously recognised were transferred from accumulated losses to investment revaluation reserve as at 1 January 2017.

From AFS equity investments to FVTPL

At the date of initial application of HKFRS 9, the equity securities listed investment of HK$91,095,000 were reclassified from AFS equity investments to financial assets at FVTPL. The fair value losses relating to those equity investments previously carried at cost less impairment was adjusted to financial assets at FVTPL and accumulated losses as at 1 January 2017. The fair value losses relating to those investments previously carried at fair value were transferred from investment revaluation reserve to accumulated losses. The measurement categories and carrying amounts for all financial liabilities at 1 January 2017 have not been impacted by the initial application of HKFRS 9.

Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Except for those which had been determined as credit impaired under HKAS 39, trade receivables have been assessed individually with outstanding significant balances, the remaining balances are grouped based on internal credit rating/past due analysis. The Board has assessed the additional ECL allowance on trade receivables and considered that insignificant based on internal credit rating and therefore it did not result in an adjustment of opening accumulated losses. ECL for other financial assets at amortised cost, including other receivables, deposits and bank balances, are assessed on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition. For bank balances, the Group transacts with reputable banks with high credit rating assigned by international credit-rating agencies and consider the risk of default is low and 12-month ECL is insignificant. For other receivables and deposits, the Group considers there has been no significant increase in credit risk since initial recognition and hence the loss allowance is assessed on 12-month ECL basis.

2.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 December 2016 (Audited)	HKFRS 15	HKFRS 9	1 January 2017 (Restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Equity instruments at FVTOCI	—	—	113,944	113,944
AFS financial assets	113,944	—	(113,944)	—
Current assets				
AFS financial assets	91,095	—	(91,095)	—
Financial assets at FVTPL	124,714	—	91,095	215,809
Current liabilities				
Receipt in advance	(60,808)	60,808	—	—
Contract liabilities	—	(60,808)	—	(60,808)

New and revised HKFRSs in issue but not yet effective

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

HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC)-Interpretation ("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 Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
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 40	Transfers of Investment Property[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKFRSs	Annual improvement on HKFRSs 2015–2017 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[2]
Amendment to HKFRS 3	Definition of a Business[5]
Amendments to HKAS 1 and HKAS 8	Definition of Material[6]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[6]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions[9]
Amendments to HKFRS 3	Reference to the Conceptual Framework[8]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2[4]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[7]
Amendments to HKAs 16	Property, Plant and Equipment — Proceeds before Intended Use[8]

Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[8]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[8]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[10]
Amendments to HKAS 1 and HKFRs Practice Statement 2	Disclosure of Accounting Policies[7]
Amendments to HKAS 8	Definition of Accounting Estimates[7]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[7]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[11]

[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 2021.
[5] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
[6] Effective for annual periods beginning on or after 1 January 2020.
[7] Effective for annual periods beginning on or after 1 January 2023.
[8] Effective for annual periods beginning on or after 1 January 2022.
[9] Effective for annual periods beginning on or after 1 June 2020.
[10] Effective for annual periods beginning on or after 1 April 2021.
[11] Effective for annual periods beginning on or after 1 January 2024.

Except for the new and amendments to HKFRSs and interpretations mentioned below, the Board anticipate that the application of all other new and amendments to HKFRSs and interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective. HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing/operating cash flows by the Group.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned. In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. Furthermore, extensive disclosures are required by HKFRS 16.

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information. HKFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement. The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information. In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications. The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

3. REVENUE

An analysis of revenue for the year ended 31 December 2017 is as follow:

Continuing operations

(i) Disaggregation of revenue from contracts with customers

	HK$'000
Types of goods or service	
Medical and well-being business	
Sale of optical products and provision of eye-care services	**42,225**
Provision of obstetric and gynecological services	**9,898**
Pharmaceutical manufacturing, medical laboratory test and provision of research and development services	**68,399**
	120,522
Geographical markets	
Hong Kong	**120,522**
Timing of revenue recognition	
At a point in time	**120,522**

(ii) Performance obligations for contracts with customers

For sale of optical products and provision of eye-care services and the provision of obstetric and gynecological services and pharmaceutical manufacturing, medical laboratory test and provision of research and development services to customers, revenue is recognsied when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. Delivery occurs when the goods have been shipped to the customer's specific location. When the customer initially purchases the goods, the transaction price received by the Group is recognised as a contract liability until the goods have been delivered to the customer.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The sale of optical products and provision of eye-care services and the provision of obstetric and gynecological services and pharmaceutical manufacturing, medical laboratory test and provision of research and development services are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Discontinued operation

There is nil revenue for discontinued operation during the current year.

For the year ended 31 December 2016 (restated)

An analysis of revenue for the year ended 31 December 2016 as follow:

Continuing operations

	HK$'000
Income from sale of optical products and provision of eye-care services	38,041
Income from provision of obstetric and gynaecological services	4,708
Income from pharmaceutical manufacturing business	8,422
Income from medical laboratory testing business	48,324
Provision of research and development services	1,758
Income from money lending business	528
	101,781

Discontinued operation

	HK$'000
Income from membership program	64,890
Income from private coaching program	13,711
Income from fitness centre operation and related business	13,829
	92,430

4. SEGMENT INFORMATION

The Group's reportable and operating segments under HKFRS 8 are based on the information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. During the year, the Group deconsolidated the health management business which engaged in operation of sports and healthcare clubhouse in China. Upon such deconsolidation, the Group recognised its internal reporting structure which resulted in changes to the composition of its reportable segments. In accordance with the way in which information is now reported internally to the chief operating decision maker for the purpose of resource allocation and performance assessment and the recent streamlining of certain reportable segments, the Group operates two reportable segments of medical and well-being business and asset management business. Comparative information has been restated to conform with the current year's presentation.

Medical and well-being business	—	operation of optical products and eye-care services retail shops
	—	manufacturing and sale of pharmaceutical and health related products; provision of medical laboratory testing services and health check services; and
	—	provision of obstetric and gynaecological services
Asset management business	—	investment in assets and loan financing

Segment reporting

The following summary describes the Group's reportable segments:

For the year ended 31 December 2017

	Continuing operations			**Discontinued operation**	
	Medical & well-being business	**Asset management business**	**Subtotal**	**Health management business**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Segment revenue	**120,522**	**—**	**120,522**	**—**	**120,522**
Segment results	**(60,140)**	**(72,066)**	**(132,206)**	**(20,554)**	**(152,760)**
Unallocated corporate expenses					**(61,198)**
Unallocated finance costs					**(28,831)**
Loss before taxation					**(242,789)**
Reportable segment assets	**128,654**	**115,549**	**244,203**	**—**	**244,203**
Unallocated assets					**67,124**
Total assets					**311,327**
Reportable segment liabilities	**29,917**	**31,327**	**61,244**	**—**	**61,244**
Unallocated liabilities					**67,124**
Total liabilities					**128,368**

For the year ended 31 December 2016 (restated)

	Continuing operations			Discontinued operation	
	Medical and well-being business	Asset management business	Subtotal	Health management business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue	101,253	528	101,781	92,430	194,211
Segment results	(13,834)	(246,687)	(260,521)	2,803	(257,718)
Unallocated other gains and losses					14,489
Central administration costs					(78,937)
Loss on disposal of subsidiaries					(40,475)
Gain on bargain purchase of subsidiaries					49,318
Share of results of associates					8,741
Share of result of a joint venture					(3,902)
Finance costs					(29,445)
Loss before taxation					**(337,929)**
Reportable segment assets	260,572	347,957	608,529	81,099	689,628
Unallocated assets					184,450
Total assets					**874,078**
Reportable segment liabilities	45,390	4,916	50,306	93,803	144,109
Unallocated liabilities					410,090
Total liabilities					**554,199**

5. OTHER INCOME, GAINS AND LOSSES

Continuing operations

	2017	2016
	HK$'000	*HK$'000*
		(restated)
Licence fee income	—	6,843
Interest income on bank balances	**149**	352
Dividend income	**267**	961
Exchange loss, net	—	(5,002)
Net loss on disposal of property, plant and equipment and intangibles assets	—	(35)
Forfeiture of consideration received	—	1,360
Gain arising from derecognition of AFS upon business combination	—	11,214
Others	**10,125**	2,734
	10,541	18,427

Discontinued operation

	2017	2016
	HK$'000	*HK$'000*
		(restated)
Interest income on bank balances	—	17
Subsidy received	—	23
Exchange gain	—	1,135
Net loss on disposal of property, plant and equipment and intangibles assets	—	(1,136)
Forfeiture of income	—	7,577
Compensation received	—	2,286
Others	—	390
	—	10,292

6. FINANCE COSTS

Continuing operations

	2017	2016
	HK$'000	*HK$'000*
		(restated)
Interest expenses on:		
Bank and other borrowings	**17,346**	15,346
Imputed interest on convertible notes	**101**	127
Imputed interest on bonds payable	**10,099**	11,159
Imputed interest on promissory note	**5,285**	2,770
Imputed interest on loan from a non-controlling shareholder of a subsidiary	**—**	43
	32,831	29,445

7. INCOME TAX EXPENSE

Continuing operations

	2017	2016
	HK$'000	*HK$'000*
		(restated)
Current tax:		
Hong Kong profit tax	**(544)**	(1,063)
PRC Enterprise Income Tax	**(84)**	—
	(628)	(1,063)
Deferred tax	**118**	256
	(510)	(807)

Discontinued operation

	2017	2016
	HK$'000	*HK$'000*
		(restated)
Current tax:		
Hong Kong Profits Tax	**—**	—
PRC Enterprise Income Tax	**—**	105
	—	105
Deferred tax	**—**	—
	—	105

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Enterprise Income Tax Law of the PRC, the Enterprise Income Tax has been provided at the rate of 25% for both years.

8. LOSS FOR THE YEAR

Continuing operations

	2017	2016
	HK$'000	*HK$'000*
		(restated)
Loss for the year has been arrived at after charging:		
Depreciation of property, plant and equipment	**5,205**	8,304
Amortisation of intangible assets included in cost of services	**975**	1,653
Amortisation of land use right	**—**	151
Total depreciation and amortisation	**6,180**	10,108
Auditors' remuneration		
Audit services	**1,367**	1,200
Non-audit services	**—**	310
Cost of inventories recognised as expenses	**73,808**	66,515
Employee benefit expenses	**47,220**	80,289

Discontinued operation

	2017	2016
	HK$'000	*HK$'000*
		(restated)
Depreciation of property, plant and equipment	—	98
Total depreciation and amortisation	—	98
Employee benefit expenses		
Salaries and other benefits	—	4,614

9. DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2017 (2016: Nil).

10. LOSS PER SHARE

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

From continuing operations and discontinued operation

	2017	2016
	HK$'000	*HK$'000*
		(restated)
Loss for the year attributable to owners of the Company from continuing and discontinued operations	**(228,594)**	(311,388)

	2017	2016
	'000	*'000*
		(restated)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**326,037**	197,015

From continuing operations

	2017	2016
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company from continuing operations	**(208,040)**	(312,021)

	2017	2016
	'000	*'000*
		(restated)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**326,037**	197,015

Basic loss per share from discontinued operation is HK$6.3 cents (2016: earnings per share of HK$0.32 cents), based on the loss for the year from discontinued operation attributable to the owners of the Company of HK$20,554,000 (2016: profit of HK$633,000) and the denominators detailed above for basic loss per share.

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share has been adjusted for the share consolidation in November 2017. The denominator for the purpose of calculating basic and diluted loss per share in 2016 has been restated to reflect the effect of the share consolidation during the year ended 31 December 2017. The computation of diluted loss per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares for both 2017 and 2016.

11. TRADE RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables (net of allowance)	**1,936**	25,103

12. TRADE PAYABLES

	2017 HK$'000	2016 HK$'000
Trade payables	**4,960**	13,321

13. BORROWINGS

	2017 HK$'000	2016 HK$'000
Borrowings	**273,364**	183,219
Analysed into:		
Repayable within one year or on demand	**200,322**	113,600
Repayable within a period of more than one year	**73,042**	69,619
	273,364	183,219

The amount represented loans with aggregate principal amount of HK$269,855,000 (2016: HK$183,219,000), bearing interest rates ranging from 2% to 12% (2016: 2% to 12%).

14. BONDS PAYABLE

	2017 HK$'000	2016 HK$'000
Bonds payable	**19,112**	133,427
Analysed into:		
Repayable within one year or on demand	—	79,693
Repayable within a period of more than one year	**19,112**	53,734
	19,112	133,427

The amount represented bonds issued by the Company with aggregate principal amount of HK$20,000,000 (2016: HK$49,000,000), bearing interest rates ranging from 5% to 6.5% (2016: 5% to 6.5%) and effective interest rates ranging from 6% to 9% (2016: 6% to 9%).

15. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Issued and fully paid:		
At 1 January 2016	2,612,547	2,757,283
Issue of shares pursuant to voluntary conditional securities exchange offers *(Note a)*	1,330,132	135,877
Issue of shares pursuant to placing *(Note b)*	2,578,058	137,500
At 31 December 2016 and 1 January 2017	6,520,737	3,030,660
Share consolidation *(Note c)*	(6,194,700)	—
At 31 December 2017	**326,037**	**3,030,660**

Notes:

(a) 1,330,131,743 new shares were allotted and issued in May 2016 as a result of the acquisition of Rui Kang Pharmaceutical Group Investment Limited ("Rui Kang").

(b) 778,057,500 and 1,800,000,000 new shares were issued and allotted in September 2016 and November 2016 as a result of two placing of new shares.

(c) Pursuant to an ordinary resolution passed in the extraordinary general meeting held on 17 November 2017, share consolidation of 20 existing shares were consolidated into 1 share of the Company.

16. DISPOSAL OF SUBSIDIARIES

(i) In November 2016, a subsidiary of Rui Kang entered into a sale and purchase agreement with an independent third party for the disposal of its entire equity interest in Allied View International Limited at a consideration of HK$10,000,000. The disposal was completed in February 2017.

(ii) In April 2017, a subsidiary of Rui Kang entered into a sale and purchase agreement with independent third parties in relation to the disposal of its 30% equity interest in Magical Bloom Limited at a consideration of HK$41,000,000. The disposal was completed in June 2017.

(iii) The disposal of the Group's 11% equity interest in Rui Kang was completed in January 2017. In June 2017, the Company entered into a sale and purchase agreement with an independent third party to dispose of its 51.5% interest in Rui Kang for a consideration of HK$207,072,000. The disposal was completed in July 2017.

17. EVENTS OCCURRING AFTER THE REPORTING PERIOD

The events after the end of the report period are as follows:

(i) In March 2021, a subsidiary of the Company under the medical and well-being business filed a winding-up petition to the High Court of Hong Kong. In July 2021, the subsidiary was wound up by the High Court of Hong Kong.

(ii) In April 2023, a creditor of the Company filed a winding up petition against the Company relating to its claim for an outstanding debt of HK$16,175,304, together with the unpaid interest and cost thereon.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL RESULTS

Revenue

The Group recorded revenue of HK$120.5 million for the year ended 31 December 2017 (2016: HK$101.8 million).

Gross Profit

For the year ended 31 December 2017, the Group recorded gross profit and gross profit margin of HK$46.7 million (2016: HK$35.3 million) and 38.8% (2016: 34.7%) respectively.

Loss for the Year

For the year ended 31 December 2017, the Group recorded consolidated loss and consolidated loss attributable to the owners of the Company of HK$243.3 million (2016: HK$338.6 million) and HK$228.6 million (2016: HK$311.4 million) respectively.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Liquidity and financial resources

As at 31 December 2017, the Group had total assets and net liabilities amounted to HK$311.3 million (2016: HK$874.1 million) and HK$28.5 million (2016: net assets of HK$319.9 million) respectively. Its cash and bank balances amounted to HK$36.2 million (2016: HK$72.9 million) and liquidity ratio (calculated based on the Group's total assets to total liabilities) was 0.9 (2016: 1.6).

During the year end 31 December 2017, the Group's net cash outflow from operating activities amounted to HK$54.4 million (2016: HK$96.5 million), net cash inflow from investing activities amounted to HK$99.1 million (2016: outflow of HK$67.8 million) and net cash outflow from financing activities amounted to HK$78.2 million (2016: inflow of HK$147.2 million). As a result, the Group recorded a net cash outflow of HK$33.5 million for the year end 31 December 2017 (2016: HK$17.2 million).

As at 31 December 2017, the Group's total borrowings amounted to HK$292.5 million (2016: HK$380.0 million), including borrowings of HK$273.4 (2016: HK$183.2 million), convertible securities of HK$ Nil (2016: HK$2.0 million) and bond/note payable of HK$19.1 million (2016: HK$194.8 million).

Capital structure

As at 31 December 2017, the total number of issued shares and the issued share capital of the Company were 326,036,828 (2016: 6,520,736,569) and HK$3,030,660,000 (2016: HK$3,030,660,000) respectively. The change in the number of issued shares was due to the consolidation of 20 existing shares into 1 consolidated share which became effective in November 2017.

Capital Commitment

No significant capital commitment of the Group was outstanding as at 31 December 2017.

Exposure to fluctuation in exchange rates

The Group's cash flow from operations is mainly denominated in Hong Kong dollars. Its assets are mostly denominated in Hong Kong dollars, and liabilities are mainly denominated in Japanese Yen and Hong Kong dollars. The Group currently does not have a foreign currency hedging policy but will monitor the foreign exchange exposure closely and consider hedging if there is significant foreign currency exposure.

CORPORATE DEVELOPMENT AND FUTURE PROSPECTS

Suspension of trading

On 27 November 2017, the Company announced that the SFC had issued a direction under section 8(1) of the Securities and Futures (Stock Market Listing) Rules (Cap. 571V) to suspend trading in the shares of the Company with effect from 27 November 2017 because it had appeared to the SFC that the Company's announcement dated 22 June 2016 about the Group's acquisition of 9.9% issued shares of New Ray Medicine International Holding Limited contained materially false, incomplete or misleading information. Trading in the shares of the Company remained suspended as at the date of this results announcement pending the fulfillment of the following resumption conditions imposed by the Stock Exchange: (i) obtaining the SFC's approval to the resumption of trading in the shares of the Company; (ii) publication of all outstanding financial results in accordance with The Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and address any audit modification; (iii) demonstrating that the Company has sufficient level of operations and assets of sufficient value in compliance with the requirements of the Listing Rules; (iv) re-compliance with the requirements of the Listing Rules to have a minimum of three independent non-executive directors and three members in its audit committee; and (v) announcement of all material information for the Company's shareholders and other investors to appraise the Company's position. The Stock Exchange may modify the resumption conditions and/or give further guidance if the Company's situation changes.

Deconsolidation of health management business

The consolidated financial statements have been prepared based on the books and records maintained by the Group. However, since the management of the Health Management Subgroup did not facilitate the Company's auditors to conduct the necessary audit procedures and to access the books and records of the business, the directors of the Company considered that the control over the Health Management Subgroup had been lost. Since then, the Company neither had control over the operating and financial activities, nor any access to the underlying accounting books and records of the Health Management Subgroup. The directors of the Company considered it appropriate to deconsolidate the results, assets, liabilities and cash flows of the Health Management Subgroup from 1 January 2017.

The scheme

The Company, in view of its deteriorating financial situation since suspension of trading in its shares in November 2017, has been contemplating solutions to settle its debts. After due and careful consideration, the Board has resolved that it would be in the best interest of the Company, its creditors and shareholders (particularly the public shareholders) to conduct a debt restructuring by way of scheme of arrangement in order to restore the Company's financial and business positions to normality. The Company has been making strenuous efforts to pursue the scheme and, as at the date of this results announcement, the Company has solicited irrevocable support from its creditors of not less than 75% in value and not less than 50% in number to participate in the scheme. The Company appreciates the support of the majority of its creditors and the overwhelming support from the supporting creditors and their agreement to participate in the scheme strongly indicated that a majority of the creditors do intend to rescue the Company and are confident in the prospects of the Company in the long run.

Business development and prospects

All of the previous businesses of the Group had been wound down, liquidated or deconsolidated for reasons of the long suspension of trading, its heavy indebtedness, issues with management partners as well as the adverse impact of the COVID-19 pandemic. Despite the Company's very limited resources resulted from the long suspension of trading and heavy indebtedness as well as the disruptive impact of the COVID-19 pandemic on the business activities including those of the Group, the Company has been continuously exploring business opportunities to enhance long term shareholders' value. The Company, as a natural extension of its medical and well-being business segment and leveraging on its resources and business connections, has commenced the business of distribution of medical equipment and products ("Healthcare Business") in 2021. Notwithstanding the challenges arising from the Sino-United States trade conflict, the war in Ukraine, the disruptive changes in the business environment and disruption of supply chains in the midst of the COVID-19 pandemic as well as the worldwide interest and inflation hikes, the Healthcare Business progressed well in 2022. With the gradual opening up of the global, Hong Kong and China economy, the Group is confident that the Healthcare Business will further thrive in 2023 and beyond. Such confidence is apparently shared by the majority of the creditors in giving their irrevocable support to the scheme and their intention to become shareholders of the Company if resumption of trading takes place. Looking ahead, the challenges arising from the continuing Sino-United States trade conflicts, drastic and uncertain changes in the business environment as a result of the COVID-19 pandemic as well as the worldwide interest and inflation hikes will continue to take a hit on the global economy and may inevitably affect the Group's business operations. But the Company is confident that it will be able to survive all these challenges with the support of its creditors and business partners and, after implementation of the scheme, its financial position will return to normality and its businesses will improve steadily with good prospects.

FUND RAISING ACTIVITIES

The Company did not conduct any equity fund raising activities during the year ended 31 December 2017.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2017, the total number of employees of the Group was 55. The Group remunerates its employees based on their performance, working experience and the prevailing market rate. Other employee benefits include retirement benefits, insurance and medical coverage, training programs and share option scheme.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any shares of the Company.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving and maintaining a high standard of corporate governance. During the year ended 31 December 2017, the Company has complied with the code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules except for none of the existing non-executive directors being appointed for a specific term. However, since all the non-executive directors are subject to retirement by rotation at the annual general meetings pursuant to the articles of association of the Company, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those set out in the code.

AUDIT COMMITTEE

The principal responsibilities of the audit committee of the Company include: making recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditors; review and monitoring of the external auditors' independence and objectivity; development and implementation of policy on the engagement of the external auditors to supply non-audit services; monitoring integrity of the interim and annual financial statements as well as interim and annual reports and accounts; review of significant financial reporting judgments; ensuring that management has discharged its duty to have an effective internal control system. The final results of the Group for the year ended 31 December 2017 have been reviewed by the audit committee.

EVENTS AFTER THE REPORTING PERIOD

Please refer to note 17 of the consolidated financial statements.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors. Each of the directors has confirmed that he/she had complied with the required standards set out in the code during the year ended 31 December 2017.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The below paragraphs set out an extract of the report by the auditors of the Company, regarding the consolidated financial statements of the Group for the year ended 31 December 2017.

Disclaimer of opinion

We do not express an opinion on the consolidated financial statements of the Group for the year ended 31 December 2017 because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report.

Basis for disclaimer of opinion

1. Limitation of scope on accounting books and records of subsidiaries engaged in the operation of sports and healthcare clubhouses in China ("Health Management Subgroup")

   The directors of the Company considered that the control over the Health Management Subgroup had been lost. Since then, the Company neither had control over the operating and financial activities, nor any access to the underlying accounting books and records of the Health Management Subgroup. The directors of the Company considered it appropriate to deconsolidate the results, assets, liabilities and cash flows of the Health Management Subgroup from 1 January 2017.

   As a result of the above matters, we have not been able to obtain sufficient appropriate audit evidence to ascertain whether the income and expenses for the year ended 31 December 2017 and the assets and liabilities as at 31 December 2017 and other related disclosure notes in relation to Health Management Subgroup, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements. We have not yet obtained sufficient appropriate audit evidence to satisfy ourselves as to whether the loss on deconsolidation of approximately HK$20.6 million in profit or loss of the Group for the year ended 31 December 2017 have been accurately recorded and properly accounted for in the consolidated financial statements.

Accordingly, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded transactions and the elements making up the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2017.

2. Limitation of scope on accounting books and records of subsidiaries and associates which had been disposed, liquidated and deconsolidated.

   As explained in note 2 to the consolidated financial statements, the directors advised that since the disposal, liquidation and deconsolidation of certain subsidiaries and associates of the Group before our appointment as the auditors of the Group in February 2023 ("Disposed and Liquidated companies"), who the Group were unable to contact after the disposal/liquidation, the Company has retained the basic business records of these Disposed and Liquidated companies, including but not limited to management accounts, ledgers and sub-ledgers accounts, certain vouchers, bank statements, certain agreements and documentation (collectively referred to as the "Basic Records"), that were left behind by the former management and accounting departments of these Disposed and Liquidated companies as far as possible. The Basic Records were not considered to be of a sufficient level for our audit purposes. More specific business records and supporting explanations of the accounting records were needed for our audit, including but not limited to, (i) certain supporting documents of certain business transactions, such as invoices, receipts and purchase orders; (ii) detailed explanation of the accounting entries made (collectively, the "Specific Records"). In the absence of the Specific Records of these Disposed and Liquidated companies following the disposal/liquidation, the directors considered that they could only use their best endeavor to preserve the books and records that were left behind by the former management and the accounting department and they were unable to determine whether these Specific Records were complete in the first place, and they had no other access to such Specific Records despite they have taken all reasonable steps and have used their best endeavor to locate such Specific Records.

As a result of the above matters, we have not been able to obtain sufficient appropriate audit evidence to ascertain whether the income and expenses for the year ended 31 December 2017 and the assets and liabilities as at 31 December 2017 and other related disclosure notes in relation to these Disposed and Liquidated companies (including gain on disposal of subsidiaries of HK$74.5 million and gain on disposal of associates of HK$25.6 million) as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements. Accordingly, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded transactions and the elements making up the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2017.

3. Limitation of scope on opening balances, comparative figures and related disclosures

   As described in the preceding paragraphs, due to the absence of sufficient supporting documents and more detailed explanations in relation to the accounting records in connection to the opening balances and comparative information made available to the directors in respect of Health Management Subgroup and the Disposed and Liquidated companies, we were unable to obtain sufficient appropriate audit evidence over the account balances as at 31 December 2016 and the transactions and notes to consolidated financial statements of the Group and Company for the year then ended. Any adjustments that might have been found necessary to the Group's consolidated statement of financial position as at 31 December 2016 and 1 January 2017 would have a consequential effect on the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2016.

4. Non-compliance with HKFRSs and omission of disclosures

   As explained in note 2 to the consolidated financial statements, as the consolidated financial statements of the Group have been prepared based on incomplete books and records. Consequently, the directors of the Company were unable to confirm that the consolidated financial statements comply with Hong Kong Financial Reporting Standards (the "HKFRSs") or the disclosure requirements of the Hong Kong Companies Ordinance. Given these circumstances, which are more fully described in note 2 to the consolidated financial statements, there were no practicable audit procedures that we could perform to quantify the extent of adjustments that might be necessary in respect of the Group's consolidated financial statements.

Material uncertainty relating to going concern

We draw attention to note 2 to the consolidated financial statements, the Group incurred a net loss from continuing operations attributable to owners of the Company of approximately HK$228.6 million for the year ended 31 December 2017, and as at 31 December 2017, the Group had net current liabilities and net liabilities of HK$130.4 million and HK$28.5 million respectively, which included borrowings of HK$200.3 million that would be repayable within one year, while the Group's cash and cash equivalent balance was HK$36.2 million. The Group did not have sufficient cash and cash equivalents for immediate settlement of borrowings as mentioned above.

These factors, together with other matters disclosed in note 2, indicated the existence of material uncertainties that may cast significant doubt on Group's ability to continue as a going concern. However, our opinion is not modified in respect of this matter.

ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2017 will be despatched to shareholders and published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.648.com.hk) as soon as practicable.

For and on behalf of the board of
SoftMedx Healthcare Limited
Lam Sung Him Gaston
Company Secretary

Hong Kong, 19 May 2023

As at the date of this announcement, the Board comprises Mr. Chan Ka Chung, Mr. Cheung Wai Kwan and Mr. Wang Jianguo as executive directors; and Ms. Hu Xuezhen, Mr. Lin Pinzhuo and Mr. Yiu Chun Wing as independent non-executive directors.